



19 November 2019

**Big Yellow Group PLC**  
 (“Big Yellow”, “the Group” or “the Company”)  
**Results for the Six Months ended 30 September 2019**

	<b>Six months ended 30 September 2019</b>	Six months ended 30 September 2018	Growth
<b>Financial metrics</b>			
Revenue	<b>£64.3 million</b>	£62.2 million	3.4%
Like-for-like revenue <sup>(1)</sup>	<b>£63.8 million</b>	£61.2 million	4.2%
Store EBITDA <sup>(1)</sup>	<b>£44.0 million</b>	£42.5 million	3.5%
Adjusted profit before tax <sup>(1)</sup>	<b>£35.3 million</b>	£33.3 million	6.0%
EPRA earnings per share <sup>(1)</sup>	<b>21.0 pence</b>	20.9 pence	0.5%
Interim dividend per share	<b>17.1 pence</b>	16.7 pence	2.4%
<b>Statutory metrics</b>			
Profit before tax	<b>£95.8 million</b>	£61.4 million	56%
Cash flow from operating activities (after net finance costs)	<b>£36.0 million</b>	£34.6 million	4.0%
Basic earnings per share	<b>57.6 pence</b>	38.8 pence	48%
<b>Store metrics</b>			
Store Maximum Lettable Area (“MLA”) <sup>(1)</sup>	<b>4,688,000</b>	4,656,000	0.7%
Closing occupancy (sq ft) <sup>(1)</sup>	<b>3,910,000</b>	3,904,000	0.2%
Occupancy growth in the period (sq ft) <sup>(1)</sup>	<b>100,000</b>	174,000	(43%)
Closing occupancy <sup>(1)</sup>	<b>83.4%</b>	83.8%	(0.4 ppts)
Occupancy – like-for-like stores <sup>(1)</sup>	<b>84.1%</b>	83.8%	0.3 ppts
Average achieved net rent per sq ft <sup>(1)</sup>	<b>£27.40</b>	£26.97	1.6%
Closing net rent per sq ft <sup>(1)</sup>	<b>£27.73</b>	£27.20	1.9%

<sup>1</sup> See note 19 for glossary of terms

**First Half Highlights**

- Like-for-like revenue increased by 4.2% driven by growth in average occupancy and rate
- Average achieved net rent per sq ft increased by 1.6% period on period, closing net rent up by 1.9% from September 2018, and currently up 3.1% from 1 April 2019
- Cash flow from operating activities (after net finance costs) increased by 4.0% to £36.0 million
- Adjusted profit before tax up 6.0% to £35.3 million, earnings per share impacted by the full dilutive effect of the September 2018 placing
- 17.1 pence per share interim dividend declared
- Acquisition of new development sites in Slough, Hayes (West London) and Harrow (North West London) taking pipeline to 13 development sites of approximately 890,000 sq ft (19% of current MLA)
- Planning consent granted for new stores in Uxbridge (West London), Queensbury (North West London) and Hove
- Capital structure remains secure with strong interest cover, post dividend cash flow generation and £49 million of available committed facilities

## **BIG YELLOW GROUP PLC**

Commenting, Nicholas Vetch, Executive Chairman, said:

“The economic and political environment is currently less than helpful, however despite this we have continued to deliver growth in revenue, cash flow and profit.

We have a proven business model which we have developed over the last two decades and we will continue to innovate and optimise our marketing strategy and improve our operating performance to drive revenue. Crucially, we will also maintain our focus on managing costs such that revenue growth transmits efficiently to the bottom line.

Following the September 2018 placing raising £65.3 million, we have made good progress building the pipeline of new stores and securing planning consents, and the impact of dilution has now washed through. As we open new stores from Spring 2020, we anticipate that shareholders will see an increasing contribution in our performance from that expansive strategy.”

