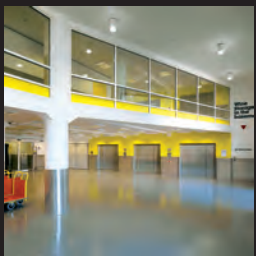
# Big Yellow Group PLC
Annual Report & Accounts
2009

Get some space in your life









THE BIG YELLOW SELF STORAGE COMPANY

Get some space in your life.™

WE ARE THE INNOVATIVE LEADERS IN THE UK SELF STORAGE INDUSTRY, PROVIDING INDIVIDUALS AND BUSINESSES WITH AN UNRIVALLED PRODUCT – THE BEST LOCATIONS, THE BEST QUALITY FACILITIES AND THE STRONGEST BRAND.

WE HAVE GREAT PEOPLE WHO DELIVER THE BEST CUSTOMER SERVICE. WE ACHIEVE THIS BECAUSE WE ENCOURAGE A CULTURE OF PARTNERSHIP WITHIN THE BUSINESS AND REWARD OUR PEOPLE FOR THEIR CONTRIBUTION.

## Contents



FTSE4Good

THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2009

# **The customer is at the heart of our business** and drives everything we do

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**Moving house**
Liz Bangs
"The staff were amazing; in fact, I would go as far as to say that they were the most helpful I have ever encountered."
Location: Brighton

**Throughout this report we present stories of some of our customers,** why they need self storage, why they chose Big Yellow and what they value about our service.

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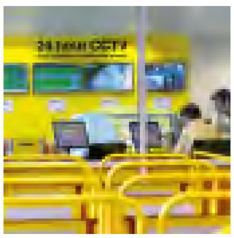
**Storing stock & equipment**
John Sturgess
"We were initially most impressed by the cleanliness and the safe feel of the store, and the staff made us feel very welcome."
Location: Norwich

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**Storing promotional materials**
Colin Patterson-Smith
"The extended hours facility gives me extra flexibility and helps me to manage my workload."
Location: Wandsworth

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**Decluttering**
Mike Jones
"When I first visited Big Yellow I was very struck with the safety of the store, the flexibility of the product and the high quality of service offered."
Location: Hounslow

# Measuring our progress in 2009…
## and what that means

**Highlights**

> Revenue increase of 3% in the year, with same store revenue reduction of 4%

> Adjusted EBITDA up 2% to £30.3 million

> Adjusted profit before tax of £13.8 million (2008: £15.0 million)

> Cash generated from operations increased by 8% to £33.3 million

> Loss before tax of £71.5 million, down from a profit of £102.6 million in the prior year principally due to the reversal of some of the revaluation gains booked in the prior year; and the cost of derivative positions that were closed out in the year

> Rehedging of interest rate derivatives, saving an estimated £5.4 million per annum at current monthly variable rates

> Adjusted net assets per share of 457.0p (2008: 522.0p)

> 54 stores open at 31 March 2009 providing 3.4 million sq ft of self storage space

> Refinancing of £325 million core banking facility with HSH Nordbank, expiring in September 2013

> Nine planning consents obtained since 1 April 2008

## Financial Highlights

| | Year ended 31 March 2009 | Year ended 31 March 2008* | % |
|---|---|---|---|
| Revenue | £58.5m | £56.9m | 3 |
| Adjusted EBITDA [1] | £30.3m | £29.6m | 2 |
| (Loss)/profit before tax | (£71.5m) | £102.6m | (170) |
| Adjusted profit before tax [1] | £13.8m | £15.0m | (8) |
| Basic (loss)/earnings per share | (62.86p) | 89.88p | (170) |
| Adjusted earnings per share [2] | 11.89p | 11.72p | 1 |
| Dividend – final | nil p | 5.5p | (100) |
| – total | nil p | 9.5p | (100) |
| Adjusted NAV per share [3] | 457.0p | 522.0p | (12) |
| Cash flow from operations | £33.3m | £30.8m | 8 |
| Wholly owned stores occupied space at year end [4] | 1,732k sq ft | 1,817k sq ft | (5) |

1 See note 10 2 See note 12 3 See notes 12 and 14 4 See Portfolio summary * restated see note 2

**Revenue increase of 3% in the year.**

+3%

**Adjusted EBITDA up 2%.**

£30.3m

**Cash flow from operations up 8%.**

+8%

**Adjusted profit before tax £13.8m.**

£13.8m

**54 stores open providing 3.4m sq ft of self storage space.**

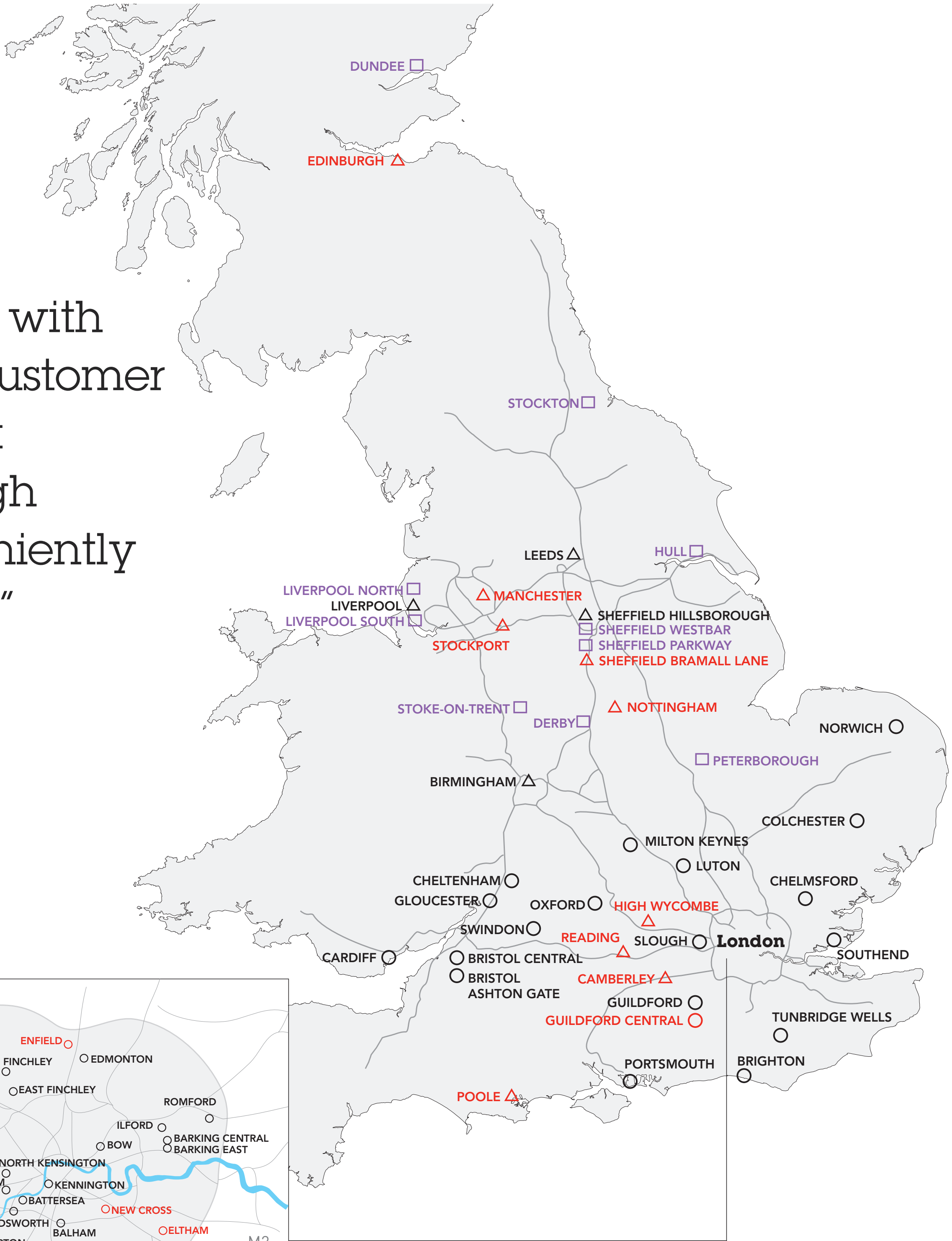
3.4m sq ft

**Adjusted net assets per share of 457.0p.**

457.0p

# 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."





KEY
- 51 Wholly owned stores
- 6 Wholly owned stores under development
- 4 Stores trading in Big Yellow Limited Partnership
- 9 Big Yellow Limited Partnership stores under development
- 10 Managed Armadillo stores

**London** – 38 stores and sites

DURING THE YEAR, WE OPENED SIX STORES: KENNINGTON, BIRMINGHAM, SHEFFIELD HILLSBOROUGH, LIVERPOOL, SHEEN AND BROMLEY.



Kennington

Birmingham

Sheffield Hillsborough

Liverpool

Sheen

Bromley

"...Self storage is a flexible, do-it-yourself concept that has changed the way people think about storing their possessions."

# **We have outstanding people…**
## providing the best service

Gemma Evans
**Sales Assistant**

"The training in the Company is very thorough, and this helps everyone to reach their potential."

Location: Finchley

Sally Mandelli
**Area Manager**

"Everybody is valued and I feel very proud to work for Big Yellow."

Heather McGeachy
**Sales Assistant**

"The working environment is stimulating and varied, with many opportunities to not only develop your career, but also reap the benefits of your hard work."

Location: Watford

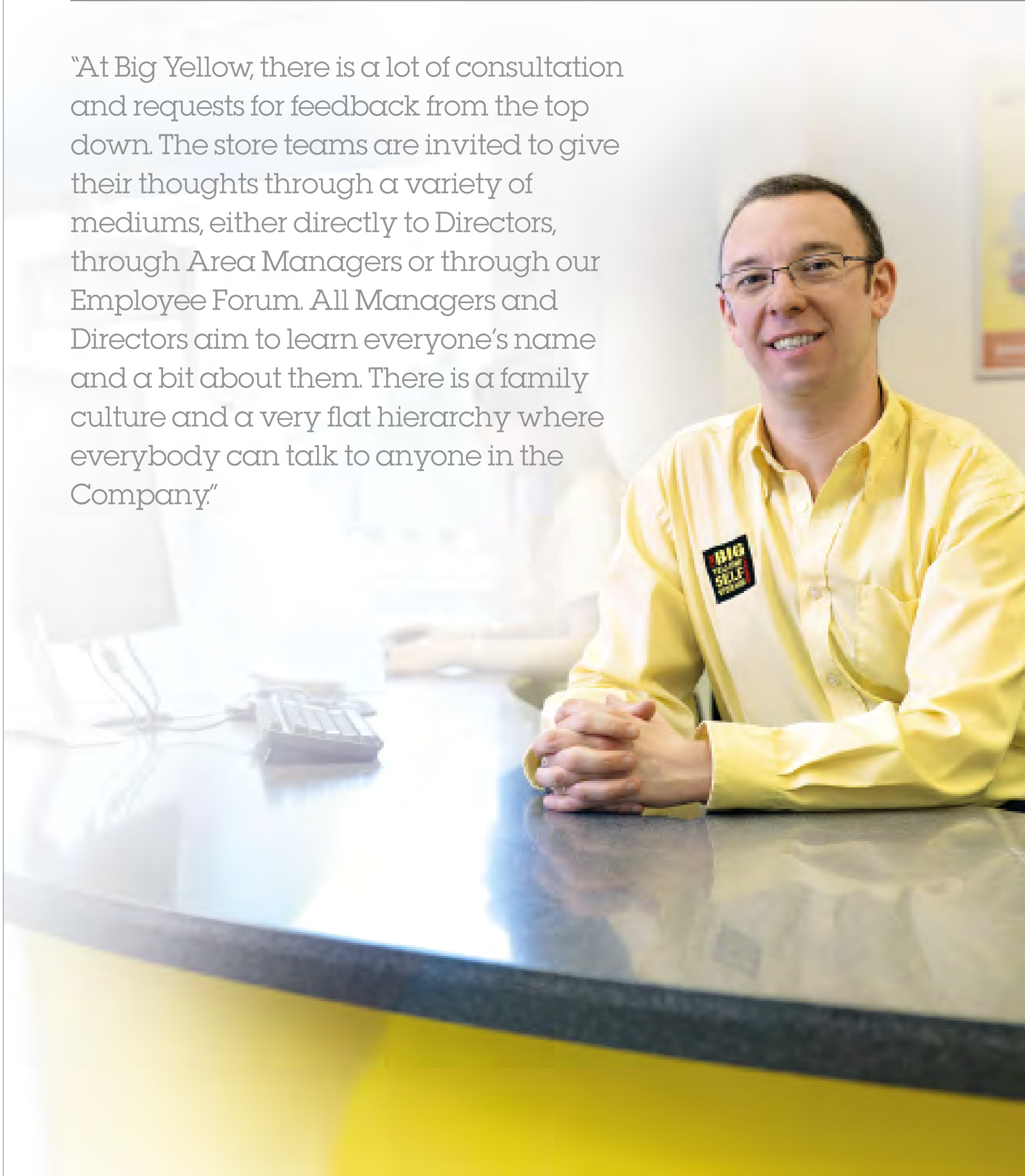
We had 273 employees in the business at 31 March 2009, and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow. We promote the individual development of staff through training and regular appraisals.

We are very pleased to have been included in the Sunday Times "Best 100 Companies to Work For" list for 2009. As a consumer facing business the wellbeing of our staff is of paramount importance.

AT BIG YELLOW WE AIM TO PROVIDE A LIVELY, FUN AND ENJOYABLE WORK ENVIRONMENT, WITHOUT LOSING THE COMMITMENT TO CUSTOMER SERVICE AND STANDARDS OF PERFORMANCE.

Gino Cacioppo
Area Support Manager

"At Big Yellow, there is a lot of consultation and requests for feedback from the top down. The store teams are invited to give their thoughts through a variety of mediums, either directly to Directors, through Area Managers or through our Employee Forum. All Managers and Directors aim to learn everyone's name and a bit about them. There is a family culture and a very flat hierarchy where everybody can talk to anyone in the Company."



# Chairman's Statement

Big Yellow Group PLC, the UK's leading self storage brand ("Big Yellow", "the Group" or "the Company"), is pleased to announce results for the year ended 31 March 2009.

Trading conditions and lead indicators over the past two months have shown a noticeable improvement, although activity levels remain below those enjoyed prior to August 2007, the beginning of the financial crisis.

**Financial Results**

Revenue for the year was £58.5 million (2008: £56.9 million), an increase of 3%. Revenue for the fourth quarter was £13.9 million in line with the same quarter last year.

Adjusted EBITDA increased by 2% in the year to £30.3 million.

The Group made an adjusted profit before tax in the period of £13.8 million (down from £15.0 million in 2008). The decline was primarily due to an increase in interest costs in the period, caused by higher debt levels.

The Group made a loss before tax for the year of £71.5 million, compared to a profit of £102.6 million last year. This loss is principally due to the reversal of some of the revaluation gains booked in the prior year; and the one off cost of unwinding various interest rate hedging arrangements in March.

Cash generated from operations rose to £33.3 million in the year (2008: £30.8 million), an increase of 8%.

Net bank debt of £308.1 million at 31 March 2009 (2008: £282.3 million) represents approximately 38% (2008: 33%) of the Group's investment property and development property assets totalling £808.7 million (2008: £855.0 million) and 57% (2008: 46%) of the adjusted net assets of £543.8 million (2008: £618.6 million).

In March of this year the Group settled outstanding derivative positions (with a weighted average expiry of 2.8 years on £190 million of its debt) at a cost of £14.9 million. Simultaneously the Group rehedged £120 million for seven years at 2.99% (excluding margin). A further £70 million is hedged for four and a half years with the remainder of the Group's debt floating. The Group's current average cost of borrowing is now 3.7% reduced from 6.2% at March 2008. This reduces the Group's current annualised interest bill by approximately £5.4 million at current monthly LIBOR.

**Dividend**

No Property Income Dividend is payable for the year, due to shadow capital allowances offsetting the Group's tax exempt profits. The Board recommended suspension of the discretionary interim dividend in November 2008. The reason for the suspension was to allow the Group to retain operating cash surpluses to build out its existing pipeline of London stores without increasing debt levels. The Board has therefore not proposed a final discretionary dividend.

The dividend policy will be reviewed and the discretionary ordinary dividend reinstated when that objective has been met and the Board feels it is prudent to do so.

**Valuation and Net Asset Value**

The value of the investment property portfolio at 31 March 2009 was £735.1 million, down from £750.9 million at 31 March 2008.

The investment property valuation of the 47 stores open at 31 March 2008 fell by £58.9 million, a fall of 8%. This is offset by the increase to the portfolio of £43.1 million as a result of two new stores opening and Sheen reopening, after redevelopment.

OVER THE LAST 10 YEARS BIG YELLOW HAS ESTABLISHED ITSELF AS THE UK'S LEADING SELF STORAGE BRAND WITH CUSTOMER RECOGNITION EXCEEDING OUR NEAREST RIVAL BY THREE TIMES.

The £52.8 million net revaluation deficit recorded in the income statement was principally caused by an increase in implied stabilised post administration yields which have moved from 7.67% to 8.64%. The stabilised yield on a pre administration basis is 9.09%. Encouragingly £53.4 million of the deficit occurred in the first half of the year with a gain of £0.6 million in the second half of the year, helped by new store openings.

Whilst we recognise that yields on commercial real estate assets more generally have increased significantly, we are sceptical that assets of this high quality in this sub-sector, where there is a scarcity of prime product, could be acquired at these levels. We estimate that there are approximately 117 self storage assets of this quality in the UK of which we own or part own 54. The remainder are owned by multi site competitors, who we doubt are sellers of their assets, in line with ourselves.

Land held for redevelopment or sale has been written down by £12.4 million over the year, offset by a small gain realised on the disposal of three pieces of surplus land.

The decrease in value of the property portfolio together with the cost of restructuring our interest rate swaps results in an adjusted fully diluted net asset value of 457.0p, a decrease of 12% over the prior year. See note 14 for detailed valuation assumptions and adjustment to purchasers' cost assumptions.

92% by value of the Group's 50 wholly owned open stores are freehold (including one long leasehold). The freehold proportion will increase as the Group opens stores in the development pipeline, all of which are freehold.

**Stores and the Brand**

Over the last 10 years Big Yellow has established itself as the UK's leading self storage brand with customer recognition exceeding our nearest rival by three times. We believe that this will have a significant impact as activity levels improve in coming years.

At the year end, occupied space in wholly owned stores represented 1,732,000 sq ft, down 5% from 1,817,000 sq ft at the same time last year. This represents a 55% occupancy rate across all 50 stores open at the period end (2008: 62%). The opening of three wholly owned stores in the year adding capacity of 206,000 sq ft, coupled with some occupancy loss in the same stores, has caused this reduction in the average occupancy across the portfolio.

A table summarising the performance of these 50 directly owned stores over the year can be found in the portfolio summary on page 24.

The portfolio of 32 same stores was 71% occupied at the end of the year (2008: 79%), with an average occupancy during the year of 75% (2008: 82%). In addition these 32 stores achieved EBITDA margins of 65% (2008: 65%). The 25 freehold stores within the 32 achieved EBITDA margins of 70% in the year (2008: 71%).

Same store revenue for these 32 stores decreased 4% year on year, 9% caused by the decline in average occupancy year on year, offset by a 5% increase in average storage rents. From May 2009, we have put through an annual storage rent increase of approximately 4.25% to existing customers across the whole store portfolio, which will come through in the first half of the current year. In addition, we increased empty room rates by approximately 5% on average across all stores at the end of March.

# Chairman's Statement
continued

**Big Yellow Limited Partnership ("The Partnership" or Joint Venture")**
Our joint venture with Pramerica Real Estate Investors Limited is performing well. Planning consents have been obtained on all but two of the sites. The Partnership has enjoyed considerable benefits from falling construction prices and interest costs, reducing the capital requirements. It is too early to make a definitive judgement but the initial trading performance of the stores in the North and Midlands has been relatively encouraging.

**Armadillo Management Agreement**
We were pleased to be appointed by HSBC Specialist Investments Limited to manage a portfolio of ten freehold stores in the North, under a five year management agreement, with the stores branded as Armadillo Self Storage. The Group will be entitled to certain management and incentive fees payable over the life of the agreement. By the end of this calendar year, we will either part-own or manage 17 stores in the Midlands and the North, giving us greater operational scale and efficiencies.

**Property**
We now have 16 stores in the pipeline, which when fully developed will represent an additional 1.05 million sq ft and when open will provide the Group with a total of 70 stores and 4.45 million sq ft. 9 stores (0.55 million sq ft) in the pipeline are held in the Joint Venture and 7 (0.5 million sq ft) are wholly owned.

The anticipated remaining capital expenditure on the nine stores in the Joint Venture is £49.2 million, which is fully funded through equity provided two thirds by Pramerica Real Estate Investors and a third by the Group, with the balance provided from a committed development finance facility.

The seven freehold stores in the core Group consist of six prime sites in London (Chiswick, Eltham, Enfield Gypsy Corner, New Cross and Twickenham), and one in central Guildford. The capital expenditure that would be required to complete the seven wholly owned development sites, (including Twickenham which opened in May and the completion of the purchase of Enfield) is approximately £53 million.

Approximately 60% of our total stores and sites by area are located within the M25 and 63 are freehold or long leasehold. In the year we have opened six stores, including three within the Partnership.

We have obtained planning consents on nine stores since 1 April 2008, including at Eltham where we have recently had our planning appeal allowed. In addition on a further two sites applications have been submitted. We now have consent on all but three of our development pipeline of sites.

During the year we sold £3.8 million of surplus land, and sold five sites to the Partnership for £22.8 million. We now have £25 million of surplus land which we are seeking to sell over the next 18 months.

**Our People**
As we have consistently reported over the last seven years, the Big Yellow team has remained largely stable, both at Head Office and within the stores. Never complacent on this issue however, we are constantly investing in our people, which we believe is reflected in the very high customer satisfaction responses that we receive. I am delighted that this year we will be celebrating the 10th anniversaries of 17 valued members of our team, who have been with us from the very early days of the business.

WE ANTICIPATE THAT, PROVIDING CONDITIONS CONTINUE TO IMPROVE, WE WILL OVER TIME MIGRATE FROM A HIGHLY DEFENSIVE STANCE TO A MORE AMBITIOUS AND OFFENSIVE STRATEGY.

We are very pleased to have been included in the Sunday Times "Best 100 Companies to Work For" list for 2009. As a consumer facing business the wellbeing of our staff is of paramount importance and therefore my thanks and congratulations go to all who made it possible, notably our Human Resources team.

In the year, David Ross resigned from the Board as a Non-Executive Director much to my regret. He remains a significant and supportive shareholder.

I would like to welcome two new Non-Executive Directors to the Board. Tim Clark joined in August and Mark Richardson in July as Senior Non-Executive and Chairman of the Audit Committee respectively. Tim Clark has recently retired from a long career at Slaughter and May, the last seven years of which were as senior partner. Mark Richardson was a senior audit partner, working in the real estate practice at Deloitte LLP, from which he retired in 2008. Already they have made a significant contribution to the Boardroom.

I would like to take the opportunity of thanking all the people who work at Big Yellow for their continued efforts, loyalty and hard work which, at the risk of repetition, really does make the difference between success and failure in our business.

**Outlook**

Lead indicators including improved customer reservations, the volume of telephone and web enquiries together with higher internet traffic give us cautious grounds for more optimism. This would appear to be consistent with recent survey evidence showing a slowly improving picture in relation to housing transactions, albeit that these are coming off very low levels. We have however no doubt that the recovery of trading to more normalised levels will take some time, given the continued restricted supply of credit and rising unemployment levels.

We therefore remain highly focussed on risk and the downside but are beginning to turn our attention, and increasingly so, to the next phase of growth and our strategy for continuing to build on Big Yellow's position as the market leader and the most recognised brand in our industry.

We anticipate that, providing conditions continue to improve, we will over time migrate from a highly defensive stance to a more ambitious and offensive strategy.

Our four main objectives over the medium term are:

- Fill the vacant capacity of our existing store portfolio
- Build out the sites which we currently own
- Expand the store portfolio beyond the current commitment, with particular emphasis on London
- Reinforce and improve our already market leading brand position

**Nicholas Vetch**
Chairman
15 May 2009

# Business Review

### Introduction

This has been a challenging year for the Group, as the financial crisis which started in August 2007 has turned into a deep economic downturn. Nevertheless, our performance has been relatively resilient, although not immune. We believe that resilience is owing to a combination of factors including:

- a prime portfolio of freehold self storage properties
- successful acquisition and development of new stores
- the strength of operational management
- the UK's leading self storage brand, with high public awareness
- strong cash flow generation and high operating margins
- flexible and conservative financing, with a senior debt facility in place until 2013, and partial hedging in place to 2015

### Business Objectives

In recent years, Big Yellow has established itself as the leading self storage brand in the UK (YouGov Survey, September 2008), a key objective set at flotation. The Group continues to invest in developing quality assets at the premium end of the self storage market and to build on our brand leadership nationally. We intend to measure our progress by commissioning quantitative research each year. We opened our first store outside our core area, in Leeds in 2005 and have opened sites this year in Birmingham, Liverpool and Sheffield. We have further sites under development in Manchester, Stockport, Nottingham, Edinburgh and a second site in Sheffield.

The main elements of our strategy remain:

- the selective build out of freehold stores in major urban conurbations throughout the UK
- retaining a focus on London and the South East in the core Group
- financing using flexible bank borrowings secured against a prime freehold portfolio, and more recently the Partnership with Pramerica
- locating stores in visible, convenient and accessible locations
- an unwavering focus on customer service
- excellent operational and financial management generating strong cash-flow growth
- innovative and creative marketing
- an entrepreneurial and passionate culture, with accessible senior management encouraging innovation and dialogue throughout the business
- recruiting and retaining quality people into the business

### Financing Objectives

Big Yellow's financing policy is to fund its current needs through a mix of debt and equity in building out the existing portfolio and achieving our strategic growth objectives, which we believe will improve returns for shareholders.

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

The level of bank debt in the business is closely monitored against the Board's policy guidelines, which currently require that the ratio of net debt to gross property assets is no greater than 50% and interest cover not less than 2 times based on net operating income, comfortably ahead of its banking covenants. However, it is acknowledged that there may be limited periods where income cover temporarily falls slightly below 2 as a result of known factors, for example a number of new store openings, as new freehold stores typically make a loss for the first three to six months before breaking even at the net operating income level.

### Risk Management

The management of risk is a fundamental part of how we have controlled the development of Big Yellow since its formation in September 1998, and the opening of our first purpose built store in Richmond, London in May 1999.

### Self Storage Market Risk

We noted last year that the credit crunch which started in August 2007 impacted the availability of mortgages to home owners which in turn has caused a significant reduction in housing market activity. We have now entered a deep recessive cycle in the global economy. Demand for self storage has slowed since the start of the credit crunch, however we believe that the structural need for self storage remains, and we are pleased at the relative resilience that has been shown to date by the sector. We have increased storage rents to customers by on average 4.25% from May 2009. Over the last six years average net storage rental growth has been 4.5% per annum.

BIG YELLOW ONLY INVESTS IN PRIME LOCATIONS, DEVELOPING HIGH QUALITY SELF STORAGE CENTRES IN THE LARGE URBAN CONURBATIONS WHERE THE DRIVERS IN THE SELF STORAGE MARKET ARE AT THEIR STRONGEST.

Of the customers moving into the business in the last year, our surveys indicate approximately 54% is in some way linked to the housing market of which 26% are customers renting storage space whilst moving within the rental sector, and the balance moving within the owner occupied sector. We have seen an increase in demand from customers within the rental sector during the year, in part caused by the decline in the housing market and availability of credit. Customers within the rental sector will typically stay longer in the stores than the shorter demand profile of house move customers. 12% of our customers who moved in during the year rent storage space as a spare room for lifestyle purposes and approximately 20% of customers used the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited furniture, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 14% of our customers are businesses ranging from start ups and market traders to retailers and larger multinationals storing stock, documents, equipment, or promotional materials all requiring a convenient flexible solution to their storage, either to get started or to free up more expensive space. The demand from business customers, who typically occupy larger rooms, has been relatively robust, as they seek a cost effective, flexible solution to their storage requirements, preferring self storage to the commitment of a long lease.

Self storage is an immature market in the UK compared to other markets such as the United States and Australia, and we believe has further opportunity for growth. Awareness of self storage and how it can be used by domestic and business customers is relatively low throughout the UK, although higher in London. The rate of growth in branded self storage on main roads in good locations has historically been limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent. The lack of availability of credit within the economy has further reduced this rate of growth in recent months.

Big Yellow only invests in prime locations, developing high quality self storage centres in the large urban conurbations where the drivers in the self storage market are at their strongest and the barriers to competition exist.

Liz Bangs

Location: Brighton

"I have used Big Yellow twice. The first time was when I moved house a few years ago. I left quite a big house in Devon for a much smaller one in Brighton, and we kept most of our things in storage for about four months and slowly moved bits in. It made the move much easier, less sudden and traumatic. The staff were amazing; in fact, I would go as far as to say that they were the most helpful I have ever encountered. It was an extremely stressful time, but they were so reassuring. Storage spaces can be a big impersonal box but the staff made it a very personal experience.

The second time was when we had our loft converted. We were able to create space for the builders whilst the work was carried out."

82%

**Brand awareness now 82% in London, an increase of over 30% year-on-year**

John Sturgess
Owner of Snowfit Ltd

Location: Norwich

"At Snowfit, we sell skiing and snowboarding equipment, and have been using Big Yellow for over 8 years. Our stores, one on the outskirts and one in the centre of Norwich, have very little storage space, so we use Big Yellow as a flexible stock room. This has enabled us to carry a wider product range than some of the bigger nationwide chains.

We were initially most impressed by the cleanliness and safe feel of the store and the staff have always made us feel very welcome. In winter, when we are busiest, we'll visit our rooms every day to collect stock. This helps us to ensure that our products are always available."

+59%

**Traffic to our website +59% year-on-year**

# Business Review
continued

We have a large current storage customer base of approximately 28,500 spread across the portfolio of open stores and many thousands more have used Big Yellow over the years. In any month, customers move in and out at the margin resulting in changes in occupancy. Despite the current environment, this has remained a seasonal business and typically one sees growth over the spring and the summer months, with the seasonally weaker periods being the winter months. The performance in terms of occupancy, revenue and EBITDA of our stores can be seen from the Portfolio Summary on page 24.

The average length of stay in Big Yellow's stores is increasing. At 31 March 2009 the average length of stay for existing customers was 18.0 months; a marked increase on 15.6 months in the prior year. For all customers, including those who have moved out of the business, the average length of stay has increased from 8.0 months to 8.4 months. This translates into a loyal customer base. In our 32 same store portfolio, 36% of our customers have been storing with us for over three years. A further 19% in these stores have been in the business for between one and three years.

**Property Risk**

We have slowed down our real estate acquisition programme; focussing during the year on building out selected sites within our development pipeline, and conserving available facilities within the business. We believe the current difficulties in the banking and capital markets make access to capital required to fund growth more difficult and will slow down the growth in self storage store openings in the market generally. We believe that we are in a relatively strong position with our freehold property assets, with the proven ability to access more funding when the opportunity presents itself.

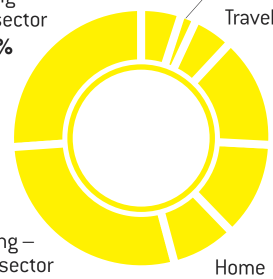
The planning process remains difficult with some planning consents taking in excess of twelve months to achieve. We do take planning risk where necessary, although the more distressed property market will in our view provide more opportunity to buy sites on a conditional basis.

Big Yellow's management has significant experience in the property industry generated over many years and in particular in acquiring property on main roads in high profile locations and obtaining planning consents.

**Proportion of current customers – Same stores by length of stay in the business**




**Big Yellow users**




In the year under review we acquired just one site, in Stockport, within Big Yellow Limited Partnership. We now have a portfolio of 70 stores and sites of which 54 are currently open and a further 13 have planning consents. We have surplus land of £25 million which we are seeking to sell in the next 18 months.

We manage the construction of our properties very tightly. The building of each site is handled through a design and build contract, with the fit out project managed in-house using an established professional team of external advisors and sub-contractors who have worked with us for many years to our Big Yellow specification.

We achieved two significant sustainability milestones during the year. Our Sheen store achieved the highest 'Excellent' rating on the Building Research Establishment's Environmental Assessment Methodology (BREEAM), in the industrial buildings category, and our new store at Twickenham achieved an A+ rating on carbon emissions, indicating that it has net zero $CO_2$ emissions.

**Treasury Risk**

The Group borrows in sterling at floating rates of interest and uses swaps to hedge its interest rate exposure. The Group has derivatives in place to ensure at least 50% of our bank borrowings are hedged, the balance is left floating paying margin over LIBOR. At 31 March 2009, we had hedging instruments in place over 61% of our outstanding bank borrowings, including hedging of at least 70% of the investment tranche of our senior debt facility, as required by our loan documentation. The Group does not hedge account its interest rate derivatives; all movements in fair value are taken through the income statement.

The Group monitors compliance with its banking covenants closely. During the year it complied with all its covenants, and is forecast to do so for the foreseeable future.

Our portfolio is relatively high yielding and we believe a flexible approach to our hedging is appropriate for our strategic aims, given our conservative balance sheet.

**Interest Cover and Balance Sheet Risk**

The Group reviews its current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis assuming movements in interest rates and occupancy in the stores on gearing and interest cover.

**Credit Risk**

Our customers are required to pay a deposit when they start to rent a self storage unit and are also required to pay in advance for their four-weekly storage charges. The Group is therefore not exposed to a significant credit risk. 70% of our customers pay by direct debit. Since the commencement of the credit and liquidity issues in August 2007, we have not seen an increase in the levels of bad debts and arrears.

**Taxation Risk**

The Group is exposed to changes in the tax regime affecting the cost of corporation tax, VAT and Stamp Duty Land Tax ("SDLT"). We regularly monitor proposed and actual changes in legislation with the help of our professional advisors and through trade bodies to understand and, if possible, mitigate or benefit from their impact.

**Real Estate Investment Trust ("REIT") Risk**

The Group converted to a REIT with effect from 15 January 2007. The Group is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation. The Group has internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with. To date all REIT regulations have been complied with.

**Human Resources Risk**

At Big Yellow we have developed a professional, lively and enjoyable working environment and believe our success stems from attracting and retaining the right people. We encourage all our staff to build on their skills through appropriate training and regular performance reviews. We believe in an accessible and open culture and everyone at all levels is encouraged to review and challenge accepted norms, so as to contribute to the performance of the Group.

**Reputational Risk**

Big Yellow's reputation with all its stakeholders is something we value highly and will always look to protect and enhance. We aim to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen to and take account of their views. Big Yellow's Intranet and Website (bigyellow.co.uk) are important avenues of communication for both employees and shareholders.

# Business Review
continued

**Customer average length of stay – 31 March 2009**

| Age of store | | < 1 Year | 1-2 Years | Stores (No. of Months) 2-5 Years | >5 Years | Portfolio | 31 March 2008 |
|---|---|---|---|---|---|---|---|
| **No. of Stores** | | **6** | **6** | **13** | **29** | **54** | |
| **Domestic** | Existing | 4.0 | 5.8 | 12.0 | 20.2 | **17.6** | 15.1 |
| | Vacated | 2.1 | 2.9 | 4.6 | 6.5 | **6.2** | 5.9 |
| | Total | 3.0 | 4.2 | 6.2 | 8.2 | **7.8** | 7.5 |
| **Business** | Existing | 5.1 | 5.6 | 14.9 | 21.5 | **19.4** | 17.2 |
| | Vacated | 1.7 | 3.9 | 6.7 | 9.6 | **9.3** | 8.5 |
| | Total | 4.3 | 5.0 | 10.0 | 13.1 | **12.5** | 11.7 |
| **All** | Existing | 4.2 | 5.8 | 12.5 | 20.6 | **18.0** | 15.6 |
| | Vacated | 2.1 | 3.0 | 4.8 | 6.8 | **6.5** | 6.2 |
| | Total | 3.2 | 4.3 | 6.6 | 8.8 | **8.4** | 8.0 |

**Stores**

During the year we opened six stores, three wholly owned stores in London (at Kennington, Sheen and Bromley), and three within Big Yellow Limited Partnership at Sheffield, Birmingham and Liverpool. These store openings bring the number now trading in the Group and the Partnership to 54. The available net lettable space increased by 380,000 sq ft over the year to 3.4 million sq ft with the opening of these six stores.

The maturity profile across the 50 wholly owned stores open at the end of the year is set out in the Portfolio Summary on page 24 and shows a blended occupancy for the portfolio of 55% (1.7 million sq ft occupied), with the same stores at an average occupancy of 75% (2008: 82%). The fall in average occupancy reflects the more difficult trading conditions experienced through the year, and is primarily as a result of weakness in our mid-range room sizes typically used by owner-occupiers staying relatively short periods and moving within the housing market. Our ability to manage rental yields through price increases has meant that despite the impact of a 9% occupancy fall on the same store portfolio, the reduction in revenue year on year was limited to 4%.

There are a further 16 freehold sites (including nine sites within Big Yellow Limited Partnership). These sites are at various stages of planning and construction which, when fully developed, will increase the total capacity of the portfolio to 4.5 million sq ft.

6 of the 16 sites in the development pipeline are located in Greater London, including Twickenham which opened in May, which we believe will continue to improve the quality of our store portfolio. There are five sites currently under construction in the Partnership and the trading results from recently opened stores in the north are encouraging.

We continue to work on obtaining planning consents for all future stores. We expect to open six stores in the current financial year, one within the core Group, and five within the Partnership.

During the year we moved in over 34,000 customers taking 2.1 million sq ft compared to 40,000 customers taking 2.4 million sq ft last year. This resulted in the wholly owned stores reducing in occupancy by 85,000 sq ft (37,000 sq ft increase last year). Of the 50 wholly owned stores open at the year end 47 are now trading profitably with the other 3 being recent openings.

The Big Yellow store model is now well established. The "typical" store contains 60,000 sq ft and takes some 3 to 4 years to achieve 85% occupancy. The average room size is 60 sq ft and the average net rental achieved last year across the 50 wholly owned stores was £26.53 per sq ft per annum (the average rent in London is higher at £28.75 per sq ft per annum). The stores in lease-up achieved a higher average rental (£27.00 per sq ft) than the mature stores (£26.42 per sq ft), reflecting the greater London weighting of the lease-up stores.

The store is initially run by three staff – adding a part time member of staff once the store occupancy justifies the need for the extra administrative and sales workload. Given that the operating costs of these assets are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Excellent customer service is at the heart of our business objectives, as a satisfied customer is our best marketing tool. We measure customer service standards through a programme of mystery shoppers and ex-customer surveys. We have in place a team of Area Managers who have on average been with Big Yellow for six years. They develop and support the stores to drive the growth of the business. Adrian Lee, Operations Director, is the Board member responsible for dealing with all customer issues.

The store bonus structure rewards occupancy growth, sales growth and cost control through setting quarterly targets based on occupancy and store profitability, including the contribution from ancillary sales of insurance and packing materials. Information on bonus build up is circulated monthly and stores are involved in preparing their own targets and budgets each quarter, leading to improved visibility, a better understanding of sales lines and control of operating costs.

The Group manages the construction and fit-out of its stores in-house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget. The total construction spend in the year was £36 million. We currently have six new stores on site, all of which will open in the financial year 2009/10.

We believe that as a customer facing real estate business it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in a rolling programme of store makeovers, preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as lifts and gates.

During the year we were pleased to sign a management agreement with a subsidiary of HSBC Bank plc to manage a portfolio of ten freehold stores, branded as Armadillo Self Storage. We have been operating the stores for two months. Our initial activity has consisted of moving the staff onto our centralised systems and training the staff on our way of working. We are currently working on rebranding all the stores with a new Armadillo Self Storage livery. The portfolio will shortly be integrated on our website and we look forward to working with HSBC to maximise value over the five year term of our management contract.

**Sales and Marketing**

This year we have reinforced our position as the clear brand leader in the UK self storage industry.

We are at the forefront of online innovation, and in February 2009 we launched our new website, building on our unique online reservation and real-time pricing system. The website is structured around educating browsers and communicating our best quality facilities and value for money. As a result of this, our conversion rate of online enquiries has doubled. Traffic to the website has grown by 59% year-on-year, and all our advertising budget is now dedicated to online activity. During 2008, we invested in new tools to help us measure and continually optimise our online marketing. We are constantly looking to improve our e-commerce proposition and we will continue to lead the industry in this area.

We commission annual awareness surveys and our Brand continues to grow strongly. Highlights from this year's survey include:

- Brand awareness across the UK has grown by 30% this year
- We have achieved Brand awareness of 82% in London, an increase of 30% over the previous year
- Our Brand awareness is still three times the level of our nearest competitor
- 80% of our customer base continues to fall within the top three ACORN customer categories
- Big Yellow leads the industry in terms of Brand preference, with more potential customers expecting to use Big Yellow than any other Brand

Source: YouGov, September 2008

A thorough understanding of self storage (ie a full awareness of the service provided and its benefits) grew more rapidly this year, with 50% of the UK population having at least a reasonable knowledge of the product. In spite of this growth, educating the public about our top quality service and facilities continues to be at the core of our marketing programme.

Mike Jones

Location: Hounslow

"I work as an Interim Turnaround Director in large corporations. I use Big Yellow to store my children's possessions, who have now left home. When I first visited Big Yellow I was struck with the security of the store, the flexibility of the product and the high quality of service offered. I use Big Yellow for long term storage so I don't need regular access, but it's very re-assuring to know that my possessions are in such safe hands."

65 stores

**We now operate 65 stores across the UK**

Colin Patterson-Smith

Location: Wandsworth

"I use Big Yellow to store promotional literature and display materials used for road shows events. I chose them because of their convenient location and competitive price, and I visit my room regularly depending on frequency of events. Because of my work I often need to access my goods outside of normal working hours, and the extended hours facility gives me extra flexibility and helps me to manage my workload."

x2

**Since the launch of our new website, the conversion rate of online enquiries has doubled**

# Business Review
continued

We continually monitor local market conditions and review our promotions regularly. Our strategy is to offer targeted promotions to ensure we are offering the best value available to our customers, whilst ensuring that we achieve our rental yield objectives.

Local marketing, selling standards and customer service at store level are also critical to building the brand and achieving customer loyalty and recommendations. We invest significantly in training and have a reward structure and performance monitoring systems which focus specifically on achieving sales and customer service objectives.

During the year the Group spent approximately £2.6 million (4.5% of our revenue) on marketing, in line with the previous year. It is our intention to continue to invest 4.25% to 4.5% of our revenue to increase awareness of Big Yellow in existing and new markets, particularly as we expand into new cities across the country.

### Security

The safety and security of our customers and stores remains a key priority. To achieve this we invest in state of the art access control systems, individual room alarms, digital CCTV systems, intruder and fire alarm systems and the remote monitoring of all our stores out of our trading hours.

We have implemented customer security procedures in line with advice from the Metropolitan Police and continue to work with the regulatory authorities on issues of security, reviewing our operational procedures regularly. The importance of security and the need for vigilance is communicated to all store staff and reinforced through training and we have continued to run courses to enhance the awareness and effectiveness of our procedures in relation to security, entitled "You and Your Customer".

### People

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

We encourage a culture of partnership within the business and believe in staff participating in corporate performance through bonus schemes and share incentives. Many employees benefit from an HMRC approved

Sharesave Scheme, which provides an opportunity to invest in the future success of Big Yellow at a discount to the prevailing share price at the date of each invitation. Our stakeholder pension scheme managed by Friends Provident, has been taken up by nearly 70% of employees eligible to join and a voucher awards scheme is used extensively across the business to recognise and reward our staff.

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

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

We had 273 full, part time and casual employees in the business at the year end (2008: 226 employees), and recruiting and retaining the right calibre people remains critical to the continued success of the Company.

We promote the individual development of staff through training and regular performance appraisals and delivered nearly 900 days training to employees in the last year, equating to an average of approximately 3.5 days training per employee. In the stores, nearly 60% of the managerial posts have been filled by internal promotions.

The Remuneration Committee has been conducting a benchmark review of the Executives' remuneration with a view to developing a long term share based bonus plan for next three to five years. Further details are included in the Remuneration Report and will be included in the Notice of the Annual General Meeting.

In March of this year, we were delighted to have been recognised as one of the Sunday Times 100 Best Companies To Work for 2009 and also to have achieved Two Star Status for the Best Companies Accreditation.

### Corporate Social Responsibility

The Board appointed a Corporate Social Responsibility Manager last year. We remain committed to our formal corporate social responsibility ("CSR") policy. This is shown below.

### Corporate Social Responsibility Policy

The Board recognises that high levels of corporate social responsibility ("CSR") linked to clear commercial objectives, will create a more sustainable business and increase shareholder and customer value. This Policy will cover all of Big Yellow's operations, as both a self storage developer and operator. Big Yellow is seeking to meet the demand for self storage from businesses and private individuals providing the storage space for their commercial and / or domestic needs, whilst aiding local employment creation and contributing to local community regeneration.

The Board commits itself to:

> Complying with relevant social and environmental legislation
> Establishing a formal integrated CSR management structure to implement "best practice"
> Preventing pollution and the waste of resources to protect the environment
> Consulting with stakeholders on social aspects to improve their services to the Group
> Providing capital for sustainable development that is economically viable
> Reporting annually on improving ethical, community and environmental performance

Operationally, Big Yellow commits to:

> **Development** – to address relevant issues on local community and climate change aiming to achieve best practice on sustainability checklists and local planning guidance

> **Design** – to minimise its carbon footprint as far as practicable through the application of passive building principles, viable renewable energy and other sustainability criteria

> **Construction** – to aim for build site sustainable practices by raising environmental and health and safety standards through the Considerate Constructors Scheme

> **Estates and Facilities** – to monitor energy, waste and water provider performance in order to identify areas for operational efficiency improvements

> **Operations** – to keep store managers and customers informed of the ethical, safety, security, energy use and waste minimisation aspects of storage and packaging

> **Sales, Marketing and Customer Care** – to facilitate external communication of sustainability and ethical market differentiation and improve customer satisfaction

> **Human Resources** – to integrate the Group CSR policy within all training programmes, employee communications, and benefits initiatives, whilst continuing to promote charitable giving, employment creation and staff retention

> **Office Management and Information Technology** – to facilitate internal communication of environmental performance and cost effectiveness of energy usage, waste paper reduction, recycled paper usage, and the recycling of waste paper

The CSR Manager will facilitate the Board and Group Operations to achieve these commitments by establishing more specific objectives within the existing management structure and implementing guidance to meet agreed continuous improvement targets. The CSR Manager is also responsible for recording key performance indicators for annual reporting and review by the Board.

A detailed review of our work in corporate social responsibility is included within the CSR Report on pages 32 to 38.

# Financial Review

## Financial Results

Revenue for the year was £58.5 million, up 3% from £56.9 million for 2008. Other sales (included within the above), comprising the selling of packaging materials, insurance and storage related charges represented 17% of storage income for the year (2008: 17%) and generated revenue of £8.0 million for the year, up 1% from £7.9 million in 2008.

The EBITDA margin remained consistent at 65% for the 32 same stores (see the Portfolio Summary on page 24). There was a reduction in revenue of 4% for the 32 same stores, but the effect of this on the margin was offset by a reduction in same store operating costs of 4%.

The Group made a loss before tax in the year of £71.5 million, down from a profit of £102.6 million in the prior year. The main difference is due to the revaluation of the open store portfolio being a deficit of £52.8 million against a £92.8 million surplus last year. This has principally been caused by unfavourable yield shifts.

After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below the Group made an adjusted profit before tax in the year of £13.8 million, down 8% from £15.0 million in 2008. This was principally caused by higher interest costs in the year.

| (Loss)/profit before tax analysis | 2009 £m | 2008 £m |
|---|---|---|
| (Loss)/profit before tax | **(71.5)** | 102.6 |
| Loss/(gain) on revaluation of investment properties | **52.8** | (92.8) |
| Movement in fair value on interest rate derivatives* | **18.0** | 3.4 |
| Net losses on non-current assets | **11.6** | 0.5 |
| Prior year non-recurring costs | **–** | 1.1 |
| Refinancing costs | **1.3** | – |
| Share of non-recurring costs in associate | **1.6** | 0.2 |
| Adjusted profit before tax | **13.8** | 15.0 |

* included within the £18.0 million is £14.9 million in respect of derivative positions that were closed out in the year.

The basic loss per share for the year was 62.86p (2008 earnings per share: 89.88p) and the fully diluted loss per share was 62.34p (2008 earnings per share: 89.20p). The reversal is principally due to the revaluation deficits as described above. Adjusted earnings per share based on adjusted profit after tax was 11.89p (2008: 11.72p) (see note 12).

**Administrative Expenses** were lower at £5.8 million compared to £6.7 million in 2008, which after adjusting for exceptional items incurred in the year ended 31 March 2008 of £0.75 million, represents a fall of £0.15 million on the prior year, or 3%. This is as a result of tight cost control in the Group. Salaries for all staff have been frozen for the year ended 31 March 2010, no Directors' bonus has been paid for the year and we have sought to reduce cost in the Group where possible.

From 1 April 2008, in accordance with changes to International Accounting Standards, we have capitalised interest against our development pipeline. This necessitated a restatement of the prior year comparatives of the Group, please see note 2 for further details. In the year ended 31 March 2009 interest capitalised amounted to £1.9 million (2008: £1.7 million).

**Interest Expense on Bank Borrowings** net of capitalised interest for the year increased to £16.2 million up from £14.2 million in 2008 reflecting the increase in net borrowing over the period. The average cost of borrowing during the year was 5.9% against 6.3% in the prior year.

Interest payable has increased in the income statement from £15.7 million to £17.5 million because of the increase in interest costs as above, offset by a lower interest cost on finance leases, due to the purchase of two store freeholds in the prior year.

The costs of refinancing the core debt during the year amounted to £1.3 million. This included the break costs of the previous facility and the costs to novate the existing financial instruments to the new facility. These have been expensed in the year, and are added back in arriving at the adjusted profit before tax figure.

In March of this year the Group settled outstanding derivative positions at a cost of £14.9 million. This cost is included in the income statement, but is added back to the adjusted profit before tax calculation.

## REIT Status

The Group converted to a Real Estate Investment Trust ("REIT") on 15 January 2007. Since then we have benefited 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 fees earned from Big Yellow Limited Partnership, from the management of the Armadillo portfolio and franchise fees earned.

REIT status gives the Group exemption from UK corporation tax on profits and gains from its qualifying portfolio of UK stores. Future revaluation gains on these developments and our existing open stores will be exempt from corporation tax on capital gains, provided certain criteria are met.

The Group has a rigorous internal system in place for monitoring compliance with criteria set out in the REIT regulations. On a monthly basis, a report to the Board on compliance with these criteria is carried out. To date, the Group has complied with all REIT regulations, including forward looking tests.

### Taxation

The current year tax charge for the Group of £1.2 million arises principally from the release of a deferred tax asset arising in respect of the negative fair value adjustment from our derivatives which relates to the residual business (2008: credit of £0.8 million, arising principally from the recognition of a deferred tax asset). This has been released in the year as following the close out of the Group's interest rate derivatives in March, the payment made gives us taxable losses available which can be offset over the next four years within the residual business.

The Group's actual cash tax liability for the year is £nil. We have submitted a claim for £146,000 for land remediation relief following work we carried out at our sites at Bromley, Sheen and Barking. This receivable is recorded as a debtor, with the credit applied to the taxation line of the income statement.

### Dividends

REIT regulatory requirements determine the level of Property Income Dividend ("PID") payable by the Group. On the basis of the full year distributable reserves for PID purposes, no PID is payable due to the level of shadow capital allowances available to the Group (31 March 2008: PID of 0.15 pence per share).

The Board recommended suspension of the discretionary interim dividend in November 2008. The reason for the suspension was to allow the Group to retain operating cash surpluses to build out its existing pipeline of London stores without increasing debt levels. The Board has therefore not proposed a final discretionary dividend.

The dividend policy will be reviewed and the discretionary ordinary dividend reinstated when that objective has been met and the Board feels it is prudent to do so.

### Balance Sheet

The Group's 50 wholly owned stores at 31 March 2009, which are classified as investment properties, have been revalued by Cushman & Wakefield ("C&W") and this has resulted in a property asset value of £808.7 million, comprising £679.3 million (84%) for the 43 freehold (including one long leasehold) open stores, £55.8 million (7%) for the seven short leasehold open stores and £73.6 million (9%) for development properties. The properties held for development have not been externally valued and have been included in the balance sheet at historical cost less provision for impairment. We have provided a total of £12.4 million against the development sites in the year, principally against land that we are seeking to sell, and sites where there is a concern that planning consent for self storage may not be obtained.

As in the prior year, we have instructed an alternative valuation on our assets using a purchaser's cost assumption of 2.75% (see note 14 for further details) to be used in the calculation of our adjusted diluted net asset value. This Red Book valuation on the basis of 2.75% purchaser's costs, results in a higher property valuation at 31 March 2009 of £767.2 million (£32.7 million higher (including £0.5 million for the share of the uplift in Big Yellow Limited Partnership) than the value recorded in the financial statements or 27.5 pence per share).

The revised valuation translates into an adjusted net asset value per share of 457.0 pence (2008: 522.0 pence) after the dilutive effect of outstanding share options (see table below).

| Analysis of Net Asset Value | 2009 | 2008 |
|---|---|---|
| Basic net asset value (£m) | **502.3** | 580.9 |
| Exercise of share options (£m) | **2.6** | 2.7 |
| Diluted net asset value (£m) | **504.9** | 583.6 |
| Basic net assets per share (pence) | **437.6** | 506.4 |
| Diluted net assets per share (pence) | **424.3** | 492.4 |
| Diluted shares used for calculation (million) | **119.0** | 118.5 |
| Diluted net asset value (as above) (£m) | **504.9** | 583.6 |
| Fair value of derivatives and deferred tax (see note 12) | **6.3** | 1.4 |
| EPRA net assets (£m) | **511.2** | 585.0 |
| EPRA net asset value per share (pence) | **429.5** | 493.6 |
| Valuation methodology assumption (see note 14) (£m) | **32.7** | 33.6 |
| Adjusted net asset value (£m) | **543.8** | 618.6 |
| Adjusted net assets per share (pence) | **457.0** | 522.0 |

### Valuation

The value of the investment property portfolio at 31 March 2009 was £735.1 million, down £15.8 million from £750.9 million at 31 March 2008. The investment property valuation of the 47 stores open at 31 March 2008 fell by £58.9 million, a fall of 8%. This is offset by the increase to the portfolio of £43.1 million as a result of two new stores opening and Sheen reopening, after redevelopment. The 32 same store portfolio fell in value over the year by 8.5%.

The £52.8 million net revaluation deficit recorded in the income statement was principally caused by an increase in implied stabilised post administration yields which have moved from 7.67% to 8.64%. The stabilised yield on a pre administration basis is 9.09%.

In their report to us, our valuers, Cushman & 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 14 for further details.

# Financial Review
continued

### Financing and Treasury

The Group is strongly cash generative operationally and draws down from its longer term committed facilities as required to meet obligations.

A summary of the cash flow for the year is set out in the table below:

| | Year ended 31 March 2009 £000 | Year ended 31 March 2008 £000 |
|---|---|---|
| Cash flow from operations | **33,301** | 30,752 |
| Finance costs (net)* | **(21,871)** | (16,364) |
| **Free cash flow pre non-recurring items within finance costs** | **11,430** | 14,388 |
| Non-recurring items paid within finance costs | **(16,239)** | – |
| **Free cash flow** | **(4,809)** | 14,388 |
| Capital expenditure | **(35,780)** | (110,886) |
| Asset sales | **26,603** | 30,827 |
| Investment in associate | **(5,429)** | (5,703) |
| Ordinary dividends | **(6,309)** | (10,860) |
| REIT conversion charge paid | **(90)** | (11,997) |
| Issue of share capital | **26** | 876 |
| Purchase of own shares | **–** | (1,084) |
| Increase in borrowings (net) | **27,339** | 94,000 |
| **Net cash inflow/(outflow)** | **1,551** | (439) |
| Opening cash and cash equivalents | **1,671** | 2,110 |
| Closing cash and cash equivalents | **3,222** | 1,671 |

* included in finance costs paid in the current year is £2.4 million in respect of the arrangement of our new banking facilities during the year.

### Borrowings

We focus on improving our cash flows and we currently have healthy interest cover of three times, based on existing interest costs, with a relatively conservative debt structure secured principally against the freehold estate.

During the year, the Group completed a refinancing of its core debt facilities, replacing the existing £325 million loan provided by a syndicate led by Royal Bank of Scotland plc, with a new £325 million facility provided by HSH Nordbank AG. The bank loan is secured on 47 of the Group's properties. The loan is due to expire on 15 September 2013.

The new 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 carries a margin of 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.

The facility's principal covenant is an income cover covenant that requires Tranche B EBITDA to be greater than 1.25 times the interest cost in Tranche B. There are no loan to value covenants. The Group is also required to retain consolidated net assets of £350 million, and a ratio of net bank borrowings to consolidated net assets of not more than 100%.

The Group was in compliance with its bank covenants at 31 March 2009, and we forecast to be in compliance with our banking covenants in the foreseeable future.

At the end of the year, the Group had net debt of £308.1 million, an increase of £25.8 million over last year following £41.2 million of capital expenditure, £21.9 million of net interest paid (including finance lease costs), £16.2 million of refinancing costs, including the close out of interest rate derivatives, dividend payments of £6.3 million and a REIT conversion charge paid of £0.1 million, offset by operating cash flow of £33.3 million, and land disposal proceeds of £26.6 million.

The Group has £16.9 million of available facilities with over £125 million of unsecured assets and relatively conservative levels of gearing. The Group currently has a net debt to gross property assets ratio of 38%, and a net debt to total equity ratio of 61%.

£190 million is hedged at maturities expiring between 2013 and 2015. £120 million of this relates to a swap fixed at 2.99% (plus margin) with a maturity of September 2015. The remaining £70 million is fixed at 3.93% (excluding margin) until September 2013. We currently have floating rate debt of £121.3 million, on which we are currently paying one month LIBOR plus margin. The interest rate profile of the Group's debt is shown in the table below.

| Amount of debt | 2009 | Weighted average interest cost at 31 March 2009 | Weighted average interest cost at 31 March 2008 |
|---|---|---|---|
| Fixed rate debt | **£190.0 million** | 4.5% | 6.1% |
| Variable rate debt | **£121.3 million** | 2.3% | 6.4% |
| Total debt | **£311.3 million** | 3.7% | 6.2% |

At 31 March 2009, the fair value on the Group's interest rate derivatives was a liability of £5.6 million. Treasury continues to be closely monitored and its policy approved by the Board. We maintain a keen watch on medium and long term rates and the Group's policy in respect of interest rates is to maintain a balance between flexibility and hedging of interest rate risk.

The Group does not hedge account its interest rate derivatives. Therefore movements in the fair value are taken to the income statement, but as recommended by EPRA (European Public Real Estate Association), these are eliminated from adjusted profit before tax, adjusted earnings per share, and adjusted net assets per share.

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

### Share Capital

The share capital of the Company totalled £11.6 million at 31 March 2009 (2008: £11.6 million), consisting of 115,592,541 ordinary shares of 10p each (2008: 115,514,119 shares).

Shares issued for the exercise of options during the period amounted to 78,422 at an average exercise price of 297p.

The Group holds 100,000 of its shares in treasury and a further 715,000 within an Employee Benefit Trust ("EBT"). These shares are shown as a debit in reserves and are not included in calculating earnings and net asset value per share.

| | **2009 No.** | 2008 No. |
|---|---|---|
| Opening shares | **115,514,119** | 114,559,534 |
| Shares issued for the exercise of options | **78,422** | 954,585 |
| Closing shares in issue | **115,592,541** | 115,514,119 |
| Shares held in EBT and Treasury | **(815,000)** | (815,000) |
| Closing shares for NAV purposes | **114,777,541** | 114,699,119 |

128,892,785 shares were traded in the market during the year ended 31 March 2009 (2008: 201,144,905). The average mid market price of shares traded during the year was 285.4p with a high of 448.5p and a low of 158p.

At 31 March 2009 there were 2,072,795 shares subject to share option awards to employees of the Group at a weighted average strike price of 106p. In addition there are 1,885,914 nil paid options, granted under the Group's LTIP scheme and 303,939 share options granted under the Group's SAYE scheme at a weighted average strike price of 162p.

### Big Yellow Limited Partnership

In November 2007 we established Big Yellow Limited Partnership with Pramerica Real Estate Investors Limited ("Pramerica") to develop self storage centres in the Midlands, the North and Scotland. In the consolidated accounts of Big Yellow Group PLC, the Partnership is treated as an associate. We have adopted equity accounting for the Partnership, so that our share of the Partnership's results are disclosed in operating profit and our net investment is shown in the balance sheet within "Investment in Associate". We have provided in note 13e the balance sheet and income statement of the Partnership.

For clarity we have included a table below showing the split of stores and development sites between the Group and the Partnership.

| | Big Yellow (wholly owned) | Big Yellow Limited Partnership | Total |
|---|---|---|---|
| **At 31 March 2009** | | | |
| No of stores trading | 50 | 4 | 54 |
| No of stores under development | 7 | 9 | 16 |
| Total number of stores and sites | 57 | 13 | 70 |
| Development sites with planning consent | 6 | 7 | 13 |
| Open store capacity (sq ft) | 3.15m | 0.25m | 3.40m |
| Development site capacity (sq ft) | 0.50m | 0.55m | 1.05m |
| Total planned capacity (sq ft) | 3.65m | 0.80m | 4.45m |

*Structure*

The Group has committed £25 million to the venture, and Pramerica £50 million, resulting in a one third, two thirds equity split respectively. The Board of the Partnership comprises two representatives of both Pramerica and Big Yellow. Pramerica have the casting vote over the approval of the Partnership's annual business plan.

During the year, the Group sold four development sites to the Partnership for £14.9 million. These development sites are in Camberley, High Wycombe, Poole and Reading and will provide additional self storage space for the Partnership of 235,000 sq ft. In January 2009, prior to signing an agreement with HSBC Bank plc to manage the Armadillo stores, it was mutually agreed between the Group and Pramerica that there would be no further restriction on the Group's ability to open and manage sites outside the M25.

In January, the Group also completed the transfer of the Birmingham store to the Partnership, resulting in a net receipt of £7.9 million to the Group.

We had previously reported that the Group had a conditional agreement with Crosby Homes (North West) Limited ("Crosby"), for the development of a significant sized mixed use scheme, at our site in Manchester, to include the shell of an 80,000 sq ft self storage centre to be developed at the expense of Crosby, with the store to be transferred to the Partnership at the then open market value. The Group's agreement with Crosby has lapsed, and we are therefore reconsidering the scheme to be developed on this site. The Partnership has a conditional agreement in place to acquire the completed store. This agreement has a long stop date of 31 December 2010.

To date the Group has reinvested £11.1 million into the Partnership. The balance required of the £25 million commitment equity will be contributed over the development life of the Partnership, although if only the sites currently owned by the Partnership are developed, it is unlikely the Group would have to contribute the full £25 million.

The Group earns certain property acquisition, planning, construction and operational fees from the Partnership. For the year to 31 March 2009, these fees amounted to £1.4 million (2008: £0.1 million).

*Funding*

A five year term development loan of £75 million has been secured from the Royal Bank of Scotland plc to further fund the Partnership. £30 million of this loan has been syndicated to HSBC Bank plc and HSH Nordbank AG. £36.6 million of this loan had been drawn at 31 March 2009.

The Partnership has decided to fix 50% of drawn amounts to 30 June 2013 (as required in its facility agreement), and to leave the balance benefiting from the currently low levels of short term interest rates. The weighted average interest cost of the facility at 31 March 2009 was 4.5% including margin.

*Results*

For the year ended 31 March 2009, the Partnership made a loss of £4.8 million (2008: loss of £0.7 million), of which Big Yellow's share was £1.6 million (2008: £0.2 million). After adjusting for non-recurring items (revaluation deficit of £2.7 million, and fair value movement on interest rate derivatives of £1.9 million), the Partnership made an adjusted loss of £0.2 million, of which the Group's share is £0.1 million.

The Partnership is tax transparent, so the limited partners are taxed on any profits.

Big Yellow has an option to purchase the assets contained within the Partnership or the interest in the Partnership which it does not own exercisable from 31 March 2013. On exit whether by way of exercise of the option or a sale to a third party, Big Yellow is entitled to certain promotes, which would result in Big Yellow sharing in the surplus created in the Partnership.

# Portfolio Summary

| | March 2009 Same store[1] | March 2009 Lease-up | **March 2009 Total** | March 2008 Same store | March 2008 Lease-up | March 2008 Total |
|---|---|---|---|---|---|---|
| Number of stores [2] | 32 | 18 | **50** | 32 | 15 | 47 |
| **As at 31 March 2009** | | | | | | |
| Total capacity (sq ft) | 1,944,000 | 1,208,000 | **3,152,000** | 1,944,000 | 1,002,000 | 2,946,000 |
| Occupied space (sq ft) | 1,379,000 | 353,000 | **1,732,000** | 1,537,000 | 280,000 | 1,817,000 |
| Percentage occupied | 71% | 29% | **55%** | 79% | 28% | 62% |
| **For the year:** | | | | | | |
| Average occupancy | 75% | 27% | **57%** | 82% | 25% | 62% |
| Average annual rent psf | £26.42 | £27.00 | **£26.53** | £25.07 | £26.07 | £25.38 |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Self storage revenue | 38,422 | 8,784 | **47,206** | 39,956 | 6,530 | 46,486 |
| Other storage related revenue [3] | 6,066 | 1,898 | **7,964** | 6,445 | 1,424 | 7,869 |
| Ancillary store rental revenue | 67 | 29 | **96** | 93 | 21 | 114 |
| Store revenue | 44,555 | 10,711 | **55,266** | 46,494 | 7,975 | 54,469 |
| Direct store operating costs (excluding depreciation) | (13,700) | (6,601) | **(20,301)** | (14,088) | (3,967) | (18,055) |
| Leasehold rent [4] | (1,968) | (42) | **(2,010)** | (2,184) | (43) | (2,227) |
| Store EBITDA [5] | 28,887 | 4,068 | **32,955** | 30,222 | 3,965 | 34,187 |
| EBITDA Margin [6] | 65% | 38% | **60%** | 65% | 50% | 63% |

| **Cumulative capital expenditure** | **£m** | **£m** | **£m** |
|---|---|---|---|
| to 31 March 2009 | 160.1 | 169.9 | **330.0** |
| to complete | – | 4.9 | **4.9** |
| Total cost | 160.1 | 174.8 | **334.9** |

(1) Same stores are those that the Group manages on a mature basis; lease-up stores have yet to trade at their mature occupancy levels. These are wholly owned stores. Stores owned by Big Yellow Limited Partnership are not included in this summary.

(2) The results above for both years exclude the trading and occupancy of Leeds (sold to Big Yellow Limited Partnership in November 2007) and Sheen (closed for refurbishment in July 2007). The revenue earned from these two stores is shown in Note 3 of the financial statements, other than the revenue for Sheen from its date of reopening (December 2008), which in the current year is shown in lease up stores.

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

(4) Rent for 7 short and one long leasehold property accounted for as investment properties and finance leases under IFRS with total self storage capacity of 496,000 sq ft, plus rent for Chelmsford and Cheltenham until the dates that their freeholds were acquired (29 August 2007 and 15 January 2008 respectively).

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

(6) Of the same stores, the leaseholds achieved a store EBITDA of £5.2 million and EBITDA margin of 48%. The freeholds achieved a store EBITDA of £23.7 million and EBITDA margin of 70%.

# Report on Corporate Governance

### Introduction

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

### Statement of compliance with the Combined Code

Throughout the year ended 31 March 2009, the Company has been in compliance with the Code provisions set out in section 1 of the Code.

### Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' remuneration report and Audit Committee report.

### The Board and its Principal Committees

The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership within a framework of sound controls which enables risk to be assessed and managed. The Board is responsible for setting the Group's strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals. The Board ensures that its obligations to shareholders and other stakeholders are understood and met. The Board also regularly reviews the performance of management.

The Board currently consists of eight Directors: four Executives and four Non-Executives. The Board considers Tim Clark, Mark Richardson and Jonathan Short to be wholly independent and free from any business or other relationship which could materially interfere with the exercise of their judgement throughout the year.

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

Tim Clark is the Senior Independent Non-Executive Director, replacing David White who retired in July 2008.

Given the size of the Company, and its ownership structure, we believe the proportion of independent Non-Executives to be appropriate.

All the Non-Executive Directors bring considerable knowledge, judgement and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non-pensionable. The biographical details of the Directors of the Group are set out on page 50.

### Chairman and Chief Executive

The division of responsibilities between the Chairman and the Chief Executive has been agreed by the Board and encompasses the following parameters:

- the Chairman's role is to provide continuity, experience, governance and strategic advice, while the Chief Executive provides leadership, drives the day-to-day operations of the business, and works with the Chairman on overall strategy;
- the Chairman, working with the Senior Independent Non-Executive Director, is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders;
- the Board believes that the Chairman and the Chief Executive work together to provide effective and complementary stewardship;
- the Chairman must:
  - take overall responsibility for the composition and capability of the Board; and
  - consult regularly with the Chief Executive and be available on a flexible basis for providing advice, counsel and support to the Chief Executive.
- the Chief Executive must:
  - manage the Executive Directors and the Group's day-to-day activities;
  - prepare and present to the Board strategic options for growth in shareholder value;
  - set the operating plans and budgets required to deliver agreed strategy; and
  - ensure that the Group has in place appropriate risk management and control mechanisms.

### Board of Directors

Details of the Board and its principal committees are set out below. All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure where appropriate the attendance of external advisers at its meetings and to seek information required from any employee of the Company in order to perform its duties.

Nicholas Vetch (Executive Chairman)

Philip Burks (Non-Executive Director)

Tim Clark (Non-Executive Director, Senior Independent Director)

Mark Richardson (Non-Executive Director)

Jonathan Short (Non-Executive Director)

James Gibson (Chief Executive Officer)

Adrian Lee (Operations Director)

John Trotman (Chief Financial Officer)

Company Secretary: Michael Cole

Attendance at meetings of the individual Directors at the Board and its committees is shown in the table below:

| Director | Board (7 meetings) | Audit committee (3 meetings) | Remuneration Committee (2 meetings) | Nominations Committee (2 meetings) |
|---|---|---|---|---|
| Philip Burks | 7 | – | – | – |
| Tim Clark * | 5 | 2 | 1 | 1 |
| James Gibson | 7 | – | – | – |
| Adrian Lee | 7 | – | – | – |
| Mark Richardson * | 6 | 2 | 2 | 1 |
| David Ross * | 4 | 2 | 1 | 2 |
| Jonathan Short | 7 | 3 | 2 | 2 |
| John Trotman | 7 | – | – | – |
| Nicholas Vetch | 7 | – | – | – |
| David White * | 1 | 1 | – | – |

* Tim Clark and Mark Richardson have attended all meetings held since their appointment to the Board. David Ross and David White attended all meetings prior to stepping down from the Board.

The Board meets on a regular basis approximately once every two months to discuss a whole range of significant matters including strategic decisions, major asset acquisitions and performance. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

There is a formal schedule of matters reserved for the Board's attention including the approval of Group strategy and policies; major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the normal course of business. The Board also considers matters of non-financial risk.

At each Board meeting the latest available financial information is produced which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the Executive Directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new Director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

### Performance Evaluation

Each year the Board undertakes a formal evaluation of its own performance and that of its Committee and its individual members. During the year, the Chairman evaluated the performance of the Executive Directors, and the performance of the Chairman was evaluated by the Senior Independent Non-Executive Director. It was considered that the individuals, the Committees and the Board as a whole were operating effectively, with appropriate procedures put in place for minor areas identified for improvement.

Tim Clark and Philip Burks are being proposed for election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that their performance is effective, and that they have demonstrated commitment to the role.

### Information and Professional Development

All Directors are provided with detailed financial information throughout the year. On a weekly basis they receive a detailed occupancy report showing the performance of each of the Group's open stores. Management accounts are circulated to the Board monthly, and a detailed Board pack is distributed a week prior to each Board meeting.

All Directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditors where appropriate. During the year under review, this has included consideration of Directors' responsibilities and the full impact of the Companies Act 2006. The professional development requirements of Executive Directors are identified and progressed as part of each individual's annual appraisal. All new Directors are provided with a full induction programme on joining the Board.

Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas they consider to be appropriate for their own professional development. Each year, the programme of senior management meetings is tailored to enable meetings to be held at the Company's properties. During the year, the senior management team made visits to all of the Group's open stores.

### Remuneration Committee

Tim Clark (Chairman)
Mark Richardson
Jonathan Short

The Committee is responsible for determining broad policy for the remuneration of the Executive Directors and the Company Secretary. Within the terms of the agreed policy the Committee will determine the total individual remuneration package of each Executive Director, including, where appropriate, bonuses, incentive payments, pension arrangements and share options. The Committee will select, appoint and set the terms of reference for any remuneration consultants who advise the Committee. The Committee will ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is, where appropriate, fully recognised.

The fees of the Non-Executive Directors are reviewed by the Board at regular intervals. The statement of remuneration policy and details of each Director's remuneration is set out in the Directors' Remuneration Report.

Tim Clark and Mark Richardson were appointed to the Committee during the year. David White and David Ross stepped down from the Committee on their resignation from the Board, with Tim Clark taking over from David White as the Committee Chairman.

The terms of reference of the Committee are available on the Company's website bigyellow.co.uk.

### Nominations Committee

Jonathan Short (Chairman)
Tim Clark
Mark Richardson

Tim Clark and Mark Richardson were appointed to the Committee during the year. David White and David Ross stepped down from the Committee on their resignation from the Board.

The Nominations Committee is responsible for regularly reviewing the structure, size and composition required of the Board and giving consideration to succession planning for Directors and other senior Executives. Where changes are required, it is also responsible for the identification, selection and proposal to the Board for approval of persons suitable for appointment or reappointment to the Board, whether as Executive or Non-Executive Directors and to seek approval from the Remuneration Committee to the remuneration and terms and conditions of service of any proposed Executive Director appointment. The Chairman of the Committee presents reports to the Board as appropriate to enable the Board as a whole to agree the appointments of new Directors. The committee meets at least once a year and otherwise as required and as determined by its members.

The terms of reference of the Committee are available on the Company's website bigyellow.co.uk. The terms and conditions of appointment for the Non-Executive Directors is available for inspection at the Company's Head Office during normal working hours. They are also available for inspection at the Company's AGM.

### Appointments to the Board

In the prior year the Nomination Committee considered the skill set required for the Non-Executive Director to replace David White, who retired from the Board at the Annual General Meeting. The Committee also considered the overall make-up of the Board and decided that it was appropriate to appoint two new Non-Executive Directors; one to act as the Senior Independent Non-Executive Director, and a second to become Chairman of the Audit Committee; both roles to be vacated by Mr White. The Nomination Committee appointed an external recruitment consultant to provide a shortlist of candidates to the Committee. Following a rigorous interview process, the Committee recommended to the Board that Tim Clark and Mark Richardson be appointed to the Board. Tim Clark and Mark Richardson joined the Board during the year.

The Nominations Committee believes the Board benefits from both of these appointments.

### Shareholder Relations

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Board aims to achieve clear reporting of financial performance to all shareholders. The Board acknowledges the importance of an open dialogue by both Executive and Non-Executive Directors with its institutional shareholders and communicates regularly with them throughout the year through both formal and informal meetings. The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the Annual General Meeting is an ideal forum at which to communicate with investors and the Board encourages their participation. At each Board Meeting, the Board is updated on any shareholding meetings that have taken place, and any views expressed or issues raised by the shareholders in these meetings.

Any queries raised by a shareholder, either verbally or in writing, are answered immediately by whoever is best placed on the Board to do so. Directors are introduced to shareholders at the AGM, including the identification of Non-Executive Directors and Committee Chairmen. The number of proxy votes cast in the resolution is announced at the AGM.

### Risk Management and Internal Control

The Directors are responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. The system of internal control was in place throughout the financial year and to the date of this report. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a rigorous system of internal control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

In compliance with provision C.2.1 of the Combined Code, the Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of internal control arising during the period covered by the report including the work of internal audit. The audit committee assists the Board in discharging its review responsibilities.

A formal risk identification and assessment exercise has been carried out resulting in a risk framework document summarising the key risks, potential impact and the mitigating factors or controls in place. The Board have a stated policy of reviewing this risk framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

During the reviews, the Directors:

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

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

- a prioritised summary of the key risks and their significance;
- any changes in the list of significant risks or their impact and likelihood since the last assessment;
- new or emerging risks that may become significant objectives in the future;
- progress on action plans to address significant risks; and
- any actual or potential control failures or weaknesses during the period (including "near misses").

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

### Internal Audit

The Group does not have a formal internal audit function because the Board has concluded that the internal controls systems discussed above are sufficient for the Group at this time. However, the Group employs a Store Compliance Manager responsible for reviewing store operational and financial controls. He reports to the Group Financial Controller. The Store Compliance Manager visits each operational store twice a year to carry out a detailed store audit. These audits are unannounced and the Store Compliance Manager carries out detailed tests on financial management within the stores, administrative standards, and operational standards. This role has been reinforced in the year, with the appointment of an Assistant Store Compliance Manager, enabling additional work and support to be carried out across the Group's store portfolio. Part of the store staff's bonus is based on the scores they achieve in these audits. The results of each audit are reviewed by senior management.

A summary of the principal risks and uncertainties within the business are set out in the Risk Assessment section of the Business Review from page 12.

### Going Concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 12 to 23 of 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 in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Operating and Financial Review.

After reviewing Group and Company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for 2010 and projections contained in the longer term business plan. 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 and are satisfied with the Group's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

### Directors' Responsibility Statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

**Michael Cole**
Secretary
15 May 2009

# Audit Committee Report

### Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

> monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
> reviewing the Group's internal financial controls and the Group's internal control and risk management systems, including consideration of the need for an internal audit function;
> making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
> reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
> developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

### Composition of the Audit Committee

The members of the Audit Committee are:

Mark Richardson (Chairman)
Tim Clark
Jonathan Short

Membership of the Committee is reviewed by the Chairman of the Committee and the Executive Chairman, who is not a member of the Audit Committee, at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board. Mark Richardson and Tim Clark were appointed to the Committee during the year. David White and David Ross stepped down from the Committee on their resignation from the Board. Mark Richardson replaced David White as the Committee Chairman.

The Audit Committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently Mark Richardson, as a Fellow of the Institute of Chartered Accountants of England and Wales, fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Group provides an induction programme for new Audit Committee members and on-going training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff. On-going training includes attendance at formal conferences, internal company seminars and briefings by external advisers.

The Board expects the Audit Committee members to have an understanding of:

> the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
> key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;
> matters that influence or distort the presentation of accounts and key figures;
> the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
> the role of external auditing and risk management;
> the regulatory framework for the Group's businesses; and
> environmental and social responsibility best reporting practices.

The Committee have reviewed the arrangements for "whistleblowing" by employees to ensure that there is a consistent policy in the Group to enable employees to voice concerns particularly in respect of possible financial reporting improprieties. A whistleblowing policy is included in the employee handbook.

The terms of reference of the Committee are available on the Company's website bigyellow.co.uk.

### Meetings

The Audit Committee is required to meet three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Chief Executive, Chief Financial Officer, Financial Controller, and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

### Overview of the actions taken by the Audit Committee to discharge its duties

Since the beginning of the financial year the Audit Committee has:

> reviewed the March 2008 report and financial statements, the September 2008 half-yearly report and the trading updates issued in July and January. As part of this review the Committee received a report from the external auditors on their audit of the annual report and financial statements and review of the half-yearly report;
> considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
> reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
> reviewed and agreed the scope of the audit work to be undertaken by the auditors;
> considered a report from the external auditors on their review of the effectiveness of controls across the Group;
> agreed the fees to be paid to the external auditors for their audit of the March 2009 financial statements and September half-yearly report;
> undertaken an assessment of the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and the audit firm's annual transparency report;
> assessed the risks associated with the possible withdrawal of the external auditor from the market;
> met the Group's external valuers;
> undertaken an evaluation of the performance of the external auditors; and
> reviewed its own effectiveness.

### External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Chief Financial Officer. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels.

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

> the changes in key external audit staff in the external auditors' plan for the current year;
> the arrangements for day-to-day management of the audit relationship;
> a report identifying the number of former external audit staff now employed by the Group and their positions within the Group;
> a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
> the overall extent of non-audit services provided by the external auditors, in addition to their case-by-case approval of the position of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

> the arrangements for ensuring the external auditors' independence and objectivity;
> the external auditors' fulfilment of the agreed audit plan and variations from the plan;
> the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
> the content of the external auditors' comments on control improvement recommendations.

Regard is paid to the nature of, and remuneration received, for other services provided by Deloitte LLP to the Group and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit.

In respect of the year ended 31 March 2009, the auditors' remuneration comprised £142,000 for audit work and £146,000 for other work, principally relating to corporation tax work.

As part of this year's decision to recommend the re-appointment of the auditors, the audit committee has taken into account the tenure of the auditors and the need to consider at least every five years whether there should be a full tender process. There are no contractual obligations that act to restrict the audit committee's choice of external auditors.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

### Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.

Approved by the Audit Committee and signed on its behalf by

**Mark Richardson**
Audit Committee Chairman
15 May 2009

# Corporate Social Responsibility Report

## 1. INTRODUCTION

Big Yellow continues to establish sustainable practices in order to meet Climate Change objectives in the areas of energy efficiency, renewable energy generation, employee travel and merchandise material selection. Secondary environmental objectives include waste and pollution reduction, water conservation and improved landscape biodiversity. Overall responsibility for CSR is provided by the Chief Executive Officer, James Gibson, through quarterly CSR committee meetings chaired by the CSR Manager and bi-monthly board reports to all Directors. Through this structure the CSR Manager continues to improve the social and environmental aspects of the Group's strategy in line with changing environmental legislation and commercial objectives.

### CSR Policy

A summary of Big Yellow's CSR policy is available at bigyellow.co.uk, and is shown within the Operating and Financial Review. The Policy commits the Group to striking the balance between its social, environmental and economic objectives. The aim of the Policy is to document Big Yellow's sustainability objectives across all activities, as both a developer and a self storage operator. In order to achieve these objectives the Board has once more committed significant resources to the environmental aspects of both its store development programme and its existing store portfolio.

### Reporting

This is the Group's second CSR report based on the social and environmental key performance indicators (KPIs) established in last year's report. These KPIs benchmark current performance and measure continued improvement over the years of measurement. Based on benchmark data for the year ended 31 March 2009 the Group will set targets, where appropriate, for the year ended 31 March 2010, as indicated in the tables below. Detailed case studies of Big Yellow's sustainable developments and performance will be provided over the new financial year in the CSR section of the Group's website.

## 2. EXECUTIVE SUMMARY

Below is a summary of our key CSR progress involving employees, customers, local communities and any other parties affected by our business operations. Progress is measured for our most relevant social and environmental impacts.

1. **Packing Materials Eco-Labelling**
   Big Yellow's cardboard packing materials have a recycled content ranging from 70% to 100%; plastic storage containers are predominantly made from recyclable polypropylene; and loose fill packing is made of a minimum 90% recycled polystyrene.

2. **Charitable Giving**
   A 'snap shot' of Big Yellow's charitable giving for the year ended 31 March 2009 revealed that 62% of our stores were providing space for 47 different charities and that 38% of these charities were health and child care related.

3. **Health and Safety**
   Big Yellow Construction Company Limited had no serious injuries during the year. Any incidents were minor non-reportable accidents with on average one minor incident per store under construction in the period.

4. **Employee Travel Survey**
   During the year we conducted an employee travel survey. Employee responses to our travel survey were an excellent 85%.

Our most significant CSR key performance indicators such as carbon emissions, energy efficiency, sustainable construction, health and safety, charitable giving and supply chain management are summarised as follows:

### Energy Usage

A reduction in our stores' energy usage and carbon emissions of 7.4% has resulted in an annual saving of over £100,000, indicating that the benefits of energy efficient lighting and renewable energy generation has started to take effect.

### Carbon Emissions

An overall reduction of total carbon emissions by 11.5% from last year was achieved for the Group's carbon footprint, which included a significant reduction in construction site diesel usage.

### BREEAM

The new Sheen Store achieved the highest 'Excellent' rating on the Building Research Establishment's Environmental Assessment Methodology (BREEAM), in the industrial buildings category.

### Energy Benchmarks

Big Yellow's new stores have been certified one level above expected energy efficiency benchmark for new buildings. In the case of the Twickenham the store has achieved net zero $CO_2$ emissions.

### Considerate Constructors Scheme

Under the Considerate Constructors Scheme 77.8% of our sites were above the average score for all registered sites in the UK, an improvement over last year.

## 3. STAKEHOLDERS

Last year Big Yellow outlined its commitment to CSR by identifying its main stakeholders as its customers, local community, employees, suppliers, planning authorities and shareholders. In future years the Group will seek feedback from its stakeholders on its services, management and performance reporting and review its CSR Policy accordingly. Below is a summary of the initiatives that have been undertaken with each of the stakeholders.

### Customers

Big Yellow provides a high quality, safe, secure and convenient self-storage environment for residential customers who need more space to de-clutter, extend or move home. Big Yellow also provides space for office and workshop based customers, to assist new business start up or existing business expansion. Big Yellow has made its customers aware of its CSR policy and has provided waste management guidance within the 'Guide to Self Storage' which is given to all new customers. Big Yellow has also drawn their attention to posters in our stores, giving them further guidance in these areas.

### Packing Materials Eco-labelling

During the year ended 31 March 2009 Big Yellow has sourced information for its customers on the environmental credentials of its packing materials including distances travelled from source. All cardboard packing materials have a recycled content ranging from 70% to 100%. Plastic storage containers are predominantly recyclable polypropylene and the collapsible type is 100% recycled polypropylene content. Some types of shelving merchandise are made from recycled polypropylene or timber. Loose fill packing material is made of a minimum 90% recycled polystyrene and all of our packing tissue paper is 50% recycled content. Further review of suppliers for biodegradable loose fill packing material was researched. All this information will be communicated to our stakeholders via Big Yellow's website and sales literature in the coming financial year and reviewed on an annual basis.

### Local Communities and Charitable Giving

Big Yellow provides services, employment and charitable support to local communities within a close radius of its stores. In accordance with the Group's evolving 'Giving' policy, some storage space is provided for local charities at a discounted rate. Space and time in kind has also been donated to disaster relief causes. A 'snap shot' of Big Yellow's charitable giving at the start of 2009 revealed the following:

- 62% of our stores were providing space for 47 different charities;
- 38% of these charities were health and child care related such as Barnardos, Friends of Paediatric Intensive Care, The Children's Kidney Trust and Early Years;
- Overseas charities included Band Aid and Tackle Africa;
- Religious based charities included the Salvation Army, English Churches, Jewish Women's Aid and the Society of the Revival of Islamic Heritage; and
- Environmental charities included The Bat Conservation Trust, The People's Trust for Endangered Species and the Norfolk Wildlife Trust.

During the year ended 31 March 2009 Big Yellow reviewed the ways in which it engaged with local communities to improve its giving policy. In the last year the Group committed to the establishment of charity budgets for each of the regional grouping of stores.

### Employees

The CSR Manager has worked with Human Resources and Operations to raise employee awareness of the social and environmental impacts of their work. A CSR Policy poster was distributed to all stores in 2008 and in the annual 2009 Spring Conference an environmental presentation was given to Area and Store Managers. Employee inductions now include an introduction to the Group's CSR objectives. In the year ended 31 March 2009 the Group's training work books were improved to raise awareness and set tasks on the environmental aspects of store operations.

### Employee Work Travel Survey

An intranet based employee work travel survey was designed and launched in the Autumn of 2008 covering questions on distances travelled to and from work, business travel during working hours and the different modes of transport used. Employee responses to the survey were an excellent 85% indicating the level of interest and concern for travel and the environment.

The estimated total carbon footprint of employee travel has been increasing annually based on the new store development programme and increasing employment. The estimated employee travel carbon footprints from 2007 to 2009 is shown below:

| Increase in Employee Travel Carbon Footprint 2007 – 2009 | 2007 | 2008 | 2009 |
|---|---|---|---|
| Average Number of Employees | 191 | 218 | 239 |
| Estimated Annual Employee Travel Carbon Footprint | 422 $tCO_2e$ | 482 $tCO_2e$ | 524 $tCO_2e$ |

Once the findings from the employee feedback have been reviewed in more detail by the Board of the CSR Committee we will be able to develop new strategies and reduce our environmental impact of our work travel footprint.

**3. STAKEHOLDERS (continued)**

**Stakeholder Health and Safety**

The Group has Store, Head Office and Construction Health and Safety Policies that are reviewed on a quarterly basis. Accident books are used to record incidents and these are recorded centrally. The number of accidents, injuries and near misses in stores are documented below:

**Big Yellow Stores – Customers and Staff Health and Safety**

| Financial Year | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Prosecutions | – | – | – | – |
| Notices | – | – | 1 | – |
| Near Misses | 4 | 6 | 1 | – |
| Fatal Injury | – | – | – | – |
| **Total RIDDOR*** | 50 | 77 | 54 | 114 |
| **Number of Stores** | 37 | 43 | 48 | 54 |
| **RIDDOR/Store** | **1.4** | **1.8** | **1.1** | **2.1** |

* RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995 (minor incidents)

Customer minor injuries have been predominantly through handling of goods when putting them in or taking them out of self storage. Staff minor injuries have been related to store management duties. There were only a few incidents involving contractors and other visitors to the store. For the year ended 31 March 2009 minor incidents increased, but no notices or prosecutions were served. Health and safety risks are assessed by independent consultants for Store and Head Office. Approximately six stores per year are audited by an external consultant and feedback has helped to reduce incidents against a rising number of store openings. Head office and store staff are trained in first aid and all staff are retrained every three years.

An independent consultant has been instructed to conduct regular site safety audits in order to measure compliance, reduce minor injuries and near misses and maintain a zero tolerance on Construction prosecutions, notices and fatal injuries. The number of accidents, injuries and near misses are documented below for 2,255 man days and a weekly average of 188 days.

**Big Yellow Construction Company Limited – Fit-out Stage Health and Safety**

| Financial Year | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Prosecutions / Notices | – | – | – | – |
| Fatal Injury | – | – | – | – |
| Total RIDDOR* (minor accidents) | 5 | 3 | 2 | 6 |
| Number of Fit-out Projects | 5 | 6 | 6 | 6 |
| **RIDDOR / Fit-out Projects** | **1.0** | **0.5** | **0.3** | **1.0** |

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

Big Yellow Construction Company Limited had no notifiable injuries in the year ended 31 March 2009 and most minor accidents were related to cuts and strains. Construction Design Management Regulation (CDM) training was completed in the year ended 31 March 2009.

**Construction Supply Chain Survey**

In the year ended 31 March 2008 we selected our preferred main contractors and suppliers of materials, products and services for store development. An environmental questionnaire was sent out to all main contractors and suppliers to obtain feedback on their environmental policies, management systems and performance. A 65% response rate was achieved indicating performance improvement in the areas of environmental products and services. This data provided evidence for higher Building Research Establishment Environmental Assessment Methodologies that were applied to some of our store designs in 2009 and beyond.

**Considerate Constructors Scheme (CCS)**

All Big Yellow Construction Company contractors for demolition, shell and fit out were instructed to sign up to the Considerate Constructors Scheme (CCS) in the financial year. Sites that register with the CCS are monitored against a Code of Considerate Practice, designed to encourage best practice beyond statutory requirements. The main areas of performance assessment fall into three categories: the environment; the workforce; and the general public. Site managers can gain a maximum of 5 points for each of 8 main categories and are responsible for site workers' performance in the following areas: being considerate; environmental protection; maintaining cleanliness; being good neighbours; respectability; safety; responsiveness; and accountability. CCS auditors visit the sites and assess each of the eight category performances for a maximum score of 40 points. Reports are sent to the Construction Director and CSR Manager for review and actions; if required.

## 3. STAKEHOLDERS (continued)
### Considerate Constructors Scheme (CCS) (continued)

| Considerate Constructors Scheme (CCS) Performance | 2007 | 2008 | 2009 | 2010 Target |
|---|---|---|---|---|
| **Percentage of Sites Registered** | 25% | 100% | 100% | 100% |
| **Sites in Compliance with CCS*** | 100% | 100% | 100% | 100% |
| **Number of Monitoring Reports** | 2 | 17 | 18 | – |
| **Percentage sites > average**** | 50.0% | 76.5% | 77.8% | 78% |
| **Average Score for all sites** | **26.3** | **30.9** | **30.8** | **30.0** |

* Compliance with the schemes code above 24 points

** Achieving the UK average score of 30 points and above all registered sites in the UK

After setting our 2009 target in April of last year, the CCS standard was raised in August 2008. According to the CCS, a constructor who was working to the very highest standard could only expect to score 4.5 out of 5 points in each category. Therefore the overall average score was expected to fall against a 10% rise in the standard. As can be seen from the table above Big Yellow Construction effectively improved its performance compared with the previous year by maintaining its average score from the previous year. All of our sites achieved compliance with the Scheme above mandatory legal compliance. Also, 77.8% of our sites were above the average score for all CCS registered sites in the UK, an improvement of 1.3% over last year. Environmental strengths included the communication of our CSR policy, environmental management plan, emergency spill response plan and waste management plans. Overall, our highest scoring areas (with 4 to 5 points out of 5) are the environment, cleanliness, being considerate and a good neighbour. In addition to these improvements, one of our shell constructors, John Sisk & Son Ltd, achieved a 'National Award Standard' of 35 points out of 40 at Sheen.

### Local Planning Authorities
Big Yellow is communicating the benefits of sustainable development through Local Planning Authority planning application 'statements' and supporting reports on best practice in providing energy efficiency, renewable energy, travel plans, biodiversity, water conservation and waste management.

Local Planning Authorities are recognising the sustainable benefits of self storage in densely populated urban and inner city regeneration areas. In some cases new or traditional businesses need to expand and these businesses would otherwise have moved out of the area if additional local storage space, work units or offices had not been provided at a reasonable cost.

### Shareholders
In the year ended 31 March 2009 Big Yellow received feedback from the "Ethical Investments Research and Information Service" ("EIRIS") on its 2008 CSR report and satisfied their social and environmental standards for membership to the 'FTSE 4 Good' index series. Ethical investors use the 'FTSE 4 Good' to identify and invest in companies that exhibit and benefit from both good economic and corporate responsibility practices. Big Yellow also took part in the sixth Carbon Disclosure Project ("CDP6") in the year ending 31 March 2009. The Carbon Disclosure Project ("CDP") is an independent not-for-profit organisation aiming to create a relationship between shareholders and companies regarding the implications for shareholder value and commercial operations presented by climate change. CDP provides a coordinating secretariat for institutional investors with a combined US $57 trillion of assets under management.

## 4. CSR KEY PERFORMANCE INDICATORS
During the review of Big Yellow's store development program and operational activities the following environmental and social aspects were identified as having the most significant direct impacts, either positive or negative, on local communities and the environment. The most significant impact was the carbon foot print of the operational stores due to the long term use of energy, compared to the shorter demands from store development and work related travel. Big Yellow has calculated its equivalent carbon dioxide ("$CO_2$") emissions using DEFRA conversion data (June 2008). These emissions are caused directly and indirectly by its store operations, store construction and employee travel.

### Operational Store Energy Consumption and Carbon Foot Print
Big Yellow stores have two types of carbon emission. Typical energy consumption is predominantly grid electricity for lighting, lifts, heating, cooling and ventilation, which cause 'indirect' off site power station carbon emissions. Stores with flexi-offices have additional gas heated areas which cause 'direct' onsite gas combustion carbon emissions. Work related travel emissions from private and public transport has been estimated by an employee travel survey conducted in the year ended 31 March 2009.

The store electricity consumption and carbon dioxide emissions per square metre of final occupied storage space have decreased by approximately 3.5% in the year ended March 2009. The table below summarises the usage and emissions over the last five years:

## 4. CSR KEY PERFORMANCE INDICATORS (continued)

### Operational Store Energy Consumption and Carbon Foot Print (continued)

| Operational Store Electricity Use, $CO_2$ Emissions and Carbon Intensity Year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 Target |
|---|---|---|---|---|---|---|
| Electricity (kWh)* | 10,706,850 | 11,965,366 | 13,382,599 | 13,899,604 | 12,866,186 | – |
| Kg $CO_2$ emissions | 4,603,946 | 5,145,107 | 5,754,518 | 5,976,830 | 5,532,460 | – |
| **Kg $CO_2$ / $m^2$** | **33.7** | **33.1** | **33.8** | **34.8** | **33.6** | **-3.0%** |

* Based on half-hourly meter readings (59%) and estimated non half-hourly meter readings
Using the DEFRA long-term marginal factor of 0.43 for Kg $CO_2$ emissions

Taking into account a reduction in store occupied area, Big Yellow reduced its electricity consumption by over 1 million kWh and its carbon dioxide emissions by 7.4% relating to electricity use reduction. The carbon reduction over the year ended March 2009 was 1.2 kg $CO_2$ / $m^2$ exceeding our 2008 target of 0.5 kg $CO_2$ / $m^2$. This reduction was due to the Group's new store development program of higher standards of insulation, air tightness, energy efficiency and renewable energy generation. It was also due to the completion of the programme for the installation of motion sensor lighting and the continuation of energy efficiency lighting installation across the whole store portfolio, which has further reduced energy consumption.

### Energy Supplier Carbon Off-setting

During the year, Big Yellow reviewed its carbon off-setting policy in the context of the Climate Change Act and the Carbon Reduction Commitment ("CRC"). We have decided to change our strategy and not to continue purchasing electricity through our supplier's Green Tariff beyond October 2009. Big Yellow has decided to transfer resources to invest in improving store energy efficiency instead.

### Operational Stores' Gas Use – Carbon Dioxide Emissions

Ancillary flexi-office services are sometimes provided alongside self storage service. The use of natural gas for space and water heating in flexi-offices increased by 31%, causing carbon dioxide emissions to increase by 23.2 $tCO_2e$. However, the flexi-office contribution to the Group's total carbon foot print is relatively small.

| Operational Stores Flexi-offices Gas Usage Year | 2008 | 2009 | 2010 Target |
|---|---|---|---|
| **Gas Energy (kW hr/year)** | 366,523 | 479,354 | N/A |
| **Kg $CO_2$ emissions*** | **75,505** | **98,747** | **N/A** |
| **Final Storage Area ($m^2$)** | 2,955 | 3,282 | N/A |
| **Kg $CO_2$ / $m^2$** | **25.6** | **30.1** | **-3.0%** |

* From CUC energy agent gas bills using the DEFRA (June 2008) conversion factor of 0.206 for Kg $CO_2$ emissions.

### Construction Fit-Out Stage – Carbon Dioxide Emissions

Annual construction 'fit-out' energy usage, over which Big Yellow has direct management control, depends mainly upon the number of stores being built, in any one year, the size of the store and the local site conditions. Store fit out is the final stage of construction for which Big Yellow Construction Limited is directly responsible. This year, the six stores being built that were under fit-out construction were measured using improved data collection for diesel consumption and grid electricity use.

Big Yellow Construction Company Limited
Energy Use & Carbon Dioxide Emissions

| Annual Fit Out | 2008 Diesel Generator (Litres to $KgCO_2$) | Grid Electricity (kWh to $kgCO_2$) | 2009 Diesel Generator (Litres to $KgCO_2$) | Grid Electricity (kWh to $kgCO_2$) |
|---|---|---|---|---|
| Sutton, Ealing, Barking, Balham, Fulham, Merton, & part of Kennington (47,026 $m^2$) | 605,323 litres<br>**1,592,000 $kgCO_2$** | 135,699 kWh<br>**58,351 $kgCO_2$** | – | – |
| Kennington, Sheffield, Sheen, Birmingham, Liverpool, Bromley, & part of Twickenham (40,766 $m^2$) | – | – | 379,622 litres<br>**998,406 $kgCO_2$** | 211,756 kWh<br>**91,055 $kgCO_2$** |
| Total Emissions | **1,650,351$kgCO_2$** | | **1,089,461$kgCO_2$** | |
| Total $CO_2$ / $m^2$ | 35.1 $kgCO_2$ / $m^2$ | | 26.5 $kgCO_2$ / $m^2$ | |

DEFRA 2008 Diesel conversion factor from litres to $kgCO_2$ = x 2.63
DEFRA 2008 Grid Electricity conversion factor from kWh to $kgCO_2$ = x 0.43

## 4. CSR KEY PERFORMANCE INDICATORS (continued)

### Construction Fit-Out Stage – Carbon Dioxide Emissions (continued)

Total diesel fuel and grid electricity use measurement improved and we now have good procedures in place to measure and report on future energy usage on construction fit out. Diesel use on average fell in 2009 due to the Liverpool and Twickenham sites using grid electricity. Grid electricity usage was higher, but produces lower carbon dioxide emissions. The use of on-site diesel creates approximately 15 times more carbon emissions than grid electricity. In total a carbon emission reduction of about 34% was achieved and a carbon reduction per square metre of 25% achieved. Overall construction fit out carbon emissions account for approximately 15% of the Group's total carbon footprint.

### Summary of Big Yellow's Carbon Footprint

Calculating our carbon footprint has helped us prepare for the Climate Change Act and in particular the Carbon Reduction Commitment (CRC) we will be compiling from 2010. During 2009 we have obtained more accurate data, reduced some types of emissions and improved energy efficiency.

Big Yellow Group Carbon Foot Print

| Activity | 2007 | 2008 | 2009 | 2010 target |
|---|---|---|---|---|
| 'Fit-out' Diesel & Electricity ($kgCO_2$) | – | 1,650,351 | 1,089,461 | – |
| Store & Flexi-office Electricity ($kgCO_2$) | 5,754,518 | 5,976,830 | 5,532,460 | – |
| Flexi-Office Gas ($kgCO_2$) | 75,505* | 75,505 | 98,747 | – |
| Estimated Employee Travel ($CO_2$)** | 422,000 | 482,000 | 524,000 | – |
| Total $KgCO_2$ | 6,252,023 | 8,184,686 | 7,244,668 | – |
| **Total tonnes $CO_2e$ ***** | **t 6,252 e** | **t 8,185 e** | **t 7,244 e** | **-3.0%** |

* Estimated carbon emission based on the same number of flexi-offices in operation as 2008.
** Carbon emissions based on employee travel survey completed in October 2008.
*** Expressed as metric tonnes of carbon dioxide equivalent

The total of Big Yellow's carbon emissions from all of its activities has reduced significantly by 11.5% this financial year, taking into account improved data monitoring, energy efficiency within stores and less diesel usage on construction sites. Although store flexi-office gas use increased, store electricity demand reduced effectively due to energy efficiencies and contributions from renewable energy technologies described below. Future years should see a continued improvement in this trend through the installation of more energy efficient lighting, more accurate half-hourly meter installations and increasing use of onsite renewable energy in new stores. Increasing carbon emission trends from employee travel and gas usage will be addressed in the current financial year.

### Energy Performance Certificates

In October 2008, legislation for the requirement of Energy Performance Certificates ("EPC") was introduced. To date, Big Yellow's new stores have energy ratings based on the performance potential of the building fabric and its heating, ventilation, lighting and renewable energy installations. The energy ratings given on the certificates reflect the intrinsic energy performance standard of the building relative to a benchmark which can then be used to make comparisons with similar buildings. To date the most recent of Big Yellow's new stores (Twickenham, Sheffield, Edinburgh and Birmingham) have been certified one level above expected energy efficiency benchmarks for new buildings. In the case of the Twickenham store, a rating was achieved that was two ratings above the benchmark for new buildings and it has net zero $CO_2$ emissions.

### Renewable Energy Generation (FY 2009)

In the year ended 31 March 2009, four stores (Barking, Balham, Fulham and Merton) have been generating energy for most of the year and energy generation data has totalled 57,000 kWh, resulting in a carbon emission saving of 24.5 tonnes of $CO_2$ equivalent ($CO_2te$). The solar photo voltaic installations are approaching the 10% $CO_2$ reduction targets set by the Local Planning Authorities. To date solar photovoltaic energy has proved to be the most reliable method of meeting Local Planning Authority energy and carbon dioxide reduction targets. Ground source heat pumps have provided adequate heating to the reception areas in the winter season; while small scale wind turbines have not proven to be successful in urban environments, where the wind flow is turbulent and therefore less effective.

Renewable Energy Generation and $CO_2$ Emission Reduction 1st April 2008 – 31 March 2009

| Stores | Renewable Energy | Energy Generation (kWh) | $CO_2$ t e Saving | Store $CO_2$ t e Totals |
|---|---|---|---|---|
| Barking | Wind Turbine | 2,780 | 1.2 | **1.2** |
| Balham | Solar PV | 11,238 | 4.8 | |
| | GSHP | 4,975 | 2.1 | **6.9** |
| Fulham | Solar PV | 22,500 | 9.7 | |
| | GSHP | 6,816 | 2.9 | **12.6** |
| Merton | Solar PV | 6,715 | 2.9 | |
| | Wind Turbine | 1,976 | 0.9 | **3.8** |
| Totals | | 57,000 | 24.5 | **24.5** |

* Renewable electricity generated x 0.43 = long term marginal factor reduction of $CO_2$ emissions from major power stations.

**4. CSR KEY PERFORMANCE INDICATORS (continued)**

**Renewable Energy Generation (FY 2009) (continued)**

A further three stores (Kennington, Sheen and Bromley) have been opened during the year with onsite renewable energy technologies, with specified capacities to generate a 10% reduction in emissions. Renewable energy generated from these stores will be measure on a quarterly basis and also be used on site.

In the year ending 31 March 2010 Big Yellow will report total renewable energy generated and the reduction in carbon dioxide emissions achieved as a percentage of the total store emissions. Consequently, Big Yellow's renewable energy strategy is focussing on energy efficiency and solar photovoltaic technologies as the most reliable and hence economically viable solutions.

The following section summarises Big Yellow's initiatives to reduce its carbon footprint and increase its environmental performance through store design, specification and the installation of renewable energy technologies.

**5. STORE PLANNING, DESIGN AND CONSTRUCTION**

Planning authorities are increasingly requiring environmental assessments of new building designs, specifications and construction. In December 2008 the new Sheen Store achieved the highest 'Excellent' rating on the Building Research Establishment's Environmental Assessment Methodology (BREEAM) in the industrial buildings category. The environmental performance of the Sheen store scored highest for building insulation, energy efficient lifts and lighting (onsite solar photovoltaic and ground source heat pump renewable energy generation), provision of customer and employee transport packs (time tables, cycle storage and facilities), water conservation low environmental impact material use, waste management and a five year landscape biodiversity management plan (including bat and sparrow boxes), amongst other criteria. These types of environmental assessments are required for several of our future stores and we aim for more 'Excellent' and 'Very Good' ratings in the future.

The tables below summarises all the environmental performance improvement features from our most recent stores developments.

**Improvements in Sustainable Development & Eco-Efficient Store Operations**

| 2007 – 2009 | Motion Sensor Lighting | Energy Efficient Lighting | Renewable Energy | Travel Plans | Rain Water Harvesting | Green Roofs | Improved Ecology |
|---|---|---|---|---|---|---|---|
| Sutton(1) | ✓ | – | – | – | ✓ | ✓ | ✓ |
| Barking(2) | ✓ | – | ✓ | – | ✓ | ✓ | ✓ |
| Ealing | ✓ | – | – | – | – | – | ✓ |
| Balham(3) | ✓ | – | ✓ | ✓ | – | – | ✓ |
| Fulham(3) | ✓ | – | ✓ | ✓ | – | ✓ | ✓ |
| Merton(4) | ✓ | – | ✓ | – | ✓ | – | ✓ |
| Kennington(3) | ✓ | ✓ | ✓ | – | – | – | ✓ |
| Sheffield | ✓ | ✓ | – | – | – | ✓ | ✓ |
| Sheen(5) | ✓ | ✓ | ✓ | ✓ | – | – | ✓ |
| Bromley(3) | ✓ | ✓ | ✓ | – | – | – | ✓ |
| Birmingham | ✓ | ✓ | – | ✓ | – | – | ✓ |
| Liverpool | ✓ | ✓ | – | – | ✓ | – | ✓ |

(1) Green wall (2) Wind turbine (3) Solar panels and Ground Source Heat Pumps (4) Solar panels and wind turbine (5)'Excellent' Building Research Establishment Environmental Assessment Methodology (BREEAM) Rating, including 5 year biodiversity plan

Motion sensor lighting is now standard in all Big Yellow stores. Energy efficient lighting is standard in all new stores from Kennington onwards and we intend to roll this out to existing stores in the future. Renewable energy technologies are installed in most of the new stores where economically viable as energy efficiencies can reduce demand by 30% or more. Travel plans are implemented where traffic congestion in inner city or urban environments are an issue and transport plans can offer information on modes of transport other than the car. Rainwater harvesting systems and sustainable urban drainage systems have been installed where a new store is adjacent to a flood risk area. Green roofs, walls and landscape add opportunities for improvement in biodiversity lost to the former land use. Energy efficient lighting in all future stores will have a significant effect on portfolio energy demand reduction combined with reliable solar photovoltaic renewable energy generation. Big Yellow aims to keep its energy performance above national benchmarks for new buildings. It also aims to benefit from new legislation in 2010, such as the Carbon Reduction Commitment (carbon trading scheme) and the Energy Act 'Feed-in Tariff' payments for renewable energy.

# Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report for the year ended 31 March 2009.

**Principal Activity**

The principal activity of the Company and its subsidiaries is the provision of self storage and related services.

The subsidiary and associated undertakings principally affecting the profit and net assets of the Group in the year are listed in note C to the Company's financial statements.

**Review of Business**

A detailed account of the Group's progress during the year and its future prospects is set out in the Chairman's statement on pages 8 to 11. A detailed Business Review and Financial Review have been prepared and are set out on pages 12 and 23, and more specifically as follows:

- the business objectives and strategy are set out on page 12;
- the financing objectives are set out on page 12;
- the principal risks and uncertainties within the business are set out in the Risk Management section from page 12; and
- the key quantitative and qualitative performance indicators are included within the Highlights (see page 1), Portfolio Summary (see page 24) and Financial Review (see pages 20 to 23).

The Chairman's statement, the Business Review, the Financial Review and the Corporate Social Responsibility Statement are incorporated by reference into the Directors' Report.

**Financial Instruments**

The financial risk management objectives and policies of the Group, along with any details of exposure to any liquidity and cash flow risk are set out in the Business Review on page 15, and notes 2 and 17 to the financial statements.

**Results and Dividends**

The consolidated income statement is set out on page 52 of the financial statements.

The Directors do not recommend the payment of a final ordinary dividend for the year (2008: 5.5p per ordinary share). No interim ordinary dividend was paid in the year (2008: 4p). No property income dividend is payable for the year.

**Share Capital**

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 21. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 23. Shares held by Big Yellow Group PLC Employee Benefit Trust abstain from voting.

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate Governance Report on page 25.

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

During the year the Company issued 78,422 shares to satisfy the exercise of share options.

### Directors and their Interests

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

Philip Burks
Tim Clark (appointed 1 August 2008)
James Gibson
Adrian Lee
Mark Richardson (appointed 1 July 2008)
David Ross (resigned 10 December 2008)
Jonathan Short
John Trotman
Nicholas Vetch
David White (resigned 9 July 2008)

Details of the interests of the Directors in the shares of the Company are set out in the Report on Directors' Remuneration on pages 42 to 48. No changes took place in the interests of the Directors between 31 March 2009 and 15 May 2009.

Biographical details of the Executive and Non-Executive Directors are set out on page 50.

### Reappointment of Directors

The Directors listed above constituted the Board during the year.

Following a performance appraisal process, the Board has concluded that the Directors retiring by rotation are effective, committed to their roles and should continue in office.

James Gibson and Philip Burks offer themselves for re-election in accordance with the articles of association of the Company. Tim Clark, who was appointed a Director on 1 August 2008, retires at the annual general meeting, and being eligible offers himself for re-election.

The biographies of all Directors standing for re-election are included on page 50.

### Directors' and Officers' Liability Insurance

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

### Payment of Suppliers

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. Trade creditor days of the Group for the year ended 31 March 2009 were 33 days (2008: 29 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year end to trade creditors within one year.

### Properties

The changes in investment and development property during the year and details of property valuations at 31 March 2009 are shown in notes 13a and 14 to the financial statements. Further commentary on our investment and development property portfolio is contained in the Business Review and Financial Review.

### Donations

Charitable donations totalling £28,000 (2008: £35,000) were made to UK resident charities in the year. The Group also provided free storage to UK charities in the year, worth a further £29,400. The Group encourages employee involvement in charitable giving and frequently matches any amounts raised by individuals. Key management have been allocated budgets to support local charitable causes and the community.

### Substantial Shareholdings

On 15 May 2009, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company.

| | Ordinary shares of 10p each | | | | | |
|---|---|---|---|---|---|---|
| | At 31 March 2008 No. | % | At 31 March 2009 No. | % | At 15 May 2009 No. | % |
| Directors | 32,354,398 | 28.01 | 20,165,076 | 17.45 | 20,165,076 | 17.45 |
| David Ross [(1)] | – | – | 11,456,140 | 9.91 | 11,456,140 | 9.91 |
| Fortis Investment Management | – | – | 7,259,462 | 6.28 | 6,386,565 | 5.53 |
| FIL Limited | – | – | 5,850,914 | 5.06 | 5,850,914 | 5.06 |
| Morgan Stanley Investment Management | 4,564,251 | 3.95 | 5,731,207 | 4.96 | 5,731,207 | 4.96 |
| Thames River Capital | 6,648,751 | 5.76 | 4,616,541 | 3.99 | 4,616,541 | 3.99 |
| Henderson Global Investors Limited | 3,904,981 | 3.38 | 3,692,511 | 3.19 | 3,692,511 | 3.19 |

(1) – David Ross's holding is included under Directors at 31 March 2008.

### Employees

Adrian Lee, Operations Director has responsibility to the Board for all employee matters.

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff who are encouraged to address queries to the Executive Directors. The Directors' Executive meetings are held in stores frequently and in addition Directors and senior management visit the stores on a regular basis. Furthermore, there are regular team briefings at store level to provide employees with information about the performance of and initiatives in their store. A wide range of information is also communicated across the Group's Intranet, including the e-publication of the Group's financial results and all press releases, the publication of a quarterly newsletter, and the publication of an operations bulletin. The Group carries out annual surveys of employee satisfaction.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses.

The Group was pleased to be awarded 68th place in the 2009 Sunday Times 100 Best Companies to Work For survey.

Customer service is a key priority of the Group and this is achieved through recruiting good people and investing in training and development leading to high levels of retention. The Group's recruitment policy is committed to promote equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation, nor political opinion and to treat all stakeholders fairly.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Annual General Meeting

The notice for the 2009 Annual General Meeting is distributed as a separate document. The meeting will be held at 20 Moorgate, London EC2R 6DA on 3 July 2009.

### Health and Safety

The Board recognises the importance of maintaining high standards of health and safety for everyone who may be affected by our business.

The Group's Health and Safety policy is reviewed on an ongoing basis. It is applied in two distinct areas – construction and operations. The policy states that all employees have a responsibility for health and safety but that managers have special responsibilities. Additional duties are placed on Adrian Lee, Operations Director to keep the Board advised on health and safety issues, compliance with the policy in respect of construction activity and store operations respectively.

The Group has a Health and Safety Committee, which meets quarterly and comprises Adrian Lee and appointed managers. They meet to discuss any issues that have been reported from meetings held at head office and the stores, and any construction sites.

In addition, the Group has appointed an external consultant to review policy and perform audits of stores on a rolling programme to ensure the implementation of the Group's Health and Safety policies. Health and Safety audits are also carried out by external consultants on each construction site prior to the opening of a store.

A review of health and safety for the year is included within the Corporate Social Responsibility Report on pages 32 to 38.

### Auditors

In respect of each Director of the Company, at the date when this report was approved, to the best of their knowledge and belief:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he might have reasonably been expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors

and signed on behalf of the Board

**Michael Cole**
Secretary
15 May 2009

# Remuneration Report

**Introduction**

This report has been prepared in accordance with the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

**Unaudited information**

**Remuneration Committee**

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee at the year end were Tim Clark, Mark Richardson and Jonathan Short, who are all independent Non-Executive Directors and the Committee is chaired by Tim Clark. David Ross and David White both served on the Committee until their resignation from the Board. Tim Clark replaced David White as the Committee Chairman.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

In determining the Directors' remuneration, the Committee consulted the Executive Chairman Nicholas Vetch about its proposals. During the year the Committee appointed Deloitte LLP to benchmark each of the components of the Directors' remuneration packages against companies of comparable size and complexity. Deloitte LLP are also the Group's auditors and corporate tax advisors. Having considered this data the Committee subsequently appointed PricewaterhouseCoopers LLP to advise it and work with it to implement a proposed new incentive intended to address some of the issues highlighted by the report.

**Remuneration policy**

Executive remuneration packages are designed to attract, motivate and retain Directors of the high calibre required and to reward them for enhancing value to shareholders. Individual remuneration packages are structured to align rewards with the performance of the Company and the interests of the shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee in consultation with the Executive Chairman, save for discussions on his remuneration package. The remuneration of the Non-Executive Directors is determined by the full Board.

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

| Element | Purpose |
|---|---|
| Salary | To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company |
| Annual head office bonus | Incentivises achievement of annual objectives which support the short to medium term strategy of the Company and applies across the head office management team |
| Long term share incentives | Performance share plan incentivises Executives to achieve superior returns to shareholders over a three year period<br>Retain key individuals and align interests with shareholders |
| Pension | Provide competitive post retirement benefits |

As noted above, during the year the Committee appointed Deloitte LLP to benchmark the remuneration of the Executive Directors against companies of similar size and complexity. This report showed that overall remuneration of the Executive Directors was at the lower end of market practice and in some areas significantly behind the market. The report highlighted that base salaries were between 30% and 50% below the market median; the 2008 long term incentive awards were around 40% below market median and the maximum annual bonus potential and pension provision were both around 30% below the market. The actual bonus payout to the Executive Directors has been around 75% below the market although for the year ended 31 March 2009 the Executive Directors have decided to waive any bonus entitlement.

The Committee believes a key strength of the executive team has been its ability to react quickly to changing market conditions, revising business strategy and direction as needed. This is illustrated by the Pramerica joint venture at the end of 2007 and the successful early refinancing in 2008 of the Group's facilities that were due to expire in 2010.

The Committee continues to believe it has the right executive team in place to take the business forward and is concerned to bridge the gap in executive remuneration. However, the Committee is also concerned to minimise any additional cash cost to the Group whilst recognising the risks to the business if the senior executive team is not appropriately incentivised. Against this background, and having regard to the economic situation, the Committee made five recommendations in relation to remuneration of the Executive Directors:

**Remuneration policy (continued)**

> salary and pension contributions should be frozen for the year beginning 1 April 2009 in line with pay freezes throughout the Group

> no cash bonus should be paid by the Company in respect of the year ended 31 March 2009;

> any cash bonus in respect of future years should not exceed 25% of basic salary;

> a higher level of awards should be made under the long term incentive plan than in 2008, while maintaining challenging performance targets and continuing to use the performance of companies in the FTSE Real Estate sector as a benchmark of the Company's performance. However, awards should be no greater than 100% of salary and should remain at the lower end of the market given the level of Executive Director salaries; and

> a new performance based plan should be introduced.

Each component of executive remuneration is explained below. The proposed new performance based plan is explained in the section headed "Revised incentive arrangements" below.

1. *Basic Salary*
   Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting. Salaries are reviewed annually with changes taking effect on 1 April each year, taking into account individual performance, market data and levels of increases applicable to other employees in the Company. The Directors are not receiving an increase to their basic salaries for the year commencing 1 April 2009 due to the current economic conditions.

2. *Annual head office bonuses*
   Executive Directors participate in the Company's annual head office bonus arrangements. There is no separate bonus plan for Executive Directors. Bonuses are discretionary and are performance related. They are assessed annually, determined by the Remuneration Committee and based on a combination of individual and corporate performance during the year. The bonus arrangements are structured so as not to encourage inappropriate risk taking. The bonuses are directly linked to the Group's profit and operating cash flow performance. There is no deferrable element of the bonus, and it is non pensionable.

   Although a bonus would have been payable under the terms of the annual bonus scheme, given the existing economic climate, the current Executive Directors felt it would be inappropriate to accept bonus payments for the current financial year. This follows on from low bonus percentages for the Executive Directors in earlier years namely 10% of salary for the year ended 31 March 2008 and 15% for the year ended 31 March 2007.

   Historically the maximum bonus potential for Executive Directors has been 50% of annual basic salary. From 1 April 2009 the maximum bonus potential will be reduced to 25% of annual basic salary. The Committee feels this is appropriate given the proposed new long term bonus arrangement, described in the section headed "Revised incentive arrangements" below

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

4. *Share incentives*
   *Share options*
   Share options are granted by the Remuneration Committee, and are assessed on an individual basis with a view to motivating and retaining Executive Directors in the longer term.

   In accordance with the policy set by the Remuneration Committee immediately prior to the Company's flotation on AIM in May 2000, all Directors' share options granted since flotation were subject to performance conditions, all of which were met. There have been no grants under the Company's share option plans to Directors since December 2002 and the policy is that any future incentivisation of Directors will be under the Long Term Incentive Plan described below and under the performance plan described below.

   *Long Term Incentive Plan ("LTIP")*
   Approval was granted by shareholders at the 2004 Annual General Meeting for a Long Term Incentive Plan (the "Plan").

   The Remuneration Committee has determined that a long-term incentive plan using an award of nil-priced options is the most appropriate way to provide a competitive and market-related long term equity opportunity.

   The principal reasons for the Remuneration Committee favouring the use of nil-priced options are:

   > the greater alignment of Executive reward with shareholder interests;

   > the reduced volatility of nil priced options to general share price movements; and

   > minimising the dilutive impact of the LTIP to the Company's shareholders.

Participation in the LTIP is only available to Executive Directors and selected senior management.

**Remuneration policy (continued)**

4. *Share incentives (continued)*

*Long Term Incentive Plan ("LTIP") (continued)*

The first awards under the LTIP to Directors were made in June 2005. Initial awards were designed to incentivise the Executive team for the period between 2005 and 2010, although awards are made under the LTIP on an annual basis.

Individual grants of options to Executive Directors since the inception of the LTIP have been determined by the Committee. The most recent awards are shown in the table below. All awards to date have been approved by shareholders.

In respect of the current year and in all future grants to Executive Directors, it is intended that the maximum annual grant of awards will not exceed 100% of a participant's annual base salary, except where the Committee considers there to be exceptional circumstances which justify an award above this limit.

The Committee awarded shares under the LTIP at a level of circa 60% of salary in 2008, as shown in the table below. For 2009 it is proposed that the awards are set at 100% of salary for James Gibson and Nicholas Vetch and 75% for Adrian Lee and John Trotman. This remains at the lower end of the market, particularly in light of salary levels for the Executive Directors.

| Director | Number of shares under option 2008 |
|---|---|
| James Gibson | 60,000 |
| Nicholas Vetch | 55,000 |
| Adrian Lee | 45,000 |
| John Trotman | 29,000 |

The number of ordinary shares issuable pursuant to awards granted under this LTIP and all other employee share schemes adopted by the Company may not be more than 10% of the ordinary share capital in any ten year period. Options granted in 1998 and 1999, prior to the Company's listing on the Alternative Investment Market, are disregarded.

Awards are made exercisable subject to the satisfaction of challenging conditions ("Performance Conditions") which will determine how many (if any) of the awards will vest and become exercisable after the end of the performance period. The period over which performance will be measured is not less than three years.

Performance Conditions are determined at the sole discretion of the Committee at the time of award and are objective and linked to the underlying financial performance of the Company.

Any award under the LTIP that does not vest at the end of the specified performance period will lapse.

The extent to which awards granted under the LTIP vest and become exercisable is determined by reference to the Company's total shareholder return (TSR) relative to a comparator group. The level of vesting is set out below:

| Total Shareholder Return Performance Level | Amount of Award Vesting % |
|---|---|
| Upper Quartile | Full vesting |
| Median to Upper Quartile | Pro rata vesting on a straight line basis |
| Median and below | Nil |

The LTIP vesting is also subject to the adjusted earnings per share growth over three years exceeding inflation.

For awards made in 2005, 2006 and 2007 the Committee selected the companies in the FTSE All Share Index as the comparator group because they enable the Company's performance to be compared to a broad index that reflects the corporate performance of UK companies. The Committee reviewed the relevance of this comparator group in 2008. It was noted that the performance of the index was heavily influenced by the financial, energy and pharmaceutical sectors and as a result had less relevance to the financial performance of the Company. The Committee therefore concluded that the performance of companies in the FTSE Real Estate sector was a more relevant benchmark of the Company's performance. As a result the LTIP awards made in 2008 are, and the proposed awards for 2009 will be, based on the performance of the companies in the FTSE Real Estate sector.

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

The Committee has been advised that zero vesting for median performance is below the market average but does not propose to change this.

*Sharesave Scheme*

The Scheme is open to all UK employees (including Directors) with a minimum of six months' service and meets HM Revenue & Customs approval requirements, thus enabling all eligible employees the opportunity to acquire shares in the Company in a tax efficient manner.

### Revised incentive arrangements

As explained above, the recent benchmarking report showed that the remuneration of the Executive Directors is significantly below the market.

*The Long Term Bonus Performance Plan*

The Committee has concluded that the best way to address this is to introduce a new performance based plan, the Long Term Bonus Performance Plan (the "Plan"). The Committee has instructed PricewaterhouseCoopers LLP to work with it to implement the Plan. Shareholders are asked to approve the new arrangements at the Company's annual general meeting.

The Plan will sit between the annual head office bonus and the LTIP and will be structured as a share plan, but with a limited cash alternative. In effect the Plan will operate like a deferred bonus. Awards will be subject to performance over a three year period during which the value accruing to participants can be clawed back. The intention is that any payout will be primarily through shares. At least 50% of any payout will be in shares which, after permitted sales to meet tax liabilities, will be subject to a further lock in. The Executive Directors will be required to hold half of the balance of these shares for a further one year and the other half for a further two years. During this holding period executives will not be entitled to sell the restricted shares. This ensures that the interests of the Executive Directors and shareholders remain aligned for up to five years.

The balance of the payout will be made in Shares which the participant may direct be sold for cash at any time, or, to the extent an additional payment is still needed, by a top-up cash payment from the Company, subject to the Group's operating cash flow at that time. However, it is not envisaged that the Company will need to make any further top-up cash payment for the initial awards given the number of Shares over which interests are being granted, even if the maximum amount is payable.

Awards may be made each year. Initial awards under the Plan are proposed to be made only to the Executive Directors. The initial awards will be limited so that if the performance targets are met in full, the maximum payout in shares and cash to the Executive Directors as a whole will be up to a total of £3 million. Based on current salary levels this represents a maximum potential reward for each Executive Director of circa 110% of salary for each performance year.

It is envisaged that the payout for the initial awards will be delivered entirely from the shares held in the Group's employee benefit trust ("EBT"). The EBT intends to acquire additional shares to enable it to make the initial awards to the Executive Directors. At 15 May 2009 the EBT holds 715,000 shares. It is proposed that the EBT will shortly be transferred 100,000 shares currently held in treasury by the Company and that the EBT will subscribe for a further 685,000 shares, funded by a loan from the Company.

Interests under the initial awards will be acquired by the Executive Directors and interests under future awards may be acquired by Executive Directors for their full value at the date of acquisition. In the case of the initial awards to the Executive Directors the acquisition price will (and in the case of further awards the acquisition price may) be left outstanding as an interest-free loan from the EBT to the Executive Director.

Under the Plan, the Executive Directors will be awarded interests in the growth in the value of shares. Vesting of interests will be subject to corporate and executive performance conditions. The Committee intends to set a range of performance conditions, both financial and non-financial. Total shareholder return will not be used; this will remain the measure for LTIP awards. Currently the Group's budgets, business plan and strategy are updated each year in March. The Committee also reviews business performance over the preceding year. The Committee will now also identify suitable indicators of future performance against which the Executive Directors should be measured. The Committee will then set a balanced scorecard of performance targets for the Plan, driven by business needs and priorities it has identified. At the end of each year the Committee will indicate the extent to which interests have provisionally vested under the Plan having regard to the extent to which the targets have been met. The Committee will have the right to adjust targets and, where appropriate, introduce new targets if there are significant changes in the business plans.

At the end of the performance period, the Committee will have the right to re-consider and adjust vesting, upwards or downwards, to reflect the Company's as well as each executive's performance over the entire three year period. As a consequence awards could be clawed back if subsequent performance during the three year performance period is below the performance benchmarks. Nothing can be paid out inside three years other than where an Executive Director is a good leaver or following a takeover of the Company.

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

*Other elements of remuneration*

The Plan is intended to complement the other elements of remuneration and the Committee has considered the extent to which these elements need to be adjusted to fit with the new Plan.

The Committee has resolved that the salaries of the Executive Directors will also be frozen for 2009. From 1 April 2009 the maximum annual bonus potential will be reduced to 25% of basic salary, significantly below the market. The level of LTIP awards in 2009 will increase from 2008 but with base salaries significantly below the market these awards will also remain below the market median. The Committee also intends to look at ways in which to improve the tax efficiency of LTIP awards.

The Committee believes the new Plan, together with the other changes, will bridge the gap in remuneration identified in the benchmark report over the medium term, subject to appropriate levels of performance, whilst limiting the potential cash costs to the business.

### Directors' Contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term, providing for one year's notice. All Executive Directors have contracts in accordance with this. If a contract is terminated at short notice, the Company has not waived any right which it may have at law to require the Executive Director to mitigate his loss although the Company is entitled (at its discretion) to pay the salary to which the Executive Director would otherwise be entitled, in lieu of notice.

The dates of the Executive Directors' agreements are as follows:

| | |
|---|---|
| Nicholas Vetch | 25 September 1998 |
| James Gibson | 25 September 1998 |
| Adrian Lee | 31 March 2000 |
| John Trotman | 25 September 2007 |

### Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company. Their appointments are governed by letters of appointment which are available for inspection on request at the Company's registered office and which will be available for inspection at the Company's AGM. Each appointment is for a period of up to three years, usually to the date of the AGM at which a resolution to re-appoint the Director would next be put to shareholders, although the continued appointment of all Directors is considered on an annual basis. In addition, the appointment is terminable by either party giving notice of three months. Non-Executive Directors cannot participate in any of the Company's share options schemes and are not eligible to join the Company pension scheme.

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

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

### External Appointments

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

Nicholas Vetch is a Non-Executive Director of Blue Self Storage S.L, a Spanish self storage business, and the Local Shopping REIT plc, a UK listed property business. James Gibson is a Non-Executive Director of AnyJunk Limited. Nicholas Vetch receives a Non-Executive fee of €20,000 per annum from Blue Self Storage S.L and £30,000 per annum from Local Shopping REIT plc. James Gibson does not receive any fees for his services.

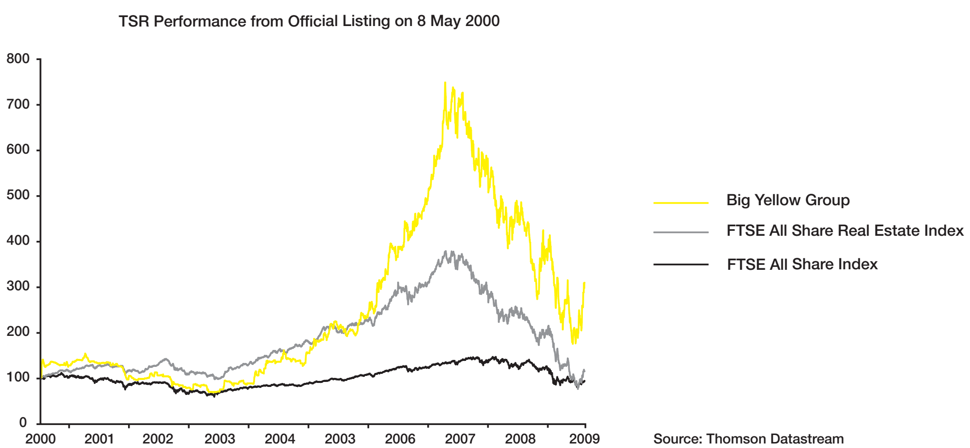
### Non-Executive Directors' Remuneration

The remuneration of the Non-Executive Directors is determined by the Board taking into account independent surveys of fees paid to Non-Executive Directors of other similar companies. No further fees for work performed for the Group in respect of membership of the Remuneration, Nomination and Audit Committees are paid. Non-Executive Directors cannot participate in any of the Group's share option schemes or Long Term Incentive Plan and are not eligible to join the Group's pension arrangements.

### Performance Graph

The Total Shareholder Return ("TSR") performance graph below sets out the comparison of the Company's TSR against the FTSE All Share Index and FTSE Real Estate Index.

TSR measures share price growth, with dividends deemed to be reinvested gross on the ex-dividend date, and the TSR is shown as the one month average on each day.




Source: Thomson Datastream

### Audited Information
### Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

| | 2009 £ | 2008 £ |
|---|---|---|
| Emoluments | **965,268** | 1,006,745 |
| Gains on exercise of share options | **–** | 1,248,720 |
| Money purchase pension contributions | **80,786** | 69,560 |
| | **1,046,054** | 2,325,025 |

### Directors' remuneration

| | Salary/fees £ | Annual Bonus £ | 2009 Taxable benefits £ | Sub total £ | Pension £ | 2009 Total £ | 2008 Total £ |
|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | |
| Nicholas Vetch | 234,800 | – | 2,743 | 237,543 | 23,480 | 261,023 | 273,070 |
| James Gibson | 257,460 | – | 3,368 | 260,828 | 25,746 | 286,574 | 300,187 |
| Adrian Lee | 190,600 | – | 2,856 | 193,456 | 19,060 | 212,516 | 222,221 |
| John Trotman | 125,000 | – | 1,707 | 126,707 | 12,500 | 139,207 | 110,855 |
| **Non-Executive** | | | | | | | |
| David White (1) | 9,692 | – | – | 9,692 | – | 9,692 | 32,500 |
| Tim Clark (2) | 25,000 | – | – | 25,000 | – | 25,000 | – |
| Philip Burks | 32,500 | – | – | 32,500 | – | 32,500 | 77,472 |
| Mark Richardson (3) | 24,375 | – | – | 24,375 | – | 24,375 | – |
| David Ross (4) | 22,667 | – | – | 22,667 | – | 22,667 | 30,000 |
| Jonathan Short | 32,500 | – | – | 32,500 | – | 32,500 | 30,000 |
| Aggregate emoluments | 954,594 | – | 10,674 | 965,268 | 80,786 | 1,046,054 | 1,076,305 |

(1) Resigned from the Board on 9 July 2008
(2) Appointed to the Board on 1 August 2008
(3) Appointed to the Board on 1 July 2008
(4) Resigned from the Board on 10 December 2008

### Directors interests

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

| Ordinary shares of 10p each | At 31 March 2009 No. | At 31 March 2008 No. |
|---|---|---|
| Nicholas Vetch (including trusts) | **9,417,000** | 9,417,000 |
| Philip Burks (including trusts) | **7,370,849** | 7,675,849 |
| James Gibson (including trusts) | **2,374,260** | 2,374,260 |
| Adrian Lee (including trusts) | **889,267** | 1,012,649 |
| Jonathan Short | **91,700** | 91,700 |
| Tim Clark | **15,000** | – |
| Mark Richardson | **5,000** | – |
| John Trotman | **2,000** | 2,000 |

None of the Directors had any direct interests in the share capital of any of the subsidiary undertakings of the Company in the year.

### Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. There have been no share option exercises by Directors during the course of the year. In 2008, gains of £1,248,720 were made on the exercise of share options by the Company's Directors.

Options in respect of ordinary shares for Directors who served during the year are as follows:

| Name | Date option granted | No. of shares under option at 31 March 2008* | Granted during the year | Exercised during the year | Lapsed during the year | No. of shares under option at 31 March 2009 | Exercise price | Market price at date of exercise | Date from which first exercisable | Expiry Date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Nicholas Vetch** | 5 May 2000 | 243,000 | – | – | – | 243,000 | 100p | – | 5 May 2003 | 4 May 2010 |
| | 4 June 2001 | 300,000 | – | – | – | 300,000 | 131.5p | – | 4 June 2004 | 3 June 2011 |
| | 15 May 2002 | 300,000 | – | – | – | 300,000 | 102p | – | 15 May 2005 | 14 May 2012 |
| | 16 Dec 2002 | 185,000 | – | – | – | 185,000 | 81.5p | – | 16 Dec 2005 | 15 Dec 2012 |
| | 13 July 2007 | 133,333 | – | – | – | 133,333 | nil p | – | 13 July 2010 | 13 July 2017 |
| | 9 July 2008 | – | 55,000 | – | – | 55,000 | nil p | – | 9 July 2011 | 9 July 2018 |
| **Philip Burks** | 6 June 2005 | 66,667 | – | – | – | 66,667 | nil p | – | 6 June 2008 | 6 June 2015 |
| | 9 June 2006 | 66,667 | – | – | – | 66,667 | nil p | – | 9 June 2009 | 9 June 2016 |
| **James Gibson** | 6 June 2005 | 166,667 | – | – | – | 166,667 | nil p | – | 6 June 2008 | 6 June 2015 |
| | 9 June 2006 | 166,667 | – | – | – | 166,667 | nil p | – | 9 June 2009 | 9 June 2016 |
| | 13 July 2007 | 166,666 | – | – | – | 166,666 | nil p | – | 13 July 2010 | 13 July 2017 |
| | 9 July 2008 | – | 60,000 | – | – | 60,000 | nil p | – | 9 July 2011 | 9 July 2018 |
| **Adrian Lee** | 5 May 2000 | 30,000 | – | – | – | 30,000 | 100p | – | 5 May 2003 | 4 May 2010 |
| | 4 June 2001 | 221,000 | – | – | – | 221,000 | 131.5p | – | 4 June 2004 | 3 June 2011 |
| | 15 May 2002 | 194,000 | – | – | – | 194,000 | 102p | – | 15 May 2005 | 14 May 2012 |
| | 16 Dec 2002 | 106,471 | – | – | – | 106,471 | 81.5p | – | 16 Dec 2005 | 15 Dec 2012 |
| | 6 June 2005 | 50,000 | – | – | – | 50,000 | nil p | – | 6 June 2008 | 6 June 2015 |
| | 9 June 2006 | 50,000 | – | – | – | 50,000 | nil p | – | 9 June 2009 | 9 June 2016 |
| | 13 July 2007 | 50,000 | – | – | – | 50,000 | nil p | – | 13 July 2010 | 13 July 2017 |
| | 9 July 2008 | – | 45,000 | – | – | 45,000 | nil p | – | 9 July 2011 | 9 July 2018 |
| **John Trotman** | 13 July 2007 | 21,750 | – | – | – | 21,750 | nil p | – | 13 July 2010 | 13 July 2017 |
| | 9 July 2008 | – | 29,000 | – | – | 29,000 | nil p | – | 9 July 2011 | 9 July 2018 |

* Options shown with a nil exercise price are LTIPs.

Options granted up to and including 16 December 2002 have all been assessed by the Committee. The Committee has confirmed that these options have met the performance conditions, and may therefore be exercised.

The committee has considered the performance of the 2005 LTIP option grants and determined that the criteria have been met, and the awards have therefore vested.

The market price of the Company's shares at 31 March 2009 was 190p. The highest market price during the year was 448.5p per share, the lowest market price during the year was 158p, and the average price during the year was 285.4p. Pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, it should be noted that past performance of the Company's share price cannot be relied on as a guide to future performance.

### Approval

This report was approved by the Board of Directors on 15 May 2009 and signed on its behalf by:

**Tim Clark**
Committee Chairman

# Officers and Professional Advisers

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

**Secretary**
Michael Cole

**Registered office**
2 The Deans
Bridge Road
Bagshot
Surrey
GU19 5AT

**Bankers**
HSH Nordbank AG
155 Moorgate
London
EC2M 6UJ

The Royal Bank of Scotland plc
8th Floor
280 Bishopsgate
London
EC2M 4RB

**Solicitors**
CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD

**Financial advisors and stockbrokers**
J P Morgan Cazenove
20 Moorgate
London
EC2R 6DA

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

# Biographies of Directors and Senior Management

### Non-Executive Directors

**Tim Clark,** aged 57, Non Executive Director. He was a partner in Slaughter and May, one of the leading international law firms in the world, for 25 years; initially working as a corporate and M&A adviser to a range of companies and institutions and then for the last seven years as senior partner (before retiring in April 2008). He is also a director/trustee of the COIF charitable funds and a member of the International Chamber of Commerce UK Governing Body and the Development Committee of the National Gallery. He was appointed to the Board in August 2008.

**Jonathan Short,** aged 47, Non Executive Director, Founding Partner and CIO of Internos Real Investors LLP a pan-european real estate investment management business. From 2000 to 2007 he was CEO Merchant Banking-Europe for Pramerica Real Estate Investors running a series of pan-european property opportunity funds. From 1983 to 1999 he worked in investment banking in the City for Warburgs, Barings and Lazard. He also sits on the Board of Great Portland Estates plc as a Non-Executive Director and is a Trustee of the Urban Land Institute. He was appointed to the Board in February 2000.

**Philip Burks,** aged 50, Non-Executive Director, co-founded Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998. Philip was the Group's Property Director until 30 March 2007, at which date he stepped down to become a Non-Executive Director.

**Mark Richardson,** aged 52, Non-Executive Director, retired from Deloitte in 2008 after a career there of 29 years, the last 19 as an audit partner. Mark's focus in the last few years as a senior audit partner has been on working with clients in the Real Estate and Construction sectors. He is a co-opted member of the Audit and Risk Committee of the Natural History Museum. He was appointed to the Board in July 2008.

### Executive Directors

**Nicholas Vetch,** aged 48, Executive Chairman, co-founded Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc, which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998. Mr Vetch is also Non-Executive Director of Blue Self Storage S.L – a self storage operation in Spain.

**James Gibson,** aged 48, Chief Executive Officer, co-founded Big Yellow in September 1998. He is a chartered accountant having trained with Arthur Andersen & Co. where he specialised in the property and construction sectors, before leaving in 1989. He was Finance Director of Heron Property Corporation Limited and then Edge Properties plc which he joined in 1994. Edge Properties was listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

**Adrian Lee,** aged 43, Operations Director, was previously a senior Executive at Edge Properties plc, which he joined in 1996. Prior to that he was a corporate financier at Lazard for five years, having previously qualified as a surveyor at Knight Frank. He was appointed to the Board in May 2000.

**John Trotman,** aged 31, Chief Financial Officer, is a Chartered Accountant and former Senior Manager at Deloitte & Touche LLP, where he specialised in the real estate sector and self storage. On leaving Deloitte in 2005, John worked for a subsidiary of the Kajima Corporation and joined Big Yellow in June 2007, and was appointed to the Board in September 2007.

### Senior Management Biographies

**Michael Cole,** aged 43, Financial Controller and Company Secretary, joined Big Yellow in May 1999. Prior to that he was Finance Director at Pulse Train Technology, a market research software specialist whom he joined in 1988 and qualified with CIMA in 1992.

**Paul Donnelly,** aged 55, Corporate Social Responsibility Manager, joined Big Yellow in August 2007 and is an Associate Member of the Institute of Environmental Management and Assessment. Paul was previously the Sustainable Development Manager at Crest Nicholson PLC. Prior to that he was also Environmental Manager at John Laing PLC.

**Stuart Grinnall,** aged 34, IT Manager, joined Big Yellow in July 2000. He is a systems engineer with several years experience developing IT solutions for growth companies and NHS Hospital Trusts.

**Nigel Hartley,** aged 45, Construction Director, joined Big Yellow in January 2000. He is a chartered surveyor with over 18 years experience in the construction industry, both overseas and in the UK, principally in the retail and industrial sectors.

**Cheryl Hathaway,** aged 43, Human Resources Controller, joined Big Yellow in March 2000, having previously been employed as a Human Resources Manager within the Harrods Group. Prior to this she worked for Debenhams in a variety of human resources roles, both within head offices and stores.

**Chris Herbert,** aged 54, Construction Manager, joined Big Yellow in September 1999, having previously worked for Leslie Clark, a Construction Consultancy, for 10 years. Prior to that, he spent 10 years as a contracts/project manager with John Lelliot Building Contractors.

**Nicola Jordan,** aged 42, Retail Operations Manager, joined Big Yellow in March 2003, having previously been employed as an Area Manager with Superdrug for 5 years. Prior to this she has held operational roles with Little Chef & Travelodge and Victoria Wine.

**David Knight,** aged 45, Estates and Facilities Manager, joined Big Yellow in June 2000. He was previously an Estates Manager at Whitbread which he joined in 1997. Prior to this he was Group Facilities Manager at Central Transport Rental Group Plc (formerly Tiphook Plc) having previously qualified as a surveyor at Edwin Hill.

**Rob Strachan,** aged 39, Head of Sales & Marketing, joined Big Yellow in February 2006, having previously been employed as International Marketing Manager for Upper Crust. Prior to this he was Marketing Manager for Caffe Ritazza, and is qualified with the Chartered Institute of Marketing.

**Andrew Watson,** aged 40 Property Director, joined Big Yellow in October 2000 having previously worked as a property acquisition surveyor for McDonald's Restaurants. Prior to that, he was an acquisitions surveyor for Victoria Wine, having previously qualified as a chartered surveyor at Herring Baker Harris.

**Tom Wilcockson,** aged 52, International Franchise Director and Head of Business Development, joined Big Yellow in July 2007. He has over 16 years experience of international franchising, having previously played a key role in the international success of both Bhs and Early Learning Centre.

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

We have audited the Group financial statements of Big Yellow Group PLC for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 26. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Big Yellow Group PLC for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the Review of Business section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited.

**Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Deloitte LLP

**Deloitte LLP**
Chartered Accountants and Registered Auditors
Reading, United Kingdom
15 May 2009

# Consolidated Income Statement

Year ended 31 March 2009

| | Note | 2009 £000 | 2008 (restated) £000 |
|---|---|---|---|
| **Revenue** | 3 | **58,487** | 56,870 |
| Cost of sales | | **(21,781)** | (20,792) |
| **Gross profit** | | **36,706** | 36,078 |
| Administrative expenses | | **(5,760)** | (6,736) |
| **Operating profit before gains and losses on property assets** | | **30,946** | 29,342 |
| (Loss)/gain on the revaluation of investment properties | *13a* | **(52,848)** | 92,777 |
| Net losses on non-current assets | *10* | **(11,583)** | (463) |
| **Operating (loss)/profit** | | **(33,485)** | 121,656 |
| Share of loss of associate | *13e* | **(1,598)** | (249) |
| Investment income | *7* | **381** | 289 |
| Finance costs – interest payable | *8* | **(17,473)** | (15,696) |
| – refinancing costs | *8* | **(1,347)** | – |
| – fair value movement of derivatives | *8* | **(17,967)** | (3,382) |
| **(Loss)/profit before taxation** | | **(71,489)** | 102,618 |
| Taxation | *9* | **(1,150)** | 770 |
| **(Loss)/profit for the year (attributable to equity shareholders)** | *5, 22* | **(72,639)** | 103,388 |
| **Basic (loss)/earnings per share** | *12* | **(62.86)p** | 89.88p |
| **Diluted (loss)/earnings per share** | *12* | **(62.34)p** | 89.20p |

Adjusted earnings per share are shown in Note 12.
All items in the income statement relate to continuing operations.
Please see note 2 for details of the restatement.

# Consolidated Balance Sheet

31 March 2009

| | Note | 2009 £000 | 2008 (restated) £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | *13a* | **735,060** | 750,910 |
| Development property | *13a* | **73,618** | 104,139 |
| Interests in leasehold property | *13a* | **21,852** | 22,274 |
| Plant, equipment and owner-occupied property | *13b* | **3,095** | 3,256 |
| Goodwill | *13c* | **1,433** | 1,433 |
| Investment in associate | *13e* | **9,285** | 5,454 |
| Deferred tax asset | *19* | **–** | 1,535 |
| | | **844,343** | 889,001 |
| **Current assets** | | | |
| Inventories | | **338** | 331 |
| Trade and other receivables | *15* | **8,362** | 7,465 |
| Cash and cash equivalents | | **3,222** | 1,671 |
| Assets classified as held for sale | *13d* | **3,200** | 16,336 |
| | | **15,122** | 25,803 |
| **Total assets** | | **859,465** | 914,804 |
| **Current liabilities** | | | |
| Trade and other payables | *16* | **(18,413)** | (21,898) |
| Current tax liabilities | | **–** | (90) |
| Obligations under finance leases | *20* | **(1,984)** | (1,958) |
| Derivative financial instruments | *17* | **(5,550)** | (2,870) |
| | | **(25,947)** | (26,816) |
| **Non-current liabilities** | | | |
| Bank borrowings | *18* | **(308,672)** | (282,897) |
| Obligations under finance leases | *20* | **(19,868)** | (20,316) |
| Other payables | *16* | **(2,661)** | (3,889) |
| | | **(331,201)** | (307,102) |
| **Total liabilities** | | **(357,148)** | (333,918) |
| **Net assets** | | **502,317** | 580,886 |
| **Equity** | | | |
| Called up share capital | *21* | **11,559** | 11,551 |
| Share premium account | *22* | **41,663** | 41,645 |
| Reserves | *22* | **449,095** | 527,690 |
| **Equity shareholders' funds** | | **502,317** | 580,886 |

Please see note 2 for details of the restatement.

The financial statements were approved by the Board of Directors and authorised for issue on 15 May 2009. They were signed on its behalf by:

**James Gibson**
Director

**John Trotman**
Director

# Consolidated Statement of Recognised Income and Expense

Year ended 31 March 2009

| | 2009<br>£000 | 2008<br>(restated)<br>£000 |
|---|---|---|
| Current and deferred tax recognised in equity | **(240)** | 96 |
| Net (expense)/income recognised directly in equity for the year | **(240)** | 96 |
| (Loss)/profit for the year | **(72,639)** | 103,388 |
| Total recognised income and expense for the period attributable to equity shareholders | **(72,879)** | 103,484 |

Please see note 2 for details of the restatement

# Consolidated Cash Flow Statement

Year ended 31 March 2009

| | 2009 £000 | 2008 (restated) £000 |
|---|---|---|
| Operating (loss)/profit | **(33,485)** | 121,656 |
| Loss/(gain) on the revaluation of investment properties | **52,848** | (92,777) |
| Loss on non-current assets | **11,583** | 463 |
| Depreciation | **729** | 650 |
| Repayment of finance lease capital obligations | **690** | 719 |
| Employee share options | **593** | 491 |
| (Increase)/decrease in inventories | **(7)** | 106 |
| Increase in receivables | **(1,013)** | (433) |
| Increase/(decrease) in payables | **1,363** | (123) |
| **Cash generated from operations** | **33,301** | 30,752 |
| Interest paid | **(38,606)** | (16,604) |
| Interest received | **496** | 240 |
| REIT conversion charge | **(90)** | (11,997) |
| **Cash flows from operating activities** | **(4,899)** | 2,391 |
| **Investing activities** | | |
| Sale of non-current assets | **3,825** | 10,500 |
| Purchase of non-current assets | **(35,780)** | (110,886) |
| Sale of assets to associate | **22,778** | 20,327 |
| Investment in associate | **(5,429)** | (5,703) |
| **Cash flows from investing activities** | **(14,606)** | (85,762) |
| **Financing activities** | | |
| Issue of share capital | **26** | 876 |
| Purchase of own shares | **–** | (1,084) |
| Equity dividends paid | **(6,309)** | (10,860) |
| Increase in borrowings – RBS facility | **7,000** | 94,000 |
| Repayment of RBS loan | **(291,000)** | – |
| Increase in borrowings – HSH facility | **311,339** | – |
| **Cash flows from financing activities** | **21,056** | 82,932 |
| **Net increase/(decrease) in cash and cash equivalents** | **1,551** | (439) |
| **Opening cash and cash equivalents** | **1,671** | 2,110 |
| **Closing cash and cash equivalents** | **3,222** | 1,671 |

Please see note 2 for details of the restatement

# Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2009

| | Note | 2009 £000 | 2008 £000 |
|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents in the year | | **1,551** | (439) |
| Cash inflow from increase in debt financing | | **(27,339)** | (94,000) |
| Change in net debt resulting from cash flows | | **(25,788)** | (94,439) |
| **Movement in net debt in the year** | | **(25,788)** | (94,439) |
| Net debt at the start of the year | | **(282,329)** | (187,890) |
| Net debt at the end of the year | *17* | **(308,117)** | (282,329) |

# Notes to the Financial Statements

Year ended 31 March 2009

## 1. GENERAL INFORMATION

Big Yellow Group PLC is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The nature of the Group's operations and its principal activities are set out in note 4 and in the Business Review on pages 12 to 19.

These financial statements are presented in pounds sterling because that is the currency of the economic environment in which the Group operates.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Adoption of new and revised standards

In the current year, the Group has adopted IAS 23 (revised) Borrowing Costs. The prior year comparatives have been restated to reflect this change in accounting policy. The impact on the current and prior periods is shown in the table below:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| *Income statement* | | |
| Decrease in interest payable | **1,924** | 1,691 |
| Increase/decrease in revaluation (deficit)/surplus | **(1,810)** | (910) |
| Decrease/increase in (loss)/profit after tax | **114** | 781 |
| *Balance sheet* | | |
| Increase in development assets | **895** | 781 |
| Increase in net assets | **895** | 781 |
| *Impact on earnings per share* | | |
| Decrease/increase in (loss)/earnings per share – basic | **0.10p** | 0.68p |
| Decrease/increase in (loss)/earnings per share – diluted | **0.10p** | 0.67p |

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 12 Service Concession Arrangements and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

| | |
|---|---|
| IFRS 3 (revised 2008) | Business Combinations |
| IFRS 8 | Operating Segments |
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 15 | Agreements for the Construction of Real Estate |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| IFRIC 17 | Distribution of Non-Cash Assets to Owners |
| IFRIC 18 | Transfer of Assets from Customers |

Improvements to IFRSs (2008): IAS 1, IAS 18, IAS 27, IAS 28, IAS 29, IAS 31, IAS 32, IAS 36, IAS 40, IAS 41, IFRS 1.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for an amendment to IAS 40 Investment Property (Improvements to IFRSs (May 2008)). Investment property in the course of construction will be recognised in investment property and measured at fair value. Currently investment property in the course of construction is included in development property. It is not possible to quantify at present the impact that this is expected to have on the Group's financial statements when the amendment is adopted. Development property is carried at cost less provision for impairment, and is not fair valued. The Group is not able to predict the future fair values of these assets.

### Basis of accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee, as adopted by the European Union, relevant to its operations and effective for accounting periods beginning on or after 1 April 2008.

The financial statements have been prepared on the historic cost basis except that investment properties and derivative financial instruments are stated at fair value. The principal accounting policies adopted are set out below.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 12 to 23 of 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 in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Operating and Financial Review.

After reviewing Group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ended 31 March 2010 and projections contained in the longer term business plan. 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. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Other than the adoption of IAS 23 (Revised) as described earlier, the principal accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements in the current and preceding year.

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

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

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

### Investment in subsidiaries

These are recognised at cost less provision for any impairment.

### Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale (see below). Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

### Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

**Revenue recognition**

Revenue represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Income is recognised over the period for which the storage unit is occupied by the customer. The Group recognises non-storage income over the period in which it is earned. The Group recognises investment income over the period in which it is earned.

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

Management fees earned are recognised over the period for which the services are provided. Franchise fees are recognised in the income statement as they fall contractually due to the Group.

**Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying value amount of the instrument to the extent that they are not settled in the period in which they arise.

**Finance costs**

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

**Operating (loss)/profit**

Operating (loss)/profit is stated after gains and losses on non-current assets, movements on the revaluation of investment properties and before the share of results of associates, investment income and finance costs.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

**Plant, equipment & owner occupied property**

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

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

| | |
|---|---|
| Freehold property | 50 years |
| Freehold improvements | 20 years |
| Leasehold improvements | Over period of the lease |
| Plant and machinery | 10 years |
| Fixtures and fittings | 5 years |
| Computer equipment | 3 years |

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

**Investment property**

The criterion used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS40, investment property held leasehold is stated gross of the recognised finance lease liability.

Gains or losses arising from the changes in fair value of investment property are included in the income statement of the period in which they arise. In accordance with IAS40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

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

**Development property**

Properties and land under development are recognised at historic cost less any provision for impairment. The assets are transferred to investment properties once the store has opened to customers. Any gains and losses on development property are recognised through the income statement.

**Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's net selling price and its value-in-use (ie the net present value of its future cash flows discounted at the Group's average pre-tax interest rate that reflects the borrowing costs and risk for the asset).

**Inventories**

Inventories are stated at the lower of cost and net realisable value.

**Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

**A – Derivative financial instruments and hedge accounting**

The Group's activities expose it primarily to the financial risks of interest rates. The Group uses interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The policy in respect of interest rates is to maintain a balance between flexibility and the hedging of interest rate risk.

Derivatives are initially recognised at fair value and are subsequently reviewed at each balance sheet date. The fair value of interest rate derivatives at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract.

Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. The Group has not adopted hedge accounting. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

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

**Financial instruments (continued)**

**B – Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**C – Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**D – Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amounts of these assets approximates to the fair value.

**E – Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

**F – Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**G – Trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**H – Trade payables**

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

**Retirement benefit costs**

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

**Share-based payments**

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value at the date of grant. The fair value determined at the grant date of the share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

**Critical accounting estimates and judgements**

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

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

a) *Estimate of Fair Value of Investment Properties*

The Group values its self storage centres using a discounted cash flow methodology which is based on projections of net operating income. The Group employs expert external valuers, Cushman & Wakefield LLP, who report on the values of the Group's stores on a biannual basis. Principal assumptions underlying management's estimation of the fair value are those related to: stabilised occupancy levels; the absorption period to these stabilised levels; expected future growth in storage rents and operating costs; maintenance requirements; capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 14 to the accounts.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**
**Critical accounting estimates and judgements (continued)**

b) *Development Property*
The Group's development properties are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for redevelopment into self storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing with other stores within the portfolio and within the local area. These judgements taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of planning negotiations, revised construction costs or capacity of the new facility, for example, to make an assessment of the carrying value of the development property at historic cost. Once a store is opened, then it is valued as an investment property in the Group's balance sheet and transferred from development properties. The Group reviews all development property assets for impairment at each balance sheet date.

**3. REVENUE**
Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 24.

| | 2009 £000 | 2009 £000 | 2008 £000 | 2008 £000 |
|---|---|---|---|---|
| **Open stores** | | | | |
| Self storage revenue | **47,206** | | 46,486 | |
| Other storage related revenue | **7,964** | | 7,869 | |
| Ancillary store rental revenue | **96** | | 114 | |
| Revenue from stores closed for refurbishment and transferred to associate | **–** | | 690 | |
| | | **55,266** | | 55,159 |
| **Stores under development** | | | | |
| Non-storage income | **1,636** | | 1,473 | |
| | | **1,636** | | 1,473 |
| **Fee income** | | | | |
| Fees earned from Big Yellow Limited Partnership | **1,368** | | 138 | |
| Other management fees earned | **67** | | – | |
| | | **1,435** | | 138 |
| **Franchise income** | | | | |
| Franchise fees received | **150** | | 100 | |
| | | **150** | | 100 |
| **Revenue per income statement** | | **58,487** | | 56,870 |
| Investment income (see note 7) | | **381** | | 289 |
| **Total revenue per IAS 18** | | **58,868** | | 57,159 |

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

**4. 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, with the exception of £150,000 of income which arose in the Emirate of Dubai (2008: £100,000 of income which arose in the Kingdom of Bahrain).

### 5. (LOSS)/PROFIT FOR THE YEAR

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

| | 2009 £000 | 2008 (restated) £000 |
|---|---|---|
| Depreciation of plant, equipment and owner-occupied property | **729** | 650 |
| Finance lease depreciation | **690** | 719 |
| Decrease/(increase) in fair value of investment property | **52,848** | (92,777) |
| Cost of inventories recognised as an expense | **751** | 921 |
| Employee costs (see note 6) | **8,333** | 7,562 |
| Operating lease rentals | **80** | 75 |
| Auditors' remuneration for audit services (see below) | **142** | 140 |

#### b) Analysis of auditors' remuneration:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | **135** | 133 |
| Other services – audit of the Company's subsidiaries' annual accounts | **7** | 7 |
| Total audit fees | **142** | 140 |
| Tax services – compliance | **40** | – |
| Tax services – advisory | **78** | 46 |
| Other services – establishment of Big Yellow LP | **–** | 169 |
| – independent review of interim report | **28** | 27 |
| – other | **–** | 3 |
| Total non-audit fees | **146** | 245 |

### 6. EMPLOYEE COSTS

The average monthly number of employees (including Executive Directors) was:

| | 2009 Number | 2008 Number |
|---|---|---|
| Sales | **194** | 176 |
| Administration | **45** | 42 |
| | **239** | 218 |

At 31 March 2009 the total number of Group employees was 273 (2008: 226)

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | **6,727** | 6,102 |
| Social security costs | **709** | 707 |
| Other pension costs | **304** | 262 |
| Share-based payments | **593** | 491 |
| | **8,333** | 7,562 |

Details of Directors' Remuneration is given on pages 42 to 48.

## 7. INVESTMENT INCOME

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Interest receivable | **381** | 289 |
| | **381** | 289 |

## 8. FINANCE COSTS

| | 2009 £000 | 2008 (restated) £000 |
|---|---|---|
| Interest on bank borrowings | **18,075** | 15,846 |
| Capitalised interest | **(1,924)** | (1,691) |
| Interest on obligations under finance leases | **1,319** | 1,508 |
| Change in fair value of interest rate derivatives (see below) | **17,967** | 3,382 |
| Other interest payable | **3** | 33 |
| Refinancing costs | **1,347** | – |
| | **36,787** | 19,078 |

Included within the £17,967,000 reported above, is £14,892,000 in respect of derivative positions that were closed out in March 2009.

Please see note 2 for details of the restatement. Interest is capitalised based on the prevailing average interest cost to the Group in each month.

## 9. TAXATION

| UK current tax | 2009 £000 | 2008 £000 |
|---|---|---|
| Current tax: | | |
| – Current year | **1** | 302 |
| – Adjustment in respect of prior year | **(146)** | (71) |
| – REIT conversion charge | **–** | 90 |
| | | |
| Deferred tax (see note 19): | | |
| – Current year | **1,091** | (1,322) |
| – Adjustment in respect of prior year | **204** | 154 |
| – Adjustment in respect of change in tax rate | **–** | 77 |
| | **1,150** | (770) |

A reconciliation of the tax charge/(credit) is shown below:

| | 2009 £000 | 2008 (restated) £000 |
|---|---|---|
| (Loss)/profit before tax | **(71,489)** | 102,618 |
| Tax (credit)/charge at 28% (2008 – 30%) thereon | **(20,017)** | 30,785 |
| | | |
| Effects of: | | |
| Adjustment in respect of prior year | **204** | 83 |
| REIT conversion charge | **–** | 90 |
| Revaluation of investment properties post-REIT | **14,798** | (27,833) |
| Permanent differences | **4,930** | (204) |
| Profits from the tax exempt business | **478** | (3,615) |
| Losses utilised in the year | **(105)** | (153) |
| Adjustment in respect of change in tax rate | **–** | 77 |
| Release of deferred tax | **1,091** | – |
| Land remediation relief | **(146)** | – |
| Temporary timing differences | **(83)** | – |
| **Total tax charge/(credit)** | **1,150** | (770) |

Please see note 2 for details of the restatement.

### 9. TAXATION (continued)

| Analysis of deferred tax charge/(credit) | 2009 £000 | 2008 £000 |
|---|---|---|
| On losses and interest rate derivatives | **1,295** | (1,091) |
| **Deferred tax charge/(credit)** | **1,295** | (1,091) |

In addition to the current year income statement tax charge of £1.2 million, there is a debit to reserves of £0.2 million in respect of the current tax deduction and the deferred tax arising on potential future deductions under Schedule 23, in respect of the exercise of employee share options.

On 15 January 2007, the Group converted to a REIT. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime a conversion charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was paid. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

### 10. ADJUSTED PROFIT BEFORE TAX

| | 2009 £000 | 2008 (restated) £000 |
|---|---|---|
| (Loss)/profit before tax | **(71,489)** | 102,618 |
| Loss/(gain) on revaluation of investment properties – wholly owned | **52,848** | (92,777) |
| – in associate | **885** | 187 |
| Change in fair value of interest rate derivatives – group (see below) | **17,967** | 3,382 |
| – in associate | **650** | 55 |
| Loss on non-current assets | **11,583** | 463 |
| Prior year non-recurring costs | **–** | 1,078 |
| Refinancing costs | **1,347** | – |
| Adjusted profit before tax | **13,791** | 15,006 |
| Net bank and other interest | **15,773** | 13,899 |
| Depreciation | **729** | 650 |
| Adjusted EBITDA | **30,293** | 29,555 |

Please see note 2 for details of the restatement

Included within the £17,967,000 reported above, is £14,892,000 in respect of derivative positions that were closed out in March 2009.

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

The net losses on non-current assets in 2009 are £11,583,000 comprised of a provision against development property of £11,588,000 and a provision against non-current assets held for sale of £800,000, offset by an £805,000 profit on the disposal of other development assets. (2008: loss of £463,000 comprising a provision against non-current assets held for sale of £1.0 million and a £537,000 profit on disposal of other development sites).

## 11. DIVIDENDS

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 March 2008 of 5.5p (2007: 5.5p) per share. | **6,309** | 6,278 |
| Interim dividend for the year ended 31 March 2009 of 0p (2007: 4p) per share. | **–** | 4,582 |
| | **6,309** | 10,860 |
| Proposed final dividend for the year ended 31 March 2009 of nil p (2008: 5.5p) per share. | **–** | 6,309 |

There is no Property Income Dividend ("PID") payable for the current year. Included in the final dividend paid for the year ended 31 March 2008 is a PID of 0.15 pence per share (2007 final dividend: PID of 0.4 pence per share).

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

### (Loss)/earnings per ordinary share

| | Year ended 31 March 2009 | | | Year ended 31 March 2008 (restated) | | |
|---|---|---|---|---|---|---|
| | (Loss)/ earnings £m | Shares million | Pence per share | Earnings £m | Shares million | Pence per share |
| **Basic** | **(72.64)** | **115.55** | **(62.86)** | 103.39 | 115.03 | 89.88 |
| Adjustments: | | | | | | |
| Dilutive share options | **–** | **0.96** | **0.52** | – | 0.87 | (0.68) |
| **Diluted** | **(72.64)** | **116.51** | **(62.34)** | 103.39 | 115.90 | 89.20 |
| Adjustments: | | | | | | |
| Loss/(gain) on revaluation of investment properties | **52.85** | **–** | **45.36** | (92.78) | – | (80.05) |
| Change in fair value of interest rate derivatives | **17.97** | **–** | **15.42** | 3.38 | – | 2.92 |
| Loss on non-current assets | **11.58** | **–** | **9.94** | 0.46 | – | 0.40 |
| Prior year non-recurring costs | **–** | **–** | **–** | 1.17 | – | 1.01 |
| Refinancing costs | **1.35** | **–** | **1.16** | – | – | – |
| Share of associate non-recurring costs | **1.54** | **–** | **1.32** | 0.24 | – | 0.21 |
| Deferred tax | **1.30** | **–** | **1.11** | (1.09) | – | (0.94) |
| Tax effect of non-recurring items* | **(0.09)** | **–** | **(0.08)** | (1.19) | – | (1.03) |
| **Adjusted – diluted** | **13.86** | **116.51** | **11.89** | 13.58 | 115.90 | 11.72 |
| **Adjusted – basic** | **13.86** | **115.55** | **11.99** | 13.58 | 115.03 | 11.81 |

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

Please see note 2 for details of the restatement.

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

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

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

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

| Analysis of net asset value | As at 31 March 2009 £'000 | As at 31 March 2008 (restated) £'000 |
|---|---|---|
| Basic net asset value | 502,317 | 580,886 |
| Exercise of share options | 2,584 | 2,692 |
| Diluted net asset value | 504,901 | 583,578 |
| Adjustments: | | |
| Fair value on derivatives | 5,550 | 2,870 |
| Fair value on derivatives – share of associate | 705 | 55 |
| Deferred tax | – | (1,535) |
| EPRA net asset value | 511,156 | 584,968 |
| Basic net assets per share (pence) | 437.6 | 506.4 |
| Diluted net assets per share (pence) | 424.3 | 492.4 |
| EPRA net assets per share (pence) | 429.5 | 493.6 |
| EPRA net asset value (as above) (£'000) | 511,156 | 584,968 |
| Valuation methodology assumption (see note 14) (£'000) | 32,660 | 33,640 |
| Adjusted net asset value (£'000) | 543,816 | 618,608 |
| Adjusted net assets per share (pence) | 457.0 | 522.0 |
| Shares in issue | 115,592,541 | 115,514,119 |
| Own shares held | (815,000) | (815,000) |
| Basic shares in issue used for calculation | 114,777,541 | 114,699,119 |
| Exercise of share options | 4,221,550 | 3,808,591 |
| Diluted shares used for calculation | 118,999,091 | 118,507,710 |

Please see note 2 for details of the restatement.

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 and treasury shares (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; and

> the effect of alternative valuation methodology assumptions (see note 14).

## 13. NON-CURRENT ASSETS

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

| | Investment property (restated) £000 | Development property (restated) £000 | Interests in leasehold property £000 |
|---|---|---|---|
| **At 31 March 2007** | 590,060 | 96,393 | 27,038 |
| Additions | 6,952 | 89,041 | – |
| Purchase of freeholds | 8,128 | – | (3,753) |
| Adjustment to present value | – | – | (292) |
| Reclassifications | 65,093 | (65,093) | – |
| Transfer to assets held for sale | – | (8,506) | – |
| Revaluation (see note 14) | 92,777 | – | – |
| Disposal | (12,100) | (7,696) | – |
| Depreciation | – | – | (719) |
| **At 31 March 2008** | 750,910 | 104,139 | 22,274 |
| Additions | 8,423 | 22,947 | – |
| Adjustment to present value | – | – | 268 |
| Reclassifications | 28,575 | (28,575) | – |
| Transfer from assets held for sale | – | 9,432 | – |
| Revaluation (see note 14) | (52,848) | – | – |
| Impairment | – | (11,588) | – |
| Disposals | – | (475) | – |
| Disposal to associate | – | (22,262) | |
| Depreciation | – | – | (690) |
| **At 31 March 2009** | **735,060** | **73,618** | **21,852** |

Please see note 2 for details of the restatement.

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses arising on the investment property in the year are disclosed in the Portfolio Summary on page 24.

The total investment property balance per IAS 40 amounts to £756,912,000 (2008: £773,189,000), being the sum of investment property and interests in leasehold property shown above.

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

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

| | Freehold Property £000 | Leasehold improvements £000 | Plant and machinery £000 | Fixtures, fittings & office equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 31 March 2007 | 1,796 | 17 | 563 | 4,044 | 6,420 |
| Additions | 62 | 27 | 44 | 647 | 780 |
| Disposal to associate | – | – | – | (78) | (78) |
| At 31 March 2008 | 1,858 | 44 | 607 | 4,613 | 7,122 |
| Additions | – | – | 58 | 577 | 635 |
| Disposals | – | – | (14) | (53) | (67) |
| **At 31 March 2009** | **1,858** | **44** | **651** | **5,137** | **7,690** |
| **Depreciation** | | | | | |
| At 31 March 2007 | (50) | (17) | (215) | (2,968) | (3,250) |
| Charge for the year | (40) | (15) | (61) | (534) | (650) |
| Disposal to associate | – | – | – | 34 | 34 |
| At 31 March 2008 | (90) | (32) | (276) | (3,468) | (3,866) |
| Charge for the year | (35) | (2) | (116) | (576) | (729) |
| **At 31 March 2009** | **(125)** | **(34)** | **(392)** | **(4,044)** | **(4,595)** |
| **Net book value** | | | | | |
| **At 31 March 2009** | **1,733** | **10** | **259** | **1,093** | **3,095** |
| At 31 March 2008 | 1,768 | 12 | 331 | 1,145 | 3,256 |

#### c) Goodwill

Goodwill relates to the purchase of Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment. The carrying value of £1,433,000 remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

#### d) 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 current year of £0.8 million against the site. Land at this site is surplus to requirements and the Group is currently marketing the asset for sale; it is ready for sale and completion is expected within the next 12 months. At 31 March 2008 the assets classified as held for sale were £16.3 million, comprised of cost of £18.0 million and an impairment of £1.7 million. Of this balance £2.9 million has been sold during the year, and £9.4 million was transferred back to development property, as the land no longer met the criteria required to be held for sale.

#### 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 equity accounting. The Partnership commenced trading on 1 December 2007.

| | **31 March 2009 £000** | 31 March 2008 £000 |
|---|---|---|
| At the beginning of the year/period | **5,454** | – |
| Subscription for partnership capital and advances | **5,429** | 5,703 |
| Share of results (see below) | **(1,598)** | (249) |
| | **9,285** | 5,454 |

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

#### e) Investment in associate (continued)

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 | **Year ended 31 March 2009 £000** | Period ended 31 March 2008 £000 |
|---|---|---|
| **Income statement (100%)** | | |
| Revenue | **892** | 252 |
| Cost of sales | **(843)** | (190) |
| Administrative expenses | **(135)** | (24) |
| Operating (loss)/profit | **(86)** | 38 |
| Loss on the revaluation of investment properties | **(2,656)** | (562) |
| Net interest payable | **(103)** | (59) |
| Fair value movement of interest rate derivatives | **(1,949)** | (165) |
| Loss before and after tax | **(4,794)** | (748) |
| **Balance sheet (100%)** | | |
| Investment property | **32,650** | 11,830 |
| Development property (including land held for resale) | **35,016** | 10,909 |
| Other fixed assets | **208** | 50 |
| Current assets | **94** | 3,531 |
| Current liabilities | **(4,289)** | (1,317) |
| Non-current liabilities | **(35,825)** | (8,642) |
| **Net assets (100%)** | **27,854** | 16,361 |
| **Group share of (33.3%)** | | |
| Operating (loss)/profit | **(29)** | 13 |
| Loss on the revaluation of investment properties | **(885)** | (187) |
| Net interest payable | **(34)** | (20) |
| Fair value movement of interest rate derivatives | **(650)** | (55) |
| Loss for the year/period | **(1,598)** | (249) |
| Associate net assets | **9,285** | 5,454 |

The Partnership has in place a loan of £75 million, secured from a syndicate of banks, involving Royal Bank of Scotland plc, HSBC Bank plc and HSH Nordbank AG. The loan has a five year term and expires in 2013. £18.4 million of the £36.6 million drawn down at 31 March 2009 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 6.57%. The balance of the drawn debt is currently paying one month LIBOR plus applicable margin.

The Group has an option at 31 March 2013, and certain dates thereafter provided certain Internal Rate of Return ("IRR") hurdles are met to acquire the assets within the Partnership or the remaining interest in the Partnership not held by the Group. The price payable is based on the market value of the Partnership's assets and liabilities, and is subject to certain promotes, dependent on the IRR achieved.

## 14. VALUATION OF INVESTMENT PROPERTY

| | Deemed cost £000 | Revaluation on deemed cost £000 | Valuation £000 |
|---|---|---|---|
| **Freehold stores *** | | | |
| As at 31 March 2008 as previously reported | 269,548 | 422,722 | 692,270 |
| Prior year adjustment (see note 2) | 910 | (910) | – |
| **As at 31 March 2008 restated** | 270,458 | 421,812 | 692,270 |
| Movement in period | 36,764 | (49,714) | (12,950) |
| **As at 31 March 2009** | **307,222** | **372,098** | **679,320** |
| **Leasehold stores** | | | |
| As at 31 March 2008 | 15,162 | 43,478 | 58,640 |
| Movement in period | 234 | (3,134) | (2,900) |
| **As at 31 March 2009** | **15,396** | **40,344** | **55,740** |
| **All stores** | | | |
| As at 31 March 2008 | 285,620 | 465,290 | 750,910 |
| Movement in period | 36,998 | (52,848) | (15,850) |
| **As at 31 March 2009** | **322,618** | **412,442** | **735,060** |

* Includes one long leasehold property

The freehold and leasehold investment properties have been valued as at 31 March 2009 by external valuers, Cushman & Wakefield LLP, ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards, 6th Edition as amended published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the trading properties 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 this bi-annual valuation for the same purposes as this valuation on behalf of the Group since September 2004.

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

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

*Market uncertainty*
C&W's valuation report comments on valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. C&W note that although there were a number of self storage transactions in 2007, the only significant transaction in the past 18 months was the sale of a 51% share in Shurgard Europe which was announced in January 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 property market will continue to trade in an orderly fashion. Accordingly, they have assumed 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.

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

**Valuation methodology**

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

*Freehold and long leasehold*

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

Assumptions

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

B. The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 50 stores (both freeholds and leaseholds) averages 85.04% (2008: 85.80%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.

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. For the 50 stores, the weighted average net stabilised yield of the net cash flow projection is 8.64% (2008: 7.67%).

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 11.41% (2008: 10.36%).

E. Purchaser's costs of 5.75% (see below) 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.

*Short leasehold*

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 16.8 years (March 2008: seven short leaseholds is 17.8 years).

*Prudent lotting*

C&W have assessed the value of each property individually. However, with regard to six recently opened loss making stores (three wholly owned and three in the Partnership) 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 short term cashflow. 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. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. 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 31 March 2009 of £767,220,000 (£32,660,000 higher than the value recorded in the financial statements or 27.5 pence per share. This includes £500,000 as the share of uplift within Big Yellow Limited Partnership). We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

## 15. TRADE AND OTHER RECEIVABLES

| | 31 March 2009 £000 | 31 March 2008 £000 |
|---|---|---|
| Trade receivables | **1,546** | 1,604 |
| Other receivables | **154** | 483 |
| Prepayments and accrued income | **6,662** | 5,378 |
| | **8,362** | 7,465 |

Trade receivables are net of a bad debt provision of £21,000 (2008: £4,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

**Trade receivables**

The Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. A late charge of 10% is applied to a customers' account if they are greater than 10 days overdue in their payment. The Group provides for receivables on a specific basis. There is a right of lien over the customers' goods, so if they have not paid within a certain time frame, we have the right to sell the items they store to recoup the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

For individual storage customers, the Group does not perform credit checks, however this is mitigated by the fact that all customers are required to pay in advance, and also to pay a deposit ranging from between 1 week's to 4 weeks' storage income. Before accepting a new business customer who wishes to use a number of the Group's stores, the Group uses an external credit rating to assess the potential customer's credit quality and defines credit limits by customer. There are no customers who represent more than 5 per cent of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £155,000 (2008: £167,000 which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over the customers' goods if these debts are not paid. The average age of these receivables is 25 days past due (2008: 29 days past due).

Ageing of past due but not impaired receivables

| | 2009 £000 | 2008 £000 |
|---|---|---|
| 0 – 30 days | **108** | 112 |
| 30 – 60 days | **30** | 26 |
| 60 +days | **17** | 29 |
| Total | **155** | 167 |

Movement in the allowance for doubtful debts

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Balance at the beginning of the year | **4** | 33 |
| Amounts provided in year | **21** | – |
| Amounts written off as uncollectible | **(4)** | (29) |
| Balance at the end of the year | **21** | 4 |

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

Ageing of impaired trade receivables

| | 2009 £000 | 2008 £000 |
|---|---|---|
| 0 – 30 days | **–** | – |
| 30 – 60 days | **3** | 2 |
| 60 + days | **18** | 2 |
| Total | **21** | 4 |

## 16. TRADE AND OTHER PAYABLES

| | 31 March 2009 £000 | 31 March 2008 £000 |
|---|---|---|
| **Current** | | |
| Trade payables | **7,460** | 8,738 |
| Other payables | **1,891** | 2,241 |
| Accruals and deferred income | **7,834** | 9,614 |
| Amounts owed to associate | **–** | 77 |
| VAT repayable under Capital Goods Scheme | **1,228** | 1,228 |
| | **18,413** | 21,898 |
| **Non current** | | |
| VAT repayable under Capital Goods Scheme | **2,661** | 3,889 |

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value. See note 18 for details of VAT repayable under Capital Goods Scheme.

## 17. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 22. The Group's banking facilities require hedging of 70% of the funds drawn under the investment tranche of its core banking facility. The Group has complied with this during the year.

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in interest rates, but are not employed for speculative purposes.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

### A. Balance sheet management

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

The gearing ratio at the year end is as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Debt | **(311,339)** | (284,000) |
| Cash and cash equivalents | **3,222** | 1,671 |
| Net debt | **308,117** | 282,329 |
| Balance sheet equity | **502,317** | 580,105 |
| Net debt to equity ratio | **61.3%** | 48.7% |

Debt is defined as long-term and short-term borrowings, as detailed in note 18. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally imposed capital requirements.

### B. Debt management

The Group borrows through a senior term loan, secured on its existing store portfolio. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged in the Group and in Big Yellow Limited Partnership through banks and financial institutions with whom the Group has a strong working relationship.

**17. FINANCIAL INSTRUMENTS (continued)**

**C. Interest rate risk management**

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group has two interest rate derivatives in place; £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) until September 2013.

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The loss in the income statement for the year of these interest rate swaps was £3,075,000 (2008: loss of £3,382,000). A further income statement charge arose in the year of £14,892,000 in respect of the fair value movement of derivative positions that were closed out in March 2009.

The fair value of the above derivatives at 31 March 2009 was a liability of £5,550,000 (2008: liability of £2,870,000).

**D. Interest rate sensitivity analysis**

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings, without jeopardising its flexibility. Over the longer term, permanent changes in interest rates may have an impact on consolidated earnings.

At 31 March 2009, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual loss before tax by £1,213,000 (2008: reduced profit before tax by £947,000) and a decrease of one percentage point in interest rates would have reduced the Group's annual loss before tax by £1,213,000 (2008: increased profit before tax by £1,440,000). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

**E. Cash management and liquidity**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Short term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk.

**F. Foreign currency management**

The Group does not have any foreign currency exposure.

**G. Credit risk**

The credit risk management policies of the Group with respect to trade receivables are discussed in note 15. The Group has no significant concentration of credit risk, with exposure spread over 28,500 customers in our stores.

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

**H. Financial maturity analysis**

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

**2009 Maturity**

| | Total £000 | Less than one year £000 | One to two years £000 | Two to five years £000 | More than five years £000 |
|---|---|---|---|---|---|
| Debt | | | | | |
| Bank loan payable at variable rate | 121,339 | – | – | 121,339 | – |
| Debt fixed by interest rate derivatives | 190,000 | – | – | 190,000 | – |
| **Total** | **311,339** | **–** | **–** | **311,339** | **–** |

## 17. FINANCIAL INSTRUMENTS (continued)

### H. Financial maturity analysis (continued)

**2008 Maturity**

| | Total £000 | Less than one year £000 | One to two years £000 | Two to five years £000 | More than five years £000 |
|---|---|---|---|---|---|
| Debt | | | | | |
| Bank loan payable at variable rate | 144,000 | – | – | 144,000 | – |
| Debt fixed by interest rate derivatives | 140,000 | – | – | 140,000 | – |
| **Total** | 284,000 | – | – | 284,000 | – |

The Group's sensitivity to interest rates has increased at the end of the current period following the close out of the interest rate hedging instruments, and subsequent increase in floating rate debt. The Board monitors closely the exposure to the floating rate element of our debt.

### I. Fair values of financial instruments

The fair values of the Group's cash and short term deposits and those of other financial assets equate to their book values. Details of the Group's receivables at amortised cost are set out in note 15. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables, including bank borrowings, are carried at amortised cost. Finance lease liabilities are included at the fair value of their minimum lease payments. Derivatives are carried at fair value.

### J. Maturity analysis of financial liabilities

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

| 2009 | Trade and other payables £000 | Interest rate swaps £000 | Borrowings and interest £000 | Finance leases £000 | Total £000 |
|---|---|---|---|---|---|
| From five to twenty years | – | (2,099) | – | 27,348 | 25,249 |
| From two to five years | 1,610 | (1,696) | 339,654 | 6,029 | 345,597 |
| From one to two years | 1,051 | 2,256 | 11,522 | 2,028 | 16,857 |
| Due after more than one year | 2,661 | (1,539) | 351,176 | 35,405 | 387,703 |
| Due within one year | 18,413 | 4,392 | 11,522 | 2,028 | 36,355 |
| **Total** | **21,074** | **2,853** | **362,698** | **37,433** | **424,058** |

| 2008 | Trade payables £000 | Interest rate swaps £000 | Borrowings and interest £000 | Finance leases £000 | Total £000 |
|---|---|---|---|---|---|
| From five to twenty years | 15 | – | – | 29,116 | 29,131 |
| From two to five years | 2,645 | 1,306 | 284,193 | 6,007 | 294,151 |
| From one to two years | 1,227 | 1,146 | 17,608 | 2,002 | 21,983 |
| Due after more than one year | 3,887 | 2,452 | 301,801 | 37,125 | 345,265 |
| Due within one year | 12,207 | (93) | 17,608 | 2,002 | 31,724 |
| **Total** | 16,094 | 2,359 | 319,409 | 39,127 | 376,989 |

### K. Reconciliation of maturity analyses

The maturity analysis in note 17J shows non-discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 18 with the borrowings and interest column in the maturity analysis presented in note 17J.

| 2009 | Borrowings £000 | Interest £000 | Unamortised borrowing costs £000 | Borrowings and interest £000 |
|---|---|---|---|---|
| From two to five years | 308,672 | 28,315 | 2,667 | 339,654 |
| From one to two years | – | 11,522 | – | 11,522 |
| Due after more than one year | 308,672 | 39,837 | 2,667 | 351,176 |
| Due within one year | – | 11,522 | – | 11,522 |
| **Total** | **308,672** | **51,359** | **2,667** | **362,698** |

### 17. FINANCIAL INSTRUMENTS (continued)
#### K. Reconciliation of maturity analyses (continued)

| 2008 | Borrowings £000 | Interest £000 | Unamortised borrowing costs £000 | Borrowings and interest £000 |
|---|---|---|---|---|
| From two to five years | 282,897 | 193 | 1,103 | 284,193 |
| From one to two years | – | 17,608 | – | 17,608 |
| Due after more than one year | 282,897 | 17,801 | 1,103 | 301,801 |
| Due within one year | – | 17,608 | – | 17,608 |
| Total | 282,897 | 35,409 | 1,103 | 319,409 |

### 18. BANK BORROWINGS

| Secured borrowings at amortised cost | **31 March 2009 £000** | 31 March 2008 £000 |
|---|---|---|
| Bank borrowings | **311,339** | 284,000 |
| Unamortised loan arrangement costs | **(2,667)** | (1,103) |
| | **308,672** | 282,897 |

During the year, the Group completed a refinancing of its core debt facilities, replacing the existing £325 million loan provided by a syndicate led by Royal Bank of Scotland plc, with a new £325 million senior debt facility provided by HSH Nordbank AG. The loan is due to expire on 15 September 2013.

The facility is secured on a first charge of 47 of the Group's properties and is subject to certain covenants. 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 carries a margin of 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.

The facility's principal covenant is an income cover covenant that requires Tranche B EBITDA to be greater than 1.25 times the interest cost in Tranche B. The Group is also required to retain consolidated net assets of £350 million; and a net debt to net assets ratio of less than 1. There is no loan to value covenant.

The weighted average interest rate paid on the bank borrowings during the year was 5.9% (2008: 6.3%).

The Group has £13,661,000 in undrawn committed borrowing facilities at 31 March 2009 which expire between four and five years (2008: £41,000,000 expiring between one and two years).

Interest rate profile of financial liabilities

| | Total £000 | Floating rate £000 | Fixed rate £000 | Weighted average interest rate | Period for which the rate is fixed | Weighted average period until maturity |
|---|---|---|---|---|---|---|
| **At 31 March 2009** | | | | | | |
| Gross financial liabilities | **311,339** | **121,339** | **190,000** | **3.7%** | **5.5 years** | **5.2 years** |
| At 31 March 2008 | | | | | | |
| Gross financial liabilities | 284,000 | 144,000 | 140,000 | 6.2% | 4.5 years | 3.2 years |

The floating rate at 31 March 2009 was paying a weighted average margin of 1.135% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.20%. All monetary liabilities, including short term receivables and payables are denominated in sterling. The weighted average interest rate includes the effect of the Group's interest rate derivatives.

## 18. BANK BORROWINGS (continued)

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

| | 2009 Carrying amount £000 | 2009 Estimated fair value £000 | 2008 Carrying amount £000 | 2008 Estimated fair value £000 |
|---|---|---|---|---|
| VAT payable under capital goods scheme | **3,889** | **3,578** | 5,117 | 4,331 |

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

Narrative disclosures on the Group's policy for financial instruments are included within the Business Review and note 17.

## 19. DEFERRED TAX

The movement and major deferred tax items are set out below:

| | Deduction for share options £000 | Other £000 | Total £000 |
|---|---|---|---|
| **At 31 March 2007** | (650) | – | (650) |
| Recognised in income | – | (1,091) | (1,091) |
| Recognised in equity | 206 | – | 206 |
| **At 31 March 2008** | (444) | (1,091) | (1,535) |
| Recognised in income | – | 1,091 | 1,091 |
| Recognised in equity | 444 | – | 444 |
| **At 31 March 2009** | **–** | **–** | **–** |

Other deferred tax relates to an asset in relation to the fair value of derivatives of £nil (2008: £804,000) and losses carried forward within the residual business of £nil (2008: £287,000).

Temporary differences arising in connection with interests in associate are insignificant.

## 20. OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | | Present value minimum of lease payments | |
|---|---|---|---|---|
| | **2009 £000** | 2008 £000 | **2009 £000** | 2008 £000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **2,028** | 2,002 | **1,984** | 1,958 |
| Within two to five years inclusive | **8,057** | 8,009 | **6,805** | 6,753 |
| Greater than five years | **27,348** | 29,116 | **13,063** | 13,563 |
| | **37,433** | 39,127 | **21,852** | 22,274 |
| Less: Future finance charges | **(15,581)** | (16,853) | | |
| Present value of lease obligations | **21,852** | 22,274 | | |

All lease obligations are denominated in sterling.

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

## 21. SHARE CAPITAL

| | Authorised | | Called up, allotted and fully paid | |
|---|---|---|---|---|
| | **2009 £000** | 2008 £000 | **2009 £000** | 2008 £000 |
| **Ordinary shares at 10 pence each** | **20,000** | 20,000 | **11,559** | 11,551 |

| | No. |
|---|---|
| **Movement in issued share capital** | |
| Number of shares at 1 April 2007 | 114,559,534 |
| Exercise of share options – Share option scheme | 954,585 |
| Number of shares at 31 March 2008 | 115,514,119 |
| Exercise of share options – Share option schemes | 78,422 |
| **Number of shares at 31 March 2009** | **115,592,541** |

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

At 31 March 2009 options in issue to Directors and employees were as follows:

| Date option granted | Option price per ordinary share | Date first exercisable | Date on which the exercise period expires | **No. of ordinary shares 2009** | No. of ordinary shares 2008 |
|---|---|---|---|---|---|
| 5 May 2000 | 100p | 5 May 2003 | 4 May 2010 | **278,400** | 278,400 |
| 30 November 2000 | 137.5p | 30 November 2003 | 29 November 2010 | **2,500** | 2,500 |
| 1 June 2001 | 125.5p | 1 June 2004 | 31 May 2011 | **165,000** | 165,000 |
| 4 June 2001 | 131.5p | 4 June 2004 | 4 June 2011 | **521,000** | 521,000 |
| 8 November 2001 | 98p | 8 November 2004 | 7 November 2011 | **122,192** | 125,492 |
| 15 May 2002 | 102p | 15 May 2005 | 14 May 2012 | **511,789** | 511,789 |
| 16 December 2002 | 81.5p | 16 December 2005 | 15 December 2012 | **355,301** | 356,381 |
| 2 July 2003 | 82.5p | 2 July 2006 | 1 July 2013 | **100,612** | 110,512 |
| 11 November 2003 | 96p | 11 November 2006 | 10 November 2013 | **16,000** | 20,000 |
| 27 September 2004 | nil p** | 27 September 2007 | 26 September 2014 | **118,000** | 138,000 |
| 6 June 2005 | nil p** | 6 June 2008 | 5 June 2015 | **438,332** | 443,332 |
| 21 July 2005 | 156p* | 21 July 2008 | 20 January 2009 | **–** | 16,326 |
| 21 December 2005 | 225p* | 21 December 2008 | 20 June 2009 | **831** | 12,796 |
| 9 June 2006 | nil p** | 9 June 2009 | 8 June 2016 | **460,832** | 470,832 |
| 18 August 2006 | 347p* | 18 August 2009 | 17 February 2010 | **6,407** | 6,191 |
| 12 March 2007 | 554p* | 12 March 2010 | 11 September 2011 | **–** | 317 |
| 13 July 2007 | nil p** | 13 July 2010 | 12 July 2017 | **495,750** | 507,750 |
| 30 August 2007 | 409p* | 30 August 2010 | 28 February 2011 | **3,049** | 7,066 |
| 6 March 2008 | 310p* | 6 March 2011 | 5 September 2011 | **13,371** | 115,224 |
| 9 July 2008 | Nil p** | 9 July 2011 | 8 July 2018 | **373,000** | – |
| 22 August 2008 | 249p* | 22 August 2011 | 21 February 2012 | **17,440** | – |
| 24 February 2009 | 141p* | 24 February 2012 | 23 August 2012 | **262,842** | – |
| | | | | **4,262,648** | 3,808,908 |

* SAYE (see note 23)

** LTIP (see note 23)

### Own Shares

| | £000 |
|---|---|
| **Balance at 1 April 2008 and 31 March 2009** | **1,896** |

The own shares reserve represents the cost of shares in Big Yellow Group PLC purchased in the market and held by the Big Yellow Group PLC Employee Benefit Trust to satisfy options under the Group's share options schemes. 715,000 shares are held in the Employee Benefit Trust (2008: 715,000) and 100,000 are held in Treasury (2008: 100,000).

### 22. MOVEMENTS IN EQUITY

| Group | Share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Retained earnings £000 | Own shares £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 31 March 2007 | 11,456 | 40,864 | 1,653 | 434,818 | (812) | 487,979 |
| Profit for the year | – | – | – | 102,607 | – | 102,607 |
| Taxation | – | – | – | 96 | – | 96 |
| Dividends | – | – | – | (10,860) | – | (10,860) |
| Purchase of own shares | – | – | – | – | (1,084) | (1,084) |
| Issue of shares | 95 | 781 | – | – | – | 876 |
| Share options | – | – | – | 491 | – | 491 |
| At 31 March 2008 | 11,551 | 41,645 | 1,653 | 527,152 | (1,896) | 580,105 |
| Restatement (see note 2) | – | – | – | 781 | – | 781 |
| At 31 March 2008 (restated) | 11,551 | 41,645 | 1,653 | 527,933 | (1,896) | 580,886 |
| Loss for the year | – | – | – | (72,639) | – | (72,639) |
| Taxation | – | – | – | (240) | – | (240) |
| Dividends | – | – | – | (6,309) | – | (6,309) |
| Issue of shares | 8 | 18 | – | – | – | 26 |
| Share options | – | – | – | 593 | – | 593 |
| **At 31 March 2009** | **11,559** | **41,663** | **1,653** | **449,338** | **(1,896)** | **502,317** |

The capital redemption reserve arose on the buy back of the Company's shares in the years ended 31 March 2003 and 31 March 2004.

The own shares balance is amounts held by the Employee Benefit Trust and in Treasury (see note 21).

### 23. SHARE BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, and an Employee Share Save Scheme ("SAYE"). The Group recognised a total expense in the year related to equity-settled share-based payment transactions since 7 November 2002 of £593,000 (2008: £491,000).

#### Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved Inland Revenue Share option schemes between 16 November 1999 and 11 November 2003. The Group's schemes provided for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is three to ten years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

Since 3 September 2004 the Group has operated an Employee Share Save Scheme ("SAYE") which allows any employee who has more than six months service to purchase shares at a 20% discount to the average quoted market price of the Group shares at the date of grant. The associated savings contracts are 3 years at which point the employee can exercise their option to purchase the shares or take the amount saved, including interest, in cash. The scheme is administered by Yorkshire Building Society.

On 27 September 2004, 6 June 2005, 9 June 2006, 13 July 2007 and 9 July 2008 the Group awarded nil-paid options to senior management under the Group's Long Term Incentive Plan ("LTIP"). The awards are conditional on the achievement of challenging performance targets as described on page 44 of the remuneration report. The awards granted on 27 September 2004 and 6 June 2005 vested in full.

The weighted average share price at the date of exercise for options exercised in the year was 297 pence (2008: 502 pence).

| Share option scheme "ESO" | 2009 No. of Options | 2009 Weighted average exercise price (in £) | 2008 No. of Options | 2008 Weighted average exercise price (in £) |
|---|---|---|---|---|
| Outstanding at beginning of year | **2,091,075** | **1.06** | 2,880,867 | 1.02 |
| Exercised during the year | **(18,280)** | **0.88** | (789,792) | 0.88 |
| Outstanding at the end of the year | **2,072,795** | **1.06** | 2,091,075 | 1.06 |
| Exercisable at the end of the year | **2,072,795** | **1.06** | 2,091,075 | 1.06 |

Options outstanding at 31 March 2009 had a weighted average contractual life of 2.7 (2008: 3.7) years.

### 23. SHARE BASED PAYMENTS (continued)

| LTIP scheme | 2009 No. of Options | 2008 No. of Options |
|---|---|---|
| Outstanding at beginning of year | **1,559,914** | 1,052,164 |
| Granted during the year | **373,000** | 507,750 |
| Forfeited during the year | **(9,277)** | – |
| Exercised during the year | **(37,723)** | – |
| Outstanding at the end of the year | **1,885,914** | 1,559,914 |
| Exercisable at the end of the year | **556,332** | 138,000 |

The weighted average fair value of options granted during the period was £298,813 (2008: £882,265).

Options outstanding at 31 March 2009 had a weighted average contractual life of 7.5 years (2008: 8.1 years).

| Employee Share Save Scheme ("SAYE"). | 2009 No. of Options | 2009 Weighted average exercise price (in £) | 2008 No of Options | 2008 Weighted average exercise price (in £) |
|---|---|---|---|---|
| Outstanding at beginning of year | **157,919** | **2.94** | 234,858 | 1.65 |
| Granted during the year | **387,943** | **1.76** | 187,976 | 3.31 |
| Forfeited during the year | **(219,504)** | **2.82** | (100,122) | 4.16 |
| Exercised during the year | **(22,419)** | **1.56** | (164,793) | 1.13 |
| Outstanding at the end of the year | **303,939** | **1.62** | 157,919 | 2.94 |
| Exercisable at the end of the year | **831** | **2.25** | – | – |

Options outstanding at 31 March 2009 had a weighted average contractual life of 2.3 years (2008: 2.9 years).

The inputs into the Black-Scholes model are as follows:

| | ESO | LTIP | SAYE |
|---|---|---|---|
| Expected volatility | 24% | 29% | 34% |
| Expected life | 3 | 3 | 3 |
| Risk-free rate | 4.7% | 4.7% | 4.4% |
| Expected dividends | 3.2% | 3.8% | 4.1% |

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

### 24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties as at 31 March 2009 were £6.6 million (2008: £20.7 million).

### 25. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after the balance sheet date.

### 26. RELATED PARTY TRANSACTIONS

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

**Transactions with Big Yellow Limited Partnership**

As described in note 13, the Group has a 33% interest in Big Yellow Limited Partnership ("the Partnership"), and entered into transactions with the Partnership during the year on normal commercial terms.

During the year, the Group sold property with a book value of £22.3 million to the Partnership, a related party of the Group, for a total profit of £0.4m (2008, the Group sold property with a book value of £19.8 million to the Partnership, for a total profit of £0.5m). The Group earned fees from the Partnership of £1,368,000 (2008: £138,000). At 31 March 2009, the Group was owed £14,000 by the Partnership (2008: Group owed £77,000 to the Partnership).

No other related party transactions took place during the years ended 31 March 2009 and 31 March 2008.

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information on the remuneration of individual Directors is found in the audited part of the Directors' Remuneration Report on pages 42 to 48.

| | **31 March 2009 £000** | 31 March 2008 £000 |
|---|---|---|
| Short term employee benefits | **965** | 1,007 |
| Post employment benefits | **81** | 70 |
| Share based payments | **–** | 1,249 |
| | **1,046** | 2,326 |

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

We have audited the parent company financial statements of Big Yellow Group PLC for the year ended 31 March 2009 which comprise the Company Balance Sheet, the Company Cash Flow Statement and the related notes A to I. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Big Yellow Group PLC for the year ended 31 March 2009 and on the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the Review of Business section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

**Opinion**

In our opinion:

> the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2009;

> the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and

> the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte LLP

**Deloitte LLP**
Chartered Accountants and Registered Auditors
Reading, United Kingdom
15 May 2009

# Company Balance Sheet

| | Note | 2009 £000 | 2008 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant, equipment and owner-occupied property | C | **1,597** | 1,631 |
| Investment in subsidiary companies | C | **3,450** | 2,857 |
| | | **5,047** | 4,488 |
| **Current assets** | | | |
| Trade and other receivables | D | **407,129** | 364,700 |
| Deferred tax asset | | **–** | 804 |
| Cash and cash equivalents | | **2,412** | 1,633 |
| | | **409,541** | 367,137 |
| **Total assets** | | **414,588** | 371,625 |
| **Current liabilities** | | | |
| Trade and other payables | E | **(734)** | (1,692) |
| Derivative financial instruments | F | **(5,550)** | (2,870) |
| | | **(6,284)** | (4,562) |
| **Non-current liabilities** | | | |
| Bank borrowings | F | **(308,672)** | (282,897) |
| **Total liabilities** | | **(314,956)** | (287,459) |
| **Net assets** | | **99,632** | 84,166 |
| **Equity** | | | |
| Called up share capital | G | **11,559** | 11,551 |
| Share premium account | G | **41,663** | 41,645 |
| Reserves | G | **46,410** | 30,970 |
| **Equity shareholders' funds** | | **99,632** | 84,166 |

The financial statements were approved by the Board of Directors and authorised for issue on 15 May 2009. They were signed on its behalf by:

**James Gibson**
Director

**John Trotman**
Director

# Company Cash Flow Statement

| | 2009<br>£000 | 2008<br>£000 |
|---|---|---|
| Operating loss | **(281)** | (700) |
| Depreciation | **34** | 39 |
| Increase in receivables | **(40,782)** | (54,436) |
| Increase/(decrease) in payables | **53** | (77) |
| **Cash used by operations** | **(40,976)** | (55,174) |
| Dividend received from subsidiary company | **40,000** | – |
| Interest paid | **(38,606)** | (15,063) |
| Interest received | **19,305** | 240 |
| Taxation | **–** | (11,997) |
| **Cash flows from operating activities** | **(20,277)** | (81,994) |
| **Financing activities** | | |
| Issue of share capital | **26** | 876 |
| Purchase of own shares | **–** | (1,084) |
| Equity dividends paid | **(6,309)** | (10,860) |
| Increase in borrowings – RBS facility | **7,000** | 94,000 |
| Repayment of RBS loan | **(291,000)** | – |
| Increase in borrowings – HSH facility | **311,339** | – |
| **Cash flows from financing activities** | **21,056** | 82,932 |
| **Net increase in cash and cash equivalents** | **779** | 938 |
| **Opening cash and cash equivalents** | **1,633** | 695 |
| **Closing cash and cash equivalents** | **2,412** | 1,633 |

# Statement of Recognised Income and Expense

Year ended 31 March 2009

| | 2009<br>£000 | 2008<br>£000 |
|---|---|---|
| Profit/(loss) for the year | **21,156** | (1,510) |
| Total recognised income and expense for the period attributable to equity shareholders | **21,156** | (1,510) |

# Notes to the Company Accounts

**A. PROFIT FOR THE YEAR**

As permitted by section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £21,156,000 (2008: loss of £1,510,000). The Company had no employees during the current or prior year.

**B. ACCOUNTING POLICIES**

**Basis of accounting**

Big Yellow Group PLC Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Company has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee as adopted by the European Union, relevant to its operations and effective for accounting periods beginning on or after 1 April 2008. See note 2 of the Group financial statements for accounting standards and interpretations issued but not yet effective. We do not anticipate them having a material impact on the Company's financial statements.

The financial statements have been prepared on the historic cost basis except that derivative financial instruments are stated at fair value.

The Company's principal accounting policies are the same as those applied in the Group financial statements. See note 23 of the Group financial statements for details of share based payments affecting the Company.

**Going concern**

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 12 to 23 of 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 in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Operating and Financial Review.

After reviewing Group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ended 31 March 2010 and projections contained in the longer term business plan. 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. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**IFRIC 11, IFRS 2 Group and Treasury Share Transactions**

The Company makes equity settled share based payments to certain employees of certain subsidiary undertakings. Equity settled share based payments that are made to the employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest. This is the only addition to investment in subsidiaries in the current year.

**C. NON CURRENT ASSETS**

**Investments in subsidiary companies**

| | Investment in subsidiary undertakings £000 |
|---|---|
| Cost | |
| At 31 March 2008 | 2,857 |
| Additions | 593 |
| **At 31 March 2009** | **3,450** |

Details of the Company's principal subsidiary companies at 31 March 2009 and 31 March 2008 are as follows:

| Name of subsidiary | Place of incorporation ownership (or registration) and operation | Proportion of voting interest % | Principal activity |
|---|---|---|---|
| Big Yellow Self Storage Company Limited | UK | 100 | Self storage |
| Big Yellow Self Storage Company 6 Limited | UK | 100 | Self storage |
| Big Yellow Self Storage Company 7 Limited | UK | 100 | Self storage |
| Big Yellow Self Storage Company 8 Limited | UK | 100 | Self storage |
| BYSSCo Limited | UK | 100 | Self storage |
| BYRCo Limited | UK | 100 | Property management |
| Big Yellow Construction Company Limited | UK | 100 | Construction |
| Big Yellow Self Storage (GP) Limited | UK | 51 | General Partner |

# Notes to the Company Accounts (continued)

## C. NON CURRENT ASSETS (continued)

### Investments in subsidiary companies (continued)

Details of the Company's principal associate at 31 March 2009 and 31 March 2008 is as follows:

| Name of associate | Place of incorporation ownership (or registration) and operation | Proportion of voting interest % | Principal activity |
|---|---|---|---|
| Big Yellow Limited Partnership | UK | 33 | Self storage |

### Plant, equipment and owner occupied property

| | Freehold property £000 | Leasehold improvements £000 | Total £00 |
|---|---|---|---|
| **Cost** | | | |
| At 31 March 2008 and 31 March 2009 | 1,720 | 17 | 1,737 |
| **Accumulated depreciation** | | | |
| At 31 March 2008 | (89) | (17) | (106) |
| Charge for the year | (34) | – | (34) |
| At 31 March 2009 | (123) | (17) | (140) |
| **Net book value** | | | |
| **At 31 March 2009** | **1,597** | **–** | **1,597** |
| At 31 March 2008 | 1,631 | – | 1,631 |

## D. TRADE AND OTHER RECEIVABLES

| | **31 March 2009 £000** | 31 March 2008 £000 |
|---|---|---|
| Amounts owed by Group undertakings | **407,057** | 364,520 |
| Prepayments and accrued income | **72** | 180 |
| | **407,129** | 364,700 |

## E. TRADE AND OTHER PAYABLES

| | **31 March 2009 £000** | 31 March 2008 £000 |
|---|---|---|
| **Current** | | |
| Other payables | **15** | 20 |
| Accruals and deferred income | **719** | 1,672 |
| | **734** | 1,692 |

# Notes to the Company Accounts (continued)

## F. BANK BORROWINGS AND FINANCIAL INSTRUMENTS

### Interest rate swaps

The Company has two interest rate derivatives in place; £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) until September 2013.

The floating rate at 31 March 2009 was paying a weighted average margin of 1.135% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.20%.The Group's policy on risk management is set out in the Business Review on page 15.

| | **31 March 2009 £000** | 31 March 2008 £000 |
|---|---|---|
| Bank borrowings | **311,339** | 284,000 |
| Unamortised loan arrangement costs | **(2,667)** | (1,103) |
| | **308,672** | 282,897 |

The bank loans are secured on 47 of the Group's properties.

### Maturity profile of financial liabilities

| | **2009 Financial liabilities £000** | 2008 Financial liabilities £000 |
|---|---|---|
| Within one year or on demand | **–** | – |
| Between one and two years | **–** | – |
| Between two and five years | **311,339** | 284,000 |
| Gross financial liabilities | **311,339** | 284,000 |

The fair value of interest rate derivatives at 31 March 2009 was a liability of £5,550,000 (2008: liability of £2,870,000). See note 17 in the Group accounts for detail of the interest rate profile of financial liabilities.

## G. RESERVES

| Company | Share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Retained earnings £000 | Own shares £000 | Total £000 |
|---|---|---|---|---|---|---|
| Balance at 31 March 2008 | 11,551 | 41,645 | 1,653 | 31,213 | (1,896) | 84,166 |
| Profit for the financial year | – | – | – | 21,156 | – | 21,156 |
| Dividends | – | – | – | (6,309) | – | (6,309) |
| Share options | – | – | – | 593 | – | 593 |
| Issue of shares | 8 | 18 | – | – | – | 26 |
| **Balance at 31 March 2009** | **11,559** | **41,663** | **1,653** | **46,653** | **(1,896)** | **99,632** |

The Company's share capital is disclosed in note 21 to the consolidated financial statements.

The own shares balance is amounts held by the Employee Benefit Trust and in Treasury (see note 21 of the Group financial statements).

## H. FINANCIAL INSTRUMENTS

The disclosure relating to the Company's financial instruments are disclosed in note 17 to the Group financial statements. These disclosures are relevant to the Company's bank borrowings and derivative financial instruments. In addition, the Company has other payables of £15,000 in the current year, which are held at amortised cost in the financial statements.

## I. RELATED PARTY TRANSACTIONS

Included within these financial statements are amounts owing from group undertakings of £407,058,000 (2008: £364,520,000), including intercompany interest receivable of £19,553,000 (2008: £17,307,000). A dividend was received from a wholly owned subsidiary of £40,000,000 (2008: £nil).

# Five Year Summary

| | 2009 £000 | 2008 (restated) £000 | 2007 £000 | 2006 £000 | 2005 £000 |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Revenue | **58,487** | 56,870 | 51,248 | 41,889 | 33,375 |
| Operating profit before gains and losses on property assets | **30,946** | 29,342 | 27,067 | 21,645 | 15,030 |
| (Loss)/profit before taxation | **(71,489)** | 102,618 | 152,837 | 118,547 | 42,836 |
| Adjusted profit before taxation | **13,791** | 15,006 | 14,233 | 12,601 | 7,791 |
| Declared total dividend per share | **nil p** | 9.5p | 9.0p | 5.0p | 2.0p |
| **Key statistics** | | | | | |
| Number of stores open* | **54** | 48 | 43 | 37 | 32 |
| Square footage occupied* | **1,772,000** | 1,850,000 | 1,835,000 | 1,672,000 | 1,470,000 |
| Number of customers* | **28,500** | 30,500 | 30,100 | 27,800 | 24,600 |
| Average number of employees during the year | **239** | 218 | 191 | 178 | 160 |

* includes stores trading in Big Yellow Limited Partnership

The years 2005 to 2007 have not been restated for the impact of IAS 23 Borrowing Costs (revised).

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Printed by CTD

**Big Yellow Group PLC**

2 The Deans, Bridge Road,
Bagshot, Surrey GU19 5AT

Tel: 01276 470190
Fax: 01276 470191
e-mail: info@bigyellow.co.uk



for further information...

**bigyellow.co.uk**