

# BIG YELLOW GROUP PLC

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA, JAPAN OR SOUTH AFRICA



19 November 2014

## Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company")

### Results for the Six Months and Second Quarter ended 30 September 2014

#### STRONG OPERATING PERFORMANCE DELIVERS 29% EARNINGS GROWTH<sup>1</sup>

	Six months ended 30 September 2014	Six months ended 30 September 2013	%
<b>Financial metrics</b>			
Revenue	<b>£39.9 million</b>	£35.9 million	11
Adjusted profit before tax <sup>(1)</sup>	<b>£18.4 million</b>	£14.2 million	29
Adjusted EPRA diluted earnings per share <sup>(2)</sup>	<b>13.0 pence</b>	10.1 pence	29
Interim dividend per share	<b>10.4 pence</b>	8 pence	30
Adjusted NAV per share <sup>(3)</sup>	<b>461.9 pence</b>	436.3 pence	6
Cash flow from operating activities (after finance costs)	<b>£17.8 million</b>	£14.0 million	27
<b>Store metrics</b>			
Occupancy growth – all stores (sq ft) <sup>(4)</sup>	<b>288,000</b>	232,000	24
Occupancy growth – wholly owned stores (sq ft) <sup>(4)</sup>	<b>214,000</b>	188,000	14
Occupancy – like for like wholly owned stores	<b>75.2%</b>	70.5%	7
Average achieved net rent per sq ft	<b>£26.38</b>	£25.25	4
Like-for-like revenue per available foot <sup>(5)</sup>	<b>£22.61</b>	£20.39	11
<b>Statutory metrics</b>			
Profit before tax	<b>£35.3 million</b>	£34.5 million	2
Basic earnings per share	<b>25.2 pence</b>	24.7 pence	2

#### Highlights

- Strong revenue performance driving earnings and dividend growth
- Adjusted profit before tax up 29% to £18.4 million
- Cash flow from operating activities (after finance costs) increased by 27% to £17.8 million
- 30% increase in interim dividend to 10.4 pence per share
- Refinancing completed reducing the Group's average cost of debt and extending the average maturity of facilities
- Prominent 70,000 sq ft MLA Gypsy Corner store on A40 in West London opened on 1 April 2014 and early trading has been encouraging
- Acquisition of 35,000 sq ft freehold store in Oxford
- Acquisition of an existing freehold building in Cambridge for conversion to a 55,000 sq ft self storage centre

<sup>1</sup> see note 6; <sup>2</sup> see note 8; <sup>3</sup> see note 14; <sup>4</sup> excludes 24,000 sq ft of occupancy acquired with Oxford 2, <sup>5</sup> see Portfolio Summary

Commenting, Nicholas Vetch, Executive Chairman, said:

## **BIG YELLOW GROUP PLC**

“In this seasonally stronger trading period, coupled with the improving demand environment for our product, we are pleased to have delivered a strong performance in the first half.

Since the onset of the financial crisis 7 years ago, we have been very focused on making improvements to our capital structure, with particular focus on the liability side of the balance sheet. We now have a sensible level of indebtedness, with a spread of credit maturities from a range of borrowing sources, hedged to accommodate both inflationary and deflationary pressures.

The many problems and challenges, economic and political, are well documented, however we are confident that we have a business model and capital structure that allows us to meet them.

Furthermore, the work on the brand, customer service, systems and operational strategy undertaken over the last few years, leaves us primed to take advantage of any improvement in self storage demand. The core task of filling the stores is both achievable and within sight and we believe will deliver attractive growth in earnings and dividend.”

- Ends -

### **ABOUT US**

Big Yellow Group PLC is the UK’s leading self storage brand and has the highest market share by revenue. We now operate from a platform of 78 stores, including 10 stores branded as Armadillo Self Storage. We own a further four Big Yellow self storage development sites, of which two have planning consent. Of the 82 total stores and sites, 91% are held freehold and long leasehold; with the remaining 9% short leasehold. The maximum lettable area of the open stores is 4.7 million sq ft. When fully built out the portfolio will provide approximately 4.9 million sq ft of flexible storage space.

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

For further information, please contact:

#### **Big Yellow Group PLC**

Nicholas Vetch, Executive Chairman  
James Gibson, Chief Executive Officer  
John Trotman, Chief Financial Officer

**01276 477811**

#### **Pendomer Communications**

Ben Foster

**020 3603 5220**

# BIG YELLOW GROUP PLC

## **Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company")**

### **Results for the Six Months and Second Quarter ended 30 September 2014**

#### **Chairman's Statement**

Big Yellow Group PLC the UK's brand leader in self storage, is pleased to announce its results for the six months and the quarter ended 30 September 2014.

In this seasonally stronger trading period, coupled with the improving demand environment for our product, we are pleased to have delivered a strong performance in the first half. Overall like-for-like closing Group occupancy is up 5.4 percentage points to 75.2% compared to 69.8% at 31 March 2014. The growth in the average net achieved rent per sq ft was 4.5% compared to the same period last year, resulting in period-on-period revenue growth of 11%. Given that our central overhead and operating expense is largely embedded in the business, this revenue growth has dropped through into a 29% increase in adjusted earnings per share and a 30% increase in the interim dividend.

Occupancy growth over the six month period across all our stores was 288,000 sq ft (2013: 232,000 sq ft). Wholly owned store occupancy growth in the six month period was 214,000 sq ft (2013: 188,000 sq ft). The 32 established store portfolio increased in occupancy from 75.2% at the end of March 2014 to 79.8% in September 2014. The 24 lease-up stores grew in occupancy from 62.8% in March 2014 to 68.0% in September 2014.

The 12 stores in Big Yellow Limited Partnership increased in occupancy to 69.2% (March 2014: 59.8%), growth of 74,000 sq ft from March 2014.

We believe Big Yellow is well placed to benefit from growing awareness and improving self storage demand given our market leading brand and operating platform with a focus on London, the South East and large metropolitan cities where barriers to entry are at their highest.

#### **Financial results**

Store revenue for the period was £39.1 million, up 12% from £35.1 million in the comparable period last year, and up 10% compared to the previous half year period (six months to 31 March 2014: £35.6 million).

Total store revenue for the second quarter increased by 11% to £20.5 million from £18.4 million for the same quarter last year and was up 10% from the quarter to June 2014 (£18.6 million).

Store EBITDA for the period was £26.2 million, up 15% from £22.9 million for the same period last year (see Portfolio Summary). The overall store margin was 67.0%, up from 65.2% for the same period last year.

The Group made an adjusted profit before tax in the period of £18.4 million, up 29% from £14.2 million for the same period last year (see note 6). Diluted EPRA earnings per share were 13.0 pence (2013: 10.1 pence), an increase of 29%. Adjusted net assets per share are 461.9 pence, an increase of 6% from 436.3 pence at 30 September 2013 and an increase of 3% from 446.5 pence at 31 March 2014. The Group's statutory profit before tax for the period is £35.3 million, an increase of 2% from £34.5 million for the same period last year.

#### **Investment in new capacity**

In July we acquired a freehold store in Oxford from Fort Box Self Storage for £4.1 million. The store has been rebranded as a Big Yellow, and has a current lettable area of 35,000 sq ft, with expansion space for a further 10,000 sq ft. Our existing 33,000 sq ft Oxford store is over 90% occupied and this acquisition will allow us to drive growth in occupancy and rental yield from our operating platform.

## **BIG YELLOW GROUP PLC**

We have exchanged contracts to acquire the freehold of a former Royal Mail depot in Cambridge adjacent to the Cambridge Retail Park, Newmarket Road, which we intend to refurbish and convert into a 55,000 sq ft self storage centre, opening in late 2015. We expect the total investment including refurbishment to be approximately £9.3 million.

This is our first new site acquisition for construction in seven years. The acquisition is testament to our confidence in both Cambridge and our business model. It should be noted, however, that the opportunity took 14 years to present itself, despite continual searching over that time. Notwithstanding our desire to grow this business it will remain difficult to procure new sites of sufficient quality. That said, further opportunities will arise and we will exploit them.

In April 2014 we acquired the Armadillo portfolio in a joint venture with an Australian consortium for £19.75 million. Our equity invested in this joint venture is £1.9 million, representing a 20% stake. The business has traded ahead of expectations since April, and in October we received an interim dividend of £89,000, representing a 4.6% yield for the period.

### **Refinancing**

We were pleased to complete the refinancing of our £145 million bank facility during the period with Lloyds and HSBC, extending the maturity to August 2019. We have also further diversified our lending pool by bringing in another insurance company, M&G Investments, who have provided us with a seven year £70 million facility which will be drawn in June 2015. These committed facilities have increased the average unexpired term of our debt facilities to 7.7 years, and reduced our average cost of debt.

The ratio of adjusted Group EBITDA to net interest expense in the period was approximately 4.6 times. Following the refinancing and the growth in operating cash flow over the period, we have achieved our target of greater than five times cover on an annualised basis at 30 September.

### **Dividends**

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. The interim dividend declared is 10.4 pence per share. This has all been declared as Property Income Dividend ("PID"). The interim dividend declared represents an increase of 30% from 8 pence per share for the same period last year.

### **Outlook**

Since the onset of the financial crisis 7 years ago, we have been very focused on making improvements to our capital structure, with particular focus on the liability side of the balance sheet. We now have a sensible level of indebtedness, with a spread of credit maturities from a range of borrowing sources, hedged to accommodate both inflationary and deflationary pressures.

The many problems and challenges, economic and political, are well documented, however we are confident that we have a business model and capital structure that allows us to meet them.

Furthermore, the work on the brand, customer service, systems and operational strategy undertaken over the last few years, leaves us primed to take advantage of any improvement in self storage demand. The core task of filling the stores is both achievable and within sight and we believe will deliver attractive growth in earnings and dividend.

### **Nicholas Vetch**

Executive Chairman

18 November 2014

# BIG YELLOW GROUP PLC

## Business and Financial Review

### Trading performance

The improving UK GDP environment and consumer confidence both in London and regional cities, coupled with growing awareness, has led to improving demand for self storage from both domestic and business customers. This will incrementally feed through to our business, resulting in growing occupancy, earnings and cash flow. This is against a backdrop of limited new supply with very few new store openings committed in our core area of operation.

Our third quarter is historically the weakest trading quarter and in recent years we have typically lost two to three percentage points of occupancy before a return to growth in the new year. Since the end of September we have lost 26,000 sq ft (0.7% of maximum lettable area “MLA”), compared to 32,000 sq ft (0.9% of MLA) lost at this stage last year. The move outs have been in line with our expectations following the strong summer trading.

### Store occupancy

The level of enquiries across all our stores increased by 11% compared to the same six months last year. Conversion rates of these enquiries remained strong, meaning total move-ins, including the stores in Big Yellow Limited Partnership, were up 9% on the same period last year. We are experiencing a higher level of churn in the business, with move-outs increasing by a similar amount when compared to the same period last year.

<b>Portfolio at 30 September 2014</b>	<b>Occupancy at 30 September 2014</b>	<b>Occupancy change from March 2014 000 sq ft</b>	<b>30 September 2014 000 sq ft</b>	<b>31 March 2014 000 sq ft</b>	<b>30 September 2013 000 sq ft</b>
Established stores	<b>79.8%</b>	<b>89</b>	<b>1,541</b>	1,452	1,488
Lease-up stores	<b>68.0%</b>	<b>149</b>	<b>1,085</b>	936	923
Total – wholly owned stores	<b>74.5%</b>	<b>238</b>	<b>2,626</b>	2,388	2,411
Partnership lease-up stores	<b>69.2%</b>	<b>74</b>	<b>518</b>	444	453
Total – all Big Yellow stores	<b>73.5%</b>	<b>312</b>	<b>3,144</b>	2,832	2,864

Occupied space increased by 312,000 sq ft across all stores in the period (2013: occupancy growth of 232,000 sq ft). This growth includes 24,000 sq ft of occupancy acquired with the acquisition of Fort Box Self Storage in Oxford (Oxford 2), so the net occupancy growth in the period was 288,000 sq ft (214,000 sq ft in the wholly owned stores).

We saw encouraging growth from domestic, student and business customers during the six month period, with the overall split by occupied space being 67% domestic and 33% business at 30 September 2014. This is broadly unchanged from the same time last year.

The 32 established stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn; 18 of these stores are in London, with the other 14 in large metropolitan cities in the South. This portfolio of stores (with an average net lettable area of 60,300 sq ft) was 79.8% occupied at the end of the period. This occupancy represents an average of 48,156 sq ft occupied per store.

The closing occupancy of the 18 established stores inside London was 81.2%, an average of 52,430 sq ft occupied per store (2013: 77.9%); for the 14 established stores outside London, closing occupancy was 77.7%, an average of 42,625 sq ft occupied per store (2013: 75.3%).

The lease-up stores have grown in occupancy by 138,000 sq ft from the same time last year (excluding the sq ft acquired with Oxford 2), and by 125,000 sq ft in the six months from 31 March 2014.

# BIG YELLOW GROUP PLC

## Pricing and rental yield

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

The closing net rent at 30 September 2014 was up 0.4% from 31 March 2014, and up 3.5% from 30 September 2013. Our key aim over the next two to three years is to drive occupancy in the stores. As the stores lease-up, our pricing model reduces the level of promotional discounts offered in individual stores. This squeezing out of promotions leads to an increase in net achieved rents. The table below illustrates this, showing the growth in net rent per sq ft for the portfolio over the six month period.

<b>Average occupancy in the six months</b>	<b>Net rent per sq ft growth over the six months to 30 September 2014</b>
0 to 60%	<b>(0.5%)</b>
60 to 70%	<b>(0.8%)</b>
70 to 80%	<b>0.7%</b>
Above 80%	<b>3.5%</b>

## Security of income

Our principal financial aims remain growing cash flow, earnings and dividend. We believe that self storage income is essentially evergreen income with highly defensive characteristics driven from buildings with very low obsolescence risk. Although its form of contract with its customers is in theory as short as a week, it does not need to rely on contract for its income security. At 30 September 2014 the average length of stay for existing customers was 21 months. For all customers, including those who have moved out of the business, the average length of stay has remained at 8 months. In our portfolio, 27% of our customers by occupied space have been storing with us for over two years, and a further 17% of customers in these stores have been in the business for between one and two years.

The location of our stores, brand, security, and most importantly customer service, together with the diversity of our 47,000 customers, will serve better than any contract.

## Revenue

	<b>Six months to 30 September 2014</b>	Six months to 30 September 2013
	<b>£000</b>	£000
Established stores	<b>23,307</b>	21,843
Lease-up stores	<b>15,816</b>	13,237
Total revenue	<b>39,123</b>	35,080

Revenue for the established stores increased by 7% compared to the same period last year. EBITDA margins for the 32 established stores increased from 66.0% for the period to 30 September 2013 to 67.6% for the current period.

Revenue in the lease-up portfolio was up 19% compared to the same period last year. The EBITDA margin on the lease-up stores has increased from 63.7% for the period to 30 September 2013 to 66.1% for the current period. The overall store EBITDA margin increased from 65.2% to 67.0%.

Like-for-like revenue per available foot ("REVPAF") was £22.61 for the six months, an increase of 11% from £20.39 for the six months to 30 September 2013.

We continue to improve sales of insurance, packing materials and other ancillary items, with revenue from these areas growing by 7% to £5.9 million in the period (2013: £5.5 million).

# BIG YELLOW GROUP PLC

## Operating costs

Store operating costs have increased by £0.7 million from the prior period, due to the additional costs of Gypsy Corner and Oxford 2, coupled with an increased investment in marketing and general inflationary increases. The movement in cost of sales in the income statement is in line with the increase in store operating costs.

Administrative expenses have increased by £0.2 million, largely as a result of an increase in the non-cash share based payments charge, which represents £0.9 million of the overall £4.2 million expense.

## Interest

The loan interest expense during the period was £0.2 million lower than the same period last year, due to the lower average cost of debt following the completion of the refinancing in August 2014. Capitalised interest in the period was £0.2 million, in line with the same period last year, as a result of capital expenditure on Enfield.

## Results

The 29% increase in adjusted profit before tax to £18.4 million is reconciled in the table below:

<b>Movement in adjusted profit before tax</b>	<b>£m</b>
Adjusted profit before tax for the six months to 30 September 2013	14.2
Increase in gross profit	3.5
Increase in administrative expenses	(0.2)
Increase in share of associates' recurring profit	0.7
Reduction in net interest payable	0.2
<b>Adjusted profit before tax for the six months to 30 September 2014</b>	<b>18.4</b>

The Group's statutory profit before tax for the period is £35.3 million, an increase of 2% from £34.5 million for the same period last year. The increase in adjusted profit before tax has been partially offset by a lower revaluation gain in the period.

The table below reconciles the statutory profit before tax to the adjusted profit before tax:

<b>Profit before tax analysis</b>	<b>Six months ended 30 September 2014 £m</b>	<b>Six months to 30 September 2013 £m</b>
Profit before tax	35.3	34.5
<i>Adjusted for:</i>		
Gain on revaluation of investment properties	(15.3)	(17.8)
Change in fair value of interest rate derivatives	0.2	(1.8)
Gains on surplus land	(1.3)	-
Share of non-recurring gains in associates	(0.5)	(0.7)
Adjusted profit before tax	18.4	14.2

Diluted EPRA earnings per share was 13.0 pence (2013: 10.1 pence), an increase of 29% from the same period last year.

# BIG YELLOW GROUP PLC

## Cash flow growth

Cash flows from operating activities (after net finance costs) have increased by 27% to £17.8 million for the period (2013: £14.0 million), in line with the growth in store EBITDA. These operating cash flows are after the ongoing maintenance costs of the stores, which are on average £35,000 per store per annum. The Group's net debt increased in the period by £3.2 million to £229.2 million (2013: £226.0 million).

	<b>Six months ended 30 September 2014 £000</b>	Six months ended 30 September 2013 £000
Cash generated from operations	22,871	19,330
Finance costs (net) (see below)	(5,059)	(5,345)
<b>Free cash flow</b>	<b>17,812</b>	<b>13,985</b>
Capital expenditure	(6,941)	(3,818)
Net investment in associates	(1,920)	-
Surplus land sales	2,815	-
<b>Cash flow after investing activities</b>	<b>11,766</b>	<b>10,167</b>
Non-recurring finance costs (see below)	(3,880)	-
Dividends	(11,774)	(8,384)
Issue of share capital	709	33
Increase/(decrease) in borrowings	7,996	(7,957)
<b>Net cash inflow/(outflow)</b>	<b>4,817</b>	<b>(6,141)</b>

The capital expenditure in the period principally relates to the construction costs of our Enfield store and the acquisition of the freehold store in Oxford.

The non-recurring finance costs incurred in the period relate to the cancellation of interest rate swaps (£1.4 million) and arrangement fees and costs incurred in completing the refinancing of the bank and M&G loans (£2.5 million).

## Taxation

The Group is a Real Estate Investment Trust ("REIT"). We benefit from a zero tax rate on our qualifying self storage earnings. We only pay corporation tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, and management fees earned by the Group.

There is a nil tax charge in the non-exempt residual business for the period ended 30 September 2014 (six months to 30 September 2013: £nil), due to the utilisation of brought forward tax losses and group relief.

## Dividends

REIT regulatory requirements determine the level of Property Income Dividend ("PID") payable by the Group. A PID of 10.4 pence per share is proposed as the total interim dividend, an increase of 30% from 8 pence per share PID for the same period last year.

The interim dividend will be paid on 8 January 2015. The ex-div date is 11 December 2014 and the record date is 12 December 2014.

## Financing and treasury

During the period we completed the refinancing of our £145 million bank facility with Lloyds and HSBC, extending the maturity to August 2019. 50% of the bank facility is term and 50% is revolving. The term loan attracts a margin of 175 bps and the revolving loan a margin of 150 bps, reflecting a reduction of 75bps for both tranches from the previous facility. The Group bank facility requires us to have 50% of all borrowings fixed.

## BIG YELLOW GROUP PLC

In addition, the Group has further diversified its pool of lenders by signing a new £70 million facility with M&G Investments Limited, the term of which will be seven years from the date of drawdown which can occur at any time in the period up to 29 June 2015. The loan will be secured over a portfolio of 15 freehold self storage centres. 50% of the seven year loan is fixed by way of a forward start interest rate derivative, the balance of the loan is variable based on three month LIBOR plus margin. The average cost of the M&G loan at the current rate of LIBOR will be 3.75%.

The Group agreed a short term bridging facility of £70 million with Lloyds Bank plc, which is repayable immediately on the drawdown of the M&G loan.

The Group has a £100 million 15 year loan with Aviva Commercial Finance Limited. The loan has a fixed interest rate of 4.9% and amortises to £60 million over the course of the 15 years. The loan outstanding at 30 September 2014 was £95.4 million.

During the period the Group cancelled £40 million of its existing interest rate derivatives at a cash cost of £1.4 million, leaving £30 million fixed at 2.8% plus applicable margin.

As a result of this refinancing, and prior to the drawing of the M&G facility, our average cost of debt has decreased from 4.6% to 3.7%. Following the M&G facility being drawn and the Lloyds bridging loan being repaid we would expect the average cost to be approximately 4.2% based on the current levels of LIBOR.

The Group was comfortably in compliance with its banking covenants at 30 September 2014.

The net debt to gross property assets ratio is 28% (2013: 29%) and the net debt to adjusted net assets ratio is 35% (2013: 36%).

### Property

We have a pipeline of four wholly owned development sites, of which two have planning consent (Enfield and Guildford Central). Enfield, on the A10 in London, is under construction and will open in April 2015. We are commencing detailed design works on the Guildford Central store, and anticipate that construction will commence in June 2015, with a planned opening in April 2016. These two sites have an aggregate estimated cost to complete of £8.1 million at 30 September 2014. Our site in Cambridge is an existing warehouse building which we intend to refurbish and open in late 2015. We also own a development site in Central Manchester which does not have planning.

The Group's investment properties have been valued by Cushman and Wakefield LLP ("C&W"). At 30 September 2014 the total value of the Group's wholly owned properties is shown in the table below:

<b>Analysis of property portfolio</b>	<b>No of locations</b>	<b>Value at 30 September 2014 £m</b>	<b>Revaluation movement in the period £m</b>
Investment property	56	809.1	15.0
Investment property under construction	3	11.4	0.3
<i>Investment property total</i>	59	820.5	15.3
Surplus land	2	4.8	-
<b>Total</b>	61	825.3	15.3

## BIG YELLOW GROUP PLC

### *Investment property*

The valuation uplift for the open stores in the period was £15.0 million, as the growth in cash flows feed through to the valuation, coupled with a reduction in cap rate for a number of the London stores. The table below summarises the key outputs of the valuations for the wholly owned open store portfolio.

	Established store portfolio			Total
	Leasehold stores	Freehold stores	Lease-up store portfolio	
Number of stores	7	25	24	56
MLA capacity (sq ft)	431,000	1,499,000	1,596,000	3,526,000
Valuation at 30 September 2014	£50.3 million	£373.6 million	£385.2 million	£809.1 million
Value per sq ft	£117	£249	£241	£229
Occupancy at 30 September 2014	81.0%	79.5%	68.0%	74.5%
Stabilised occupancy assumed in valuations	81.9%	81.1%	80.4%	80.9%
Net initial yield pre-admin expenses	11.8%	6.8%	6.0%	6.7%
Stabilised yield assuming no rental growth	11.9%	7.1%	7.6%	7.7%

The initial yield on the established portfolio of 32 stores before administration expenses and assuming no rental growth, is 7.4% rising to a stabilised yield of 7.7% (March 2014: 7.0% rising to 7.8%). Including the 24 lease-up stores, the initial yield pre-administration expenses is 6.7% rising to 7.7% (March 2014: 6.3% rising to 7.8%).

### *Investment property under construction*

The three wholly owned development sites have increased in value by £1.8 million in line with capital expenditure incurred at Enfield. C&W's forecast valuations for when the assets have reached stabilised occupancy, including assumptions in relation to revenue and operating cost growth within these assets, are currently pointing to a revaluation surplus on total development cost of £16.3 million on the two wholly owned development sites with planning consent.

In their report, C&W have drawn attention to valuation uncertainty resulting from a lack of transactions in the self storage investment market. Please see note 15 for further details.

### *Surplus land*

In September, the Group sold its surplus site at Guildford Central for £2.8 million, representing a profit over book value of £1.3 million.

At 30 September 2014 the Group owned £4.8 million of land surplus to our requirements across two sites. We aim to sell this surplus land once we have maximised its realisable value through planning improvements. The sites are held at the lower of cost and net realisable value and have not been externally valued.

### **Capital Goods Scheme receivable**

At 30 September 2014 we had a receivable of £9.2 million in respect of payments due back to the Group under the Capital Goods Scheme as a consequence of the introduction of VAT on self storage from 1 October 2012. To date, we have received payments under the Capital Goods Scheme of £0.8 million in October 2013, and £1.4 million in October 2014.

# BIG YELLOW GROUP PLC

## Net asset value

The adjusted net asset value is 461.9 pence per share (see note 14), up 3% from 446.5 pence per share at 31 March 2014. The table below reconciles the movement from 31 March 2014.

<b>Movement in adjusted net asset value</b>	<b>Equity shareholders' funds £m</b>	<b>EPRA adjusted NAV pence per share</b>
1 April 2014	634.4	446.5
Adjusted profit before tax	18.4	12.8
Equity dividends paid	(11.8)	(8.2)
Revaluation movements (including share of associates)	15.8	11.1
Cancellation of interest rate derivatives	(1.4)	(1.0)
Movement in purchaser's cost adjustment	0.9	0.6
Other movements (eg share incentives)	2.8	0.1
30 September 2014	659.1	461.9

## Big Yellow Limited Partnership

Big Yellow Limited Partnership, a joint investment with Pramerica Real Estate Investors Limited, owns self storage centres outside London. In the consolidated accounts of Big Yellow Group PLC, the Partnership is treated as an associate using the equity accounting method. The Partnership has twelve stores.

The occupancy of the stores is 518,000 sq ft, against a total capacity of 749,000 sq ft, with growth of 74,000 sq ft since 31 March. The stores' occupancy at 30 September 2014 was 69.2% (March 2014: 59.3%). The net rent achieved at 30 September 2014 by the Partnership stores is £18.15 per sq ft, an increase of 5% from the same time last year, and an increase of 0.8% from 31 March 2014. The revenue of the portfolio increased by 17% to £5.6 million for the six months to 30 September 2014 compared to the same period last year.

The Partnership made an operating profit of £3.0 million in the period, of which Big Yellow's share is a third. After net interest costs and the revaluation of investment properties and interest rate derivatives, the profit for the period for the Partnership was £2.5 million, of which the Group's share was £0.8 million.

The Group earns certain construction and operational fees from the Partnership. For the period to 30 September 2014, these fees amounted to £0.3 million (2013: £0.3 million).

The Partnership has a £57 million bank facility with RBS and HSBC expiring in September 2016. Interest rate swaps are in place covering £29 million of the debt at a pre-margin cost of 1.05%. The balance of the drawn debt pays interest based on three month LIBOR plus margin. There is a margin ratchet based on the Partnership's income cover which ranges between 250 bps and 400 bps; the margin is currently 325 bps. The facility's weighted average interest cost is 4.1%.

Big Yellow has an option to purchase the assets contained within the Partnership or the equity interest in the Partnership which it does not own exercisable in March 2015.

## Armadillo Self Storage

In April 2014 we acquired the Armadillo portfolio with an Australian consortium for a total price of £19.75 million. The Group initially invested £3.6 million representing an initial stake of 38% in the business. Our partners had a right to increase their share from 62% to 80% at par, which they exercised in July 2014. In the consolidated accounts of Big Yellow Group PLC, our investment in the vehicle is treated as an associate using the equity accounting method. Armadillo has an £11 million loan from Lloyds Bank expiring in April 2019.

The occupancy of the stores is 257,000 sq ft, against a total capacity of 401,000 sq ft, with growth of 17,000 sq ft since 31 March. The stores' occupancy at 30 September 2014 was 64.1% (March 2014: 59.9%). The net rent achieved at 30 September 2014 by the Armadillo stores is £14.38 per sq ft, an increase of 5% from the same time last year and up 2% from 31 March 2014. The revenue of the portfolio increased by 12% to £2.2 million for the six months to 30 September 2014 compared to the same period last year.

## **BIG YELLOW GROUP PLC**

Armadillo made an operating profit of £0.9 million in the period, of which Big Yellow's share is £0.3 million (representing 38% until July and 20% thereafter). After net interest costs and the revaluation of investment properties and interest rate derivatives, the profit for the period for Armadillo was £2.4 million, of which the Group's share was £0.5 million.

Big Yellow has a five year management contract in place. For the period from acquisition to 30 September 2014, fees amounted to £0.3 million.

In October we received an interim dividend of £89,000, representing a 4.6% yield for the period.

James Gibson  
Chief Executive Officer  
18 November 2014

John Trotman  
Chief Financial Officer  
18 November 2014

# **BIG YELLOW GROUP PLC**

## **RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge:

1. the condensed set of Interim Financial Statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union;
2. the Interim Management Report herein includes a fair review of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year, as required by Rule 4.2.7R of the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority; and
3. the Interim Management Report includes as applicable, a fair review of disclosure of related party transactions and changes therein, as required by Rule 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

By order of the Board

James Gibson  
Director

John Trotman  
Director

18 November 2014

**BIG YELLOW GROUP PLC**  
**PORTFOLIO SUMMARY – WHOLLY OWNED STORES**

	<b>September 2014 Established <sup>(1)</sup></b>	<b>September 2014 Lease-up<sup>(1)</sup></b>	<b>September 2014 Total</b>	<b>September 2013 Established</b>	<b>September 2013 Lease-up</b>	<b>September 2013 Total</b>
Number of stores	32	24	56	32	22	54
<b>At 30 September:</b>						
Total capacity (sq ft)	1,930,000	1,596,000	3,526,000	1,930,000	1,491,000	3,421,000
Occupied space (sq ft)	1,541,000	1,085,000	2,626,000	1,488,000	923,000	2,411,000
Percentage occupied	79.8%	68.0%	74.5%	77.1%	61.9%	70.5%
Net rent per sq ft	£26.45	£25.94	£26.25	£25.43	£25.25	£25.36
<b>For the 6 month period:</b>						
REVPAF <sup>(2)</sup>	£24.09	£19.98	£22.24	£22.47	£17.70	£20.39
Average occupancy	77.7%	64.8%	71.7%	75.5%	58.6%	68.1%
Average annual rent psf	£26.50	£26.20	£26.38	£25.32	£25.14	£25.25
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Self storage income	19,912	13,324	33,236	18,583	11,007	29,590
Other storage related income <sup>(3)</sup>	3,341	2,406	5,747	3,204	2,153	5,357
Ancillary store rental income	54	86	140	56	77	133
Total store revenue	23,307	15,816	39,123	21,843	13,237	35,080
Direct store operating costs (excluding depreciation)	(6,558)	(5,344)	(11,902)	(6,442)	(4,782)	(11,224)
Short and long leasehold rent <sup>(4)</sup>	(989)	(22)	(1,011)	(974)	(22)	(996)
Store EBITDA <sup>(5)</sup>	15,760	10,450	26,210	14,427	8,433	22,860
Store EBITDA margin <sup>(6)</sup>	67.6%	66.1%	67.0%	66.0%	63.7%	65.2%
<b>Cumulative capital expenditure</b>						
	<b>£m</b>	<b>£m</b>	<b>£m</b>			
To 30 September 2014	163.6	253.9	417.5			
To complete	-	1.6	1.6			
Total capital expenditure	163.6	255.5	419.1			

(1) The 32 established stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn. Of the 24 lease-up stores, three stores opened before 31 March 2006, six stores opened in the year ended 31 March 2007, seven stores opened in the year ended 31 March 2008 and eight have opened since 1 April 2008. Oxford 2, which was acquired in July 2014, has been included in the lease-up store portfolio, and its results from the date of acquisition have been incorporated.

(2) Total store revenue divided by the average maximum lettable area in the period.

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

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

(5) Earnings before interest, tax, depreciation, amortisation and allocation of central overhead.

(6) Of the established stores, the seven leaseholds achieved a store EBITDA of £2.9 million and an EBITDA margin of 53%. The freehold stores achieved a store EBITDA of £12.9 million and an EBITDA margin of 72%.

**PORTFOLIO SUMMARY – BIG YELLOW LIMITED PARTNERSHIP AND ARMADILLO STORES**

	<b>BIG YELLOW LIMITED PARTNERSHIP</b>		<b>ARMADILLO STORAGE <sup>(1)</sup></b>	
	<b>September 2014</b>	<b>September 2013</b>	<b>September 2014</b>	<b>September 2013</b>
Number of stores	12	12	10	10
<b>At 30 September:</b>				
Total capacity (sq ft)	749,000	749,000	401,000	401,000
Occupied space (sq ft)	518,000	453,000	257,000	240,000
Percentage occupied	69.2%	60.5%	64.1%	59.9%
Net rent per sq ft	£18.15	£17.31	£14.38	£13.68
<b>For the 6 month period:</b>				
REVPAF	£14.82	£12.63	£11.18	£10.03
Average occupancy	65.5%	58.1%	62.9%	58.3%
Average annual rent psf	£18.40	£17.45	£14.44	£13.82
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Self storage income	4,529	3,810	1,825	1,628
Other storage related income	1,014	913	418	381
Ancillary store rental income	23	23	6	7
Total store revenue	5,566	4,746	2,249	2,016
Direct store operating costs (excluding depreciation)	(2,135)	(2,031)	(1,037)	(1,014)
Store EBITDA	3,431	2,715	1,212	1,002
Store EBITDA margin	61.6%	57.2%	53.9%	49.7%
<b>Cumulative capital expenditure</b>	<b>£m</b>		<b>£m</b>	
To 30 September 2014	99.6		19.8	
To complete	0.6		-	
Total capital expenditure	100.2		19.8	

(1) Please note the Group acquired an interest in Armadillo on 16 April 2014. The results shown here are to provide readers with a clearer understanding of the performance of the portfolio. Please see note 9d for the Group's share of Armadillo's results since ownership.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Six months ended 30 September 2014**

	Note	Six months ended 30 September 2014 (unaudited) £000	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000
<b>Revenue</b>	2	39,918	35,866	72,196
Cost of sales		(12,784)	(12,237)	(25,040)
<b>Gross profit</b>		<hr/> 27,134	<hr/> 23,629	<hr/> 47,156
Administrative expenses		(4,246)	(4,063)	(7,619)
<b>Operating profit before gains and losses on property assets</b>		<hr/> 22,888	<hr/> 19,566	<hr/> 39,537
Gain on the revaluation of investment properties	9a	15,274	17,841	28,350
Gains on surplus land		1,318	8	-
<b>Operating profit</b>		<hr/> 39,480	<hr/> 37,415	<hr/> 67,887
Share of profit of associates	9d	1,314	850	180
Investment income – interest receivable	3	207	216	415
– fair value movement of derivatives	3	-	1,800	2,681
Finance costs – interest payable	4	(5,527)	(5,760)	(11,315)
– fair value movement of derivatives	4	(205)	-	-
<b>Profit before taxation</b>		<hr/> 35,269	<hr/> 34,521	<hr/> 59,848
Taxation	5	-	-	(300)
<b>Profit for the period (attributable to equity shareholders)</b>		<hr/> 35,269	<hr/> 34,521	<hr/> 59,548
<b>Total comprehensive income for the period attributable to equity shareholders</b>		<hr/> 35,269	<hr/> 34,521	<hr/> 59,548
<b>Basic earnings per share</b>	8	25.2p	24.7p	42.5p
<b>Diluted earnings per share</b>	8	24.9p	24.5p	42.2p

Adjusted profit before taxation is shown in note 6 and EPRA earnings per share is shown in note 8.

All items in the income statement relate to continuing operations.

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**30 September 2014**

		<b>30 September 2014 (unaudited) £000</b>	30 September 2013 (unaudited) £000	31 March 2014 (audited) £000
<b>Non-current assets</b>				
Investment property	9a	809,125	763,690	776,390
Investment property under construction	9a	11,439	18,997	22,303
Interest in leasehold properties	9a	23,470	21,320	23,814
Plant, equipment and owner-occupied property	9b	2,939	2,963	2,985
Goodwill	9c	1,433	1,433	1,433
Investment in associates	9d	21,095	18,531	17,861
Capital Goods Scheme receivable	11	7,792	7,600	7,620
		<hr/> 877,293	<hr/> 834,534	<hr/> 852,406
<b>Current assets</b>				
Surplus land	10	4,762	5,984	6,059
Inventories		314	280	290
Trade and other receivables	11	11,957	10,737	13,531
Cash and cash equivalents		8,118	1,709	3,301
		<hr/> 25,151	<hr/> 18,710	<hr/> 23,181
<b>Total assets</b>		<hr/> 902,444	<hr/> 853,244	<hr/> 875,587
<b>Current liabilities</b>				
Trade and other payables	12	(23,370)	(19,725)	(26,818)
Obligations under finance leases		(1,940)	(1,952)	(2,034)
Borrowings	13	(72,085)	(1,985)	(1,615)
		<hr/> (97,395)	<hr/> (23,662)	<hr/> (30,467)
<b>Non-current liabilities</b>				
Derivative financial instruments		(1,610)	(3,694)	(2,813)
Borrowings	13	(162,790)	(227,015)	(226,044)
Obligations under finance leases		(21,530)	(19,368)	(22,199)
		<hr/> (185,930)	<hr/> (250,077)	<hr/> (251,056)
<b>Total liabilities</b>		<hr/> (283,325)	<hr/> (273,739)	<hr/> (281,523)
<b>Net assets</b>		<hr/> 619,119	<hr/> 579,505	<hr/> 594,064
<b>Equity</b>				
Called up share capital		14,353	14,285	14,306
Share premium account		44,940	44,290	44,278
Reserves		559,826	520,930	535,480
<b>Equity shareholders' funds</b>		<hr/> 619,119	<hr/> 579,505	<hr/> 594,064

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Six months ended 30 September 2014 (unaudited)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
<b>At 1 April 2014</b>	14,306	44,278	1,653	539,450	(5,623)	594,064
Total comprehensive income for the period	-	-	-	35,269	-	35,269
Issue of share capital	47	662	-	-	-	709
Credit to equity for equity-settled share based payments	-	-	-	851	-	851
Dividends	-	-	-	(11,774)	-	(11,774)
<b>At 30 September 2014</b>	14,353	44,940	1,653	563,796	(5,623)	619,119

### Six months ended 30 September 2013 (unaudited)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
<b>At 1 April 2013</b>	14,264	44,278	1,653	498,056	(5,623)	552,628
Total comprehensive income for the period	-	-	-	34,521	-	34,521
Issue of share capital	21	12	-	-	-	33
Credit to equity for equity-settled share based payments	-	-	-	707	-	707
Dividends	-	-	-	(8,384)	-	(8,384)
<b>At 30 September 2013</b>	14,285	44,290	1,653	524,900	(5,623)	579,505

### Year ended 31 March 2014 (audited)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
<b>At 1 April 2013</b>	14,264	44,278	1,653	498,056	(5,623)	552,628
Total comprehensive income for the year	-	-	-	59,548	-	59,548
Issue of share capital	42	-	-	-	-	42
Dividends	-	-	-	(19,591)	-	(19,591)
Credit to equity for equity-settled share based payments	-	-	-	1,437	-	1,437
<b>At 31 March 2014</b>	14,306	44,278	1,653	539,450	(5,623)	594,064

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**Six months ended 30 September 2014**

	<b>Six months ended 30 September 2014 (unaudited) Note</b>	<b>Six months ended 30 September 2013 (unaudited) £000</b>	<b>Year ended 31 March 2014 (audited) £000</b>
Operating profit	39,480	37,415	67,887
Gain on the revaluation of investment properties	(15,274)	(17,841)	(28,350)
Gains on surplus land	(1,318)	(8)	-
Depreciation	266	262	526
Depreciation of finance lease obligations	9a 473	483	974
Employee share options	851	707	1,437
(Increase)/decrease in inventories	(24)	20	10
Decrease/(increase) in receivables	2,236	2,657	(1,652)
(Decrease)/increase in payables	(3,819)	(4,365)	2,458
<b>Cash generated from operations</b>	<b>22,871</b>	<b>19,330</b>	<b>43,290</b>
Interest paid	(5,065)	(5,358)	(10,558)
Interest received	6	13	20
<b>Cash flows from operating activities</b>	<b>17,812</b>	<b>13,985</b>	<b>32,752</b>
<b>Investing activities</b>			
Disposal of surplus land	2,815	-	-
Additions to non-current assets	(6,268)	(3,279)	(8,460)
Additions to surplus land	(200)	(56)	(136)
Receipt from Capital Goods Scheme	-	-	756
Net investment in associates	9d (1,920)	-	-
<b>Cash flows from investing activities</b>	<b>(5,573)</b>	<b>(3,335)</b>	<b>(7,840)</b>
<b>Financing activities</b>			
Issue of share capital	709	33	42
Payment of finance lease liabilities	(473)	(483)	(974)
Payments to cancel interest rate derivatives	(1,408)	-	-
Refinancing fees	(2,472)	-	-
Equity dividends paid	(11,774)	(8,384)	(19,591)
Increase/(decrease) in borrowings	7,996	(7,957)	(8,938)
<b>Cash flows from financing activities</b>	<b>(7,422)</b>	<b>(16,791)</b>	<b>(29,461)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>A 4,817</b>	<b>(6,141)</b>	<b>(4,549)</b>
<b>Opening cash and cash equivalents</b>	<b>3,301</b>	<b>7,850</b>	<b>7,850</b>
<b>Closing cash and cash equivalents</b>	<b>8,118</b>	<b>1,709</b>	<b>3,301</b>

**A. Reconciliation of net cash flow to movement in net debt**  
**Six months ended 30 September 2014**

	<b>Six months ended 30 September 2014 (unaudited) £000</b>	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000
Net increase/(decrease) in cash and cash equivalents	4,817	(6,141)	(4,549)
Cash flow from movement in debt financing	(7,996)	7,957	8,938
Change in net debt resulting from cash flows	<u>(3,179)</u>	<u>1,816</u>	<u>4,389</u>
<b>Movement in net debt in the period</b>	(3,179)	1,816	4,389
Net debt at start of period	(226,067)	(230,456)	(230,456)
<b>Net debt at end of period</b>	<u>(229,246)</u>	<u>(228,640)</u>	<u>(226,067)</u>

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

# **BIG YELLOW GROUP PLC**

## **Notes to the Interim Review**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation**

The results for the period ended 30 September 2014 are unaudited and were approved by the Board on 18 November 2014. The financial information contained in this report in respect of the year ended 31 March 2014 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of Big Yellow Group PLC are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting", as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

#### **Valuation of assets and liabilities held at fair value**

For those financial instruments held at valuation, the Group has categorised them into a three level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 13. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The fair value of the Group's outstanding interest rate derivatives has been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13. Investment Property and Investment Property and Investment Property under Construction have been classified as Level 3. This is discussed further in note 15.

#### **Going concern**

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chairman's Statement and the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the interim statement. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Business and Financial Review of the Group's Annual Report for the year ended 31 March 2014.

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 2. SEGMENTAL INFORMATION

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

	<b>Six months ended 30 September 2014 (unaudited) £000</b>	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000
<b>Open stores</b>			
Self storage income	33,236	29,590	59,994
Other storage related income	5,747	5,357	10,475
Ancillary store rental income	140	133	237
	<hr/>	<hr/>	<hr/>
	39,123	35,080	70,706
<b>Other revenue</b>			
Non-storage income	49	272	420
Fees earned from Big Yellow Limited Partnership	343	309	640
Other management fees earned	403	205	430
	<hr/>	<hr/>	<hr/>
<b>Revenue per income statement</b>	39,918	35,866	72,196
Investment income (see note 3)	6	13	20
	<hr/>	<hr/>	<hr/>
<b>Total revenue per IAS 18</b>	39,924	35,879	72,216

Non-storage income derives principally from rental income earned from tenants of properties awaiting development. Further analysis of the Group's operating revenue and costs can be found in the Portfolio Summary.

The seasonality of the business is discussed in note 18.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 3. INVESTMENT INCOME

	<b>Six months ended 30 September 2014 (unaudited) £000</b>	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000
Bank interest receivable	6	13	20
Unwinding of discount on Capital Goods Scheme receivable	201	203	395
<b>Total interest receivable</b>	<b>207</b>	<b>216</b>	<b>415</b>
Fair value movement on derivatives	-	1,800	2,681
<b>Total investment income</b>	<b>207</b>	<b>2,016</b>	<b>3,096</b>

### 4. FINANCE COSTS

	<b>Six months ended 30 September 2014 (unaudited) £000</b>	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000
Interest on bank borrowings	5,184	5,410	10,768
Capitalised interest	(190)	(163)	(484)
Interest on finance lease obligations	533	513	1,031
<b>Total interest payable</b>	<b>5,527</b>	<b>5,760</b>	<b>11,315</b>
Change in fair value of interest rate derivatives	205	-	-
<b>Total finance costs</b>	<b>5,732</b>	<b>5,760</b>	<b>11,315</b>

### 5. TAX

There is no tax charge in the residual business in the period due to the utilisation of brought forward tax losses and group relief.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 6. ADJUSTED PROFIT BEFORE TAX

	<b>Six months ended 30 September 2014 (unaudited) £000</b>	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000
Profit before tax	35,269	34,521	59,848
Gain on revaluation of investment properties – Group	(15,274)	(17,841)	(28,350)
Share of gain on revaluation of investment properties – associates	(541)	(413)	662
Change in fair value of interest rate swaps – Group	205	(1,800)	(2,681)
Share of change in fair value of interest rate swaps – associates	18	(224)	(258)
Gains on surplus land	(1,318)	(8)	-
Adjusted profit before tax	<hr/> 18,359	<hr/> 14,235	<hr/> 29,221
Net bank and other interest	4,988	5,031	10,264
Depreciation	266	262	526
Adjusted EBITDA	<hr/> 23,613	<hr/> 19,528	<hr/> 40,011

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 7. DIVIDENDS

	<b>Six months ended 30 September 2014 (unaudited) £000</b>	Six months ended 30 September 2013 (unaudited) £000
--	--	---

Amounts recognised as distributions to equity holders in the period:

Final dividend for the year ended 31 March 2014 of 8.4p (2013: 6p) per share.

11,774	8,384
--------	-------

Proposed interim dividend for the year ending 31 March 2015 of 10.4p (2014: 8p) per share.

14,623	11,207
--------	--------

The proposed interim dividend of 10.4 pence per ordinary share will be paid on 8 January 2015 to shareholders on the Register on 12 December 2014. The interim dividend is all Property Income Dividend.

### 8. EARNINGS PER ORDINARY SHARE

The European Public Real Estate Association (“EPRA”) has issued recommended bases for the calculation of certain per share information and these are included in the following table.

	Six months ended 30 September 2014 (unaudited)			Six months ended 30 September 2013 (unaudited)			Year ended 31 March 2014 (audited)		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	35.3	140.3	25.2	34.5	139.8	24.7	59.5	139.9	42.5
<i>Adjustments:</i>									
Dilutive share options	-	1.3	(0.3)	-	1.0	(0.2)	-	1.2	(0.3)
Diluted	35.3	141.6	24.9	34.5	140.8	24.5	59.5	141.1	42.2
<i>Adjustments:</i>									
Gain on revaluation of investment properties	(15.3)	-	(10.8)	(17.8)	-	(12.6)	(28.3)	-	(20.1)
Change in fair value of interest rate derivatives	0.2	-	0.1	(1.8)	-	(1.3)	(2.7)	-	(1.9)
Gains on surplus land	(1.3)	-	(0.9)	-	-	-	-	-	-
Share of associates’ non-recurring gains	(0.5)	-	(0.3)	(0.7)	-	(0.5)	0.4	-	0.3
EPRA - diluted	18.4	141.6	13.0	14.2	140.8	10.1	28.9	141.1	20.5
EPRA – basic	18.4	140.3	13.1	14.2	139.8	10.2	28.9	139.9	20.7

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

EPRA earnings per ordinary share before the revaluation of investment properties, gains and losses on surplus land, the change in fair value of interest rate derivatives, one-off items of expenditure, and the Group’s share of its associates’ derivative and revaluation movements has been disclosed to give a clearer understanding of the Group’s underlying trading performance.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 9. NON-CURRENT ASSETS

#### a) Investment property

	Investment property £000	Investment property under construction £000	Interests in leasehold properties £000	Total £000
<b>At 1 April 2014</b>	776,390	22,303	23,814	822,507
Additions	5,075	1,522	-	6,597
Adjustment to present value	-	-	129	129
Reclassification	12,650	(12,650)	-	-
Revaluation	15,010	264	-	15,274
Depreciation	-	-	(473)	(473)
<b>At 30 September 2014</b>	809,125	11,439	23,470	844,034

Capital commitments at 30 September 2014 were £1.1 million (31 March 2014: £nil).

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

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Total £000
<b>Cost</b>					
At 1 April 2014	1,843	425	25	1,942	4,235
Additions	-	7	-	213	220
<b>At 30 September 2014</b>	1,843	432	25	2,155	4,455
At 1 April 2014	(293)	(218)	(22)	(717)	(1,250)
Charge for the period	(17)	(21)	(3)	(225)	(266)
<b>At 30 September 2014</b>	(310)	(239)	(25)	(942)	(1,516)
<b>Net book value</b>					
<b>At 30 September 2014</b>	1,533	193	-	1,213	2,939
At 1 April 2014	1,550	207	3	1,225	2,985

#### c) Goodwill

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

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

#### d) Investment in associates

The Group has a 33.3% interest in Big Yellow Limited Partnership and a 20% interest in Armadillo Storage Holding Company Limited (“Armadillo Storage”). Both interests are accounted for as associates, using the equity method of accounting.

	<b>Big Yellow Limited Partnership</b>			<b>Armadillo Storage</b>		
	<b>30 September 2014 (unaudited) £000</b>	<b>30 September 2013 (unaudited) £000</b>	<b>31 March 2014 (audited) £000</b>	<b>30 September 2014 (unaudited) £000</b>	<b>30 September 2013 (unaudited) £000</b>	<b>31 March 2014 (audited) £000</b>
At the beginning of the year	17,861	17,681	17,681	-	-	-
Subscription for partnership capital and advances	-	-	-	3,648	-	-
Part disposal of partnership interest	-	-	-	(1,728)	-	-
Share of results (see below)	836	850	180	478	-	-
	<b>18,697</b>	<b>18,531</b>	<b>17,861</b>	<b>2,398</b>	<b>-</b>	<b>-</b>

The Group’s total subscription for partnership capital and advances in Big Yellow Limited Partnership to date is £16,366,000. The Group’s total subscription for partnership capital and advances in Armadillo Storage Holding Company Limited is £1,920,000.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 9. NON-CURRENT ASSETS (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			Armadillo Storage
	Six months ended 30 September 2014 (unaudited) £000	Six months ended 30 September 2013 (unaudited) £000	Year ended 31 March 2014 (audited) £000	Period from 16 April to 30 September 2014 (unaudited) £000
<b>Income statement (100%)</b>				
Revenue	5,566	4,746	9,529	2,076
Cost of sales	(2,534)	(2,427)	(4,846)	(1,087)
Administrative expenses	(74)	(59)	(112)	(49)
Operating profit	2,958	2,260	4,571	940
Gain/(loss) on the revaluation of investment properties	743	1,239	(1,985)	1,762
Net interest payable	(1,171)	(1,620)	(2,820)	(245)
Fair value movement of interest rate derivatives	(21)	672	774	(55)
Profit before and after tax	2,509	2,551	540	2,402
<b>Balance sheet (100%)</b>				
Investment property	109,300	110,910	108,110	21,521
Other non-current assets	3,609	3,501	3,588	902
Current assets	2,948	2,593	3,009	652
Current liabilities	(2,822)	(2,386)	(3,201)	(1,239)
Derivative financial instruments	56	(25)	77	(55)
Non-current liabilities	(57,000)	(59,000)	(58,000)	(9,791)
Net assets (100%)	56,091	55,593	53,583	11,990
<b>Group share</b>				
Operating profit	986	753	1,524	266
Gain/(loss) on the revaluation of investment properties	247	413	(662)	294
Net interest payable	(390)	(540)	(940)	(71)
Fair value movement of interest rate derivatives	(7)	224	258	(11)
Profit before and after tax	836	850	180	478
Associates' net assets	18,697	18,531	17,861	2,398

The investment property in Armadillo is carried at Directors' valuation.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 10. SURPLUS LAND

	<b>£000</b>
At 1 April 2014	6,059
Additions	200
Disposal	(1,497)
<b>At 30 September 2014</b>	<b>4,762</b>

### 11. TRADE AND OTHER RECEIVABLES

	<b>30 September 2014 (unaudited) £000</b>	30 September 2013 (unaudited) £000	31 March 2014 (audited) £000
<b>Current</b>			
Trade receivables	2,817	2,695	2,594
Capital Goods Scheme receivable	1,373	2,287	1,344
Other receivables	980	310	384
Prepayments and accrued income	6,787	5,445	9,209
	<hr/> 11,957	<hr/> 10,737	<hr/> 13,531
<b>Non-current</b>			
Capital Goods Scheme receivable	7,792	7,600	7,620

### 12. TRADE AND OTHER PAYABLES

	<b>30 September 2014 (unaudited) £000</b>	30 September 2013 (unaudited) £000	31 March 2014 (audited) £000
<b>Current</b>			
Trade payables	5,879	4,254	10,758
Other payables	5,869	4,115	5,647
Accruals and deferred income	11,541	11,163	10,332
VAT repayable under Capital Goods Scheme	81	193	81
	<hr/> 23,370	<hr/> 19,725	<hr/> 26,818

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 13. BORROWINGS

	<b>30 September 2014 (unaudited) £000</b>	30 September 2013 (unaudited) £000	31 March 2014 (audited) £000
Aviva mortgage	2,085	1,985	2,034
Bank borrowings	70,000	-	-
Current borrowings	<hr/> 72,085	<hr/> 1,985	<hr/> 2,034
Bank borrowings	72,000	133,000	133,000
Aviva mortgage	93,279	95,364	94,334
Unamortised debt arrangement costs	(2,489)	(1,349)	(1,290)
Non-current borrowings	<hr/> 162,790	<hr/> 227,015	<hr/> 226,044
Total borrowings	<hr/> 234,875	<hr/> 229,000	<hr/> 228,078

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 period of these interest rate swaps was £205,000 (2013: gain of £1,800,000).

At 30 September 2014 the Group and the Partnerships were in compliance with all loan covenants.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 14. ADJUSTED NET ASSETS PER SHARE

Analysis of net asset value	<b>30 September 2014 (unaudited) £000</b>	30 September 2013 (unaudited) £000	31 March 2014 (audited) £000
Basic net asset value	619,119	579,505	594,064
Exercise of share options	452	497	483
EPRA NNNAV	<u>619,571</u>	<u>580,002</u>	<u>594,547</u>
Adjustments:			
Fair value of derivatives	1,610	3,694	2,813
Fair value of derivatives – share of associates	(8)	8	(26)
EPRA NAV	<u>621,173</u>	<u>583,704</u>	<u>597,334</u>
Basic net assets per share (pence)	440.3	414.1	423.9
EPRA NNNAV per share (pence)	434.2	407.9	418.5
EPRA NAV per share (pence)	435.3	410.5	420.5
EPRA NAV (£000)	621,173	583,704	597,334
Valuation methodology assumption (£000) (see note 15)	37,934	36,687	37,057
Adjusted net asset value (£000)	659,107	620,391	634,391
Adjusted net assets per share (pence)	461.9	436.3	446.5
Shares in issue	143,527,126	142,848,202	143,061,147
Own shares held in treasury	(1,418,750)	(1,418,750)	(1,418,750)
Own shares held in EBT	(1,500,000)	(1,500,000)	(1,500,000)
Basic shares in issue used for calculation	140,608,376	139,929,452	140,142,397
Exercise of share options	2,092,269	2,253,301	1,926,527
Diluted shares used for calculation	142,700,645	142,182,753	142,068,924

Basic net assets per share are shareholders' funds divided by the number of shares at the period end. The shares currently held in treasury and in the Group's Employee Benefit Trust are excluded from both net assets and the number of shares.

Adjusted net assets per share include:

- the effect of those shares issuable under employee share option schemes; and
- the effect of alternative valuation methodology assumptions (see note 15).

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 15. VALUATIONS OF INVESTMENT PROPERTY

	Cost £000	Revaluation on cost £000	Valuation £000
<b>Freehold stores*</b>			
At 1 April 2014	373,503	352,857	726,360
Transfer from investment property under construction	12,990	(340)	12,650
Movement in period	4,967	14,878	19,845
<b>At 30 September 2014</b>	<b>391,460</b>	<b>367,395</b>	<b>758,855</b>
<b>Leasehold stores</b>			
At 1 April 2014	16,199	33,831	50,030
Movement in period	108	132	240
<b>At 30 September 2014</b>	<b>16,307</b>	<b>33,963</b>	<b>50,270</b>
<b>Total of open stores</b>			
At 1 April 2014	389,702	386,688	776,390
Transfer from investment property under construction	12,990	(340)	12,650
Movement in period	5,075	15,010	20,085
<b>At 30 September 2014</b>	<b>407,767</b>	<b>401,358</b>	<b>809,125</b>
<b>Investment property under construction</b>			
At 1 April 2014	29,642	(7,339)	22,303
Transfer to investment property	(12,990)	340	(12,650)
Movement in period	1,522	264	1,786
<b>At 30 September 2014</b>	<b>18,174</b>	<b>(6,735)</b>	<b>11,439</b>
<b>Total</b>			
At 1 April 2014	419,344	379,349	798,693
Movement in period	6,597	15,274	21,871
<b>At 30 September 2014</b>	<b>425,941</b>	<b>394,623</b>	<b>820,564</b>

\* Includes one long leasehold store

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 15. VALUATIONS OF INVESTMENT PROPERTY (CONTINUED)

The freehold and leasehold investment properties have been valued at 30 September 2014 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential, as appropriate.

The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- The members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have done so since September 2004;
- C&W have been carrying out this bi-annual valuation for the same purposes as this valuation on behalf of the Group since September 2004;
- C&W do not provide other significant professional or agency services to the Group;
- In relation to the preceding financial year of C&W, the proportion of the total fees payable by the Group to the total fee income of the firm is less than 5%; and
- The fee payable to C&W is a fixed amount per store, and is not contingent on the appraised value.

#### *Market uncertainty*

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self storage property. C&W note that, although there were a number of self storage transactions in 2007, the only significant transactions since 2007 are:

1. The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;
2. The sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010;
3. The purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was 172 million Euros and the transaction was announced in March 2011. The two joint ventures owned 72 self storage properties;
4. The purchase of Selstor, Sweden, by Pelican Self Storage/M3 Capital in Q4 2012; and
5. The Purchase of Armadillo Self Storage by a JV between Big Yellow and an Australian consortium in April 2014.

There have been 12 single store market transactions in the UK since 2010. C&W state that due to the lack of comparable market information in the self storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

#### **Valuation methodology**

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

##### *Freehold and long leasehold*

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 15. VALUATIONS OF INVESTMENT PROPERTY (CONTINUED)

- A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- B. The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 56 trading stores (both freeholds and leaseholds) open at 30 September 2014 averages 80.9% (31 March 2014: 81.1%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 32 established stores to trade at their maturity levels is 16 months (31 March 2014: 29 months); for the 24 lease-up stores, the average period to maturity is 29 months (31 March 2014: 36 months).
- C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 32 established stores is 7.4% (31 March 2014: 7.0%) rising to a stabilised net yield pre-administration expenses of 7.7% (31 March 2014: 7.8%). Also on a no growth and pre-administration expenses basis the 24 lease-up stores have a net initial yield of 6.0% (31 March 2014: 5.5%) rising to 7.6% (31 March 2014: 7.8%) on stabilisation.
- D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 10.9% (31 March 2014: 11.0%).
- E. Purchaser's costs of 5.8% (see below) have been assumed initially and sale plus purchaser's costs totalling 6.8% are assumed on the notional sales in the tenth year in relation to the freehold stores.

#### *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 16.3 years (31 March 2014: 16.8 years).

#### *Investment properties under construction*

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

#### *Immature stores: value uncertainty*

C&W have assessed the value of each property individually. However, one of the Group's stores is relatively immature and has low initial cash flow. C&W have endeavoured to reflect the nature of the cash flow profile for this property in their valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 15. VALUATIONS OF INVESTMENT PROPERTY (CONTINUED)

Please note C&W's comments in relation to market uncertainty in the self storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the single immature store is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios.

C&W state that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W have not adjusted their opinion of Fair Value to reflect such a grouping of the immature asset with other properties in the portfolio and all stores have been valued individually. However, they highlight the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the market place.

C&W consider this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

C&W have not assumed that the entire portfolio of properties owned by the entity would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly (either higher or lower) from the aggregate of the individual values for each property in the portfolio, reflecting the lotting assumption described above.

#### **Valuation assumption for purchaser's costs**

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of 5.8% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 30 September 2014 of £856,898,000 (£36,334,000 higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4,800,000 higher than the value recorded in the financial statements, of which the Group's share is £1,600,000. The sum of these is £37,934,000 and translates to 26.6 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 14).

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 16. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The table below sets out the categorisation of the financial instruments held by the Group at 30 September 2014. Where the financial instruments are held at fair value the valuation level indicates the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuations categorised as Level 2 are obtained from third parties. If the inputs are used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

	Valuation level	30 September 2014 (unaudited) £000
Interest rate derivatives	2	(1,610)

### 17. RELATED PARTY TRANSACTIONS

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

#### AnyJunk Limited

James Gibson is a Non-Executive Director and shareholder in AnyJunk Limited, and Adrian Lee is a shareholder in AnyJunk Limited. During the period AnyJunk Limited provided waste disposal services to the Group on normal commercial terms, amounting to £14,000.

#### Transactions with Big Yellow Limited Partnership

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

#### Transactions with Armadillo Storage Holding Company Limited

As described in note 9d, the Group has a 20% interest in Armadillo Storage Holding Company Limited, and entered into transactions with Armadillo during the period on normal commercial terms as shown in the table below. In prior periods fees earned from Armadillo were not a related party transaction.

	30 September 2014 (unaudited) £000	30 September 2013 (unaudited) £000	31 March 2014 (audited) £000
Fees earned from Big Yellow Limited Partnership	343	309	640
Fees earned from Armadillo (since 16 April 2014)	336	-	-
Balance due from the Partnership	737	141	338
Balance due from Armadillo	200	-	-

# **BIG YELLOW GROUP PLC**

## **Notes to the Interim Review**

### **18. RISKS AND UNCERTAINTIES**

The operational risks facing the Group for the remaining six months of the financial year are consistent with those outlined in the Annual Report for the year ended 31 March 2014. The outlook for the housing market and the economy is broadly in line with March 2014, and the risk mitigating factors listed in the 2014 Annual Report are still appropriate.

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

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

Our customers are facing difficult financial conditions and there is therefore an increased risk that they may default on their rent payments, however since the start of the current economic difficulties, we have not seen an increase in bad debts. We have 47,000 customers and this, coupled with the diversity of their reasons for using storage mean the risk of individual tenant default to Big Yellow is low. 83% of our customers pay by direct debit and we take a deposit from all customers. Furthermore, we have a right of lien over customers' goods, so in the ultimate event of default, we are able to auction the goods to recover the debts.

### **19. SUBSEQUENT EVENTS**

On 19 November 2014 Big Yellow Group PLC has announced its intention to raise up to 9.99% of its issued share capital by means of a placing to fund the further growth of the business.

# **BIG YELLOW GROUP PLC**

## **INDEPENDENT REVIEW REPORT TO BIG YELLOW GROUP PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 which comprises the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, the reconciliation of net cash flow to movement in net debt and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### **Directors’ responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

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

### **Our responsibility**

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

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
18 November 2014

## **BIG YELLOW GROUP PLC**

This announcement and the information contained herein is not an offer of securities for sale in the United States. The securities discussed herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the US Securities Act. No public offering of the securities discussed herein is being made in the United States and the information contained herein does not constitute an offering of securities for sale in the United States, Canada, Australia, Japan, South Africa or any jurisdiction in which the same would be unlawful. This announcement is not for distribution directly or indirectly in or into the United States, Canada, Australia, Japan or South Africa.