- Ends -

### **ABOUT US**

Big Yellow is the UK’s brand leader in self storage. Big Yellow now operates from a platform of 100 stores, including 25 stores branded as Armadillo Self Storage, in which the Group has a 20% interest. We own a further thirteen Big Yellow self storage development sites, of which six have planning consent. The current maximum lettable area of the existing platform (including Armadillo) is 5.7 million sq ft. When fully built out the portfolio will provide approximately 6.6 million sq ft of flexible storage space. Of the Big Yellow stores and sites, 98% by value are held freehold and long leasehold, with the remaining 2% short leasehold.

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

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**

#### **Teneo**

Ben Foster  
Matthew Denham

**020 7260 2700**

# **BIG YELLOW GROUP PLC**

## **Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company") Results for the Six Months ended 30 September 2019**

### **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 ended 30 September 2019. Since December last year we have seen increased political uncertainty around Brexit, impacting business and consumer confidence and ultimately resulting in slowing economic activity. Despite this backdrop we have continued to deliver growth in revenue, cash flow and profit, whilst at the same time investing in our development pipeline.

The Group's like-for-like revenue was up 4.2% compared to the same period last year. Like-for-like occupancy increased slightly to 84.1% (up 0.3 percentage points from 83.8% at 30 September 2018). Average rate growth over the period was 1.6%, and at the date of these results net rent per sq ft is up 3.1% since 1 April 2019. Despite the slower growth and weaker backdrop we remain committed to our core objective of 90% same store occupancy across the portfolio.

#### **Financial results**

Revenue for the period was £64.3 million (2018: £62.2 million), an increase of 3.4%, including the impact of the closure of Battersea for redevelopment in March 2019 and the opening of Manchester in May 2019. We have seen growth in cash flow from operating activities (after net finance costs) which has increased by 4.0% to £36.0 million for the period (2018: £34.6 million).

The Group's central overhead and operating expense is largely embedded in the business, and as a consequence increases in revenue should deliver higher growth in earnings. The Group made an adjusted profit before tax in the period of £35.3 million, up 6.0% from £33.3 million for the same period last year (see note 6).

Adjusted diluted EPRA earnings per share were 21.0 pence (2018: 20.9 pence), an increase of 0.5% with the adjusted profit growth diluted following the placing of 7.2 million shares in September 2018, raising £65.3 million to fund the development of new stores. The Group's statutory profit before tax for the period was £95.8 million, an increase of 56% from £61.4 million for the same period last year, due to a higher revaluation gain in the period.

The Group's interest cover for the period (expressed as the ratio of cash generated from operations against interest paid) was 7.3 times (2018: 7.5 times). This is comfortably ahead of our internal minimum interest cover requirement of five times.

#### **Dividends**

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. Given the dilutive impact of the September 2018 placing, we have declared an interim dividend of 17.1 pence per share, which is an increase of 2.4% on the prior period. This has all been declared as Property Income Distribution ("PID"). The total dividend for the full year will be determined in line with our stated policy.

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

We have spent the last four to five years building a sustainable pipeline of new stores to provide a source of external growth complementing the returns generated by the existing operating platform. We were therefore pleased to see progress in the period with three planning consents being granted and construction now under way on four new stores.

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

We opened our landmark 60,000 sq ft store in central Manchester in May 2019. The store has started strongly and was 28% occupied at the end of September, and we expect it to break even shortly at the EBITDA level.

## **BIG YELLOW GROUP PLC**

The construction of our 77,000 sq ft store in Camberwell, London is progressing well and is expected to open in May 2020. We have commenced the construction of our new 71,000 sq ft Battersea store which was closed in March 2019 for demolition, and we anticipate it will re-open in Summer 2020. We have started on site at Bracknell, our 57,000 sq ft proposed store, with a view to opening in Summer 2020.

Planning permission was granted in July for a 52,000 sq ft store on our site in Uxbridge, West London. Construction is expected to commence in January 2020, with the store scheduled to open in early 2021. We also received planning permission in October for a new 55,500 sq ft store in Hove. The existing building is currently occupied by a car dealership until Summer 2020 and construction will commence during the Autumn of 2020, with a view to the store opening in Spring 2022. In addition, we obtained planning permission in November for a 58,000 sq ft store in Queensbury, North West London.

The joint application at Kings Cross with the adjoining landowner, which was subject to an appeal in July 2019, was unsuccessful. We have therefore now submitted a standalone application for a slightly smaller store of approximately 122,000 sq ft based on our detailed discussions with the London Borough of Islington and the appeal determination notice.

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

Big Yellow now has a pipeline comprising thirteen development sites with a cost to complete of approximately £95 million in addition to the £49.5 million of capital expenditure spent in the first half. These store openings are expected to add approximately 890,000 sq ft of storage space to the portfolio, an increase of 19% from the current maximum lettable area of the Group's portfolio.

Our current estimate of net operating income at stabilisation, at today's prices, for this increase in capacity is in excess of £20.7 million. The total development cost including cost incurred to date is estimated to be approximately £230 million implying a 9.0% net operating income return on cost.

We continue to look for land and existing storage centres in large urban conurbations, focussing as previously stated on London and the South East. Developing stores in these target areas remains challenging given the competition for land and the pressure to produce more housing.

During the period the Group sold the part of the Wyvern Industrial Estate in New Malden, London that it does not occupy for £11.8 million. Big Yellow acquired the entire estate for £29 million (including costs) in January 2019, giving security of tenure over our 81,000 sq ft New Malden store, and extinguishing the rental liability. The current net operating income of the Big Yellow store is approximately £1.7 million, representing a 10% yield on the net investment of £17.2 million.

### **Outlook**

The economic and political environment is currently less than helpful, however despite this we have continued to deliver growth in revenue, cash flow and profit.

We have a proven business model which we have developed over the last two decades and we will continue to innovate and optimise our marketing strategy and improve our operating performance to drive revenue. Crucially, we will also maintain our focus on managing costs such that revenue growth transmits efficiently to the bottom line.

Following the September 2018 placing raising £65.3 million, we have made good progress building the pipeline of new stores and securing planning consents, and the impact of dilution has now washed through. As we open new stores from Spring 2020, we anticipate that shareholders will see an increasing contribution in our performance from that expansive strategy.

### **Nicholas Vetch**

Executive Chairman  
18 November 2019

# BIG YELLOW GROUP PLC

## Business and Financial Review

### Trading performance

These results reflect a resilient trading performance for the six months given the economic and political backdrop and levels of consumer and business uncertainty which have persisted over the last three quarters. Like-for-like occupancy increased by 1.7 ppts from March 2019, and like-for-like revenue growth for the half year was 4.2%.

This business, as with many, is subject to the ebbs and flows of demand driven by economic activity, however, a key risk to the business is around supply and competition in our key markets.

Growth in new self storage centre openings, excluding container operators, over the last five years has averaged 2% to 3% of total capacity per annum, down significantly from the previous decade. Additionally, in our core markets in London and the South East, high land values driven by competing uses such as residential, and complex planning rules, are making the creation of new supply very difficult for all operators. We believe that we are in a relatively strong position given the strength of our balance sheet and our proven property development expertise, together with our ability to access funding to exploit the right opportunities.

### Store occupancy

Despite prospects for the six months being slightly up on the same period last year, we are continuing to experience some hesitancy amongst our prospect base resulting in 4% lower move-ins over the six months. Move-outs were also down by 3% over the period. The table below shows the monthly move-in and move-out activity over the half year:

	Move-ins period ended 30 September 2019	Move-ins period ended 30 September 2018	%	Move-outs period ended 30 September 2019	Move-outs period ended 30 September 2018	%
April to June	18,950	19,784	(4)	14,742	15,499	(5)
July to September	20,570	21,565	(5)	22,520	22,742	(1)
<b>Total</b>	<b>39,520</b>	<b>41,349</b>	<b>(4)</b>	<b>37,262</b>	<b>38,241</b>	<b>(3)</b>

Occupancy growth over the six month period was 100,000 sq ft (2018: 174,000 sq ft).

	Net sq ft period ended 30 September 2019	Net sq ft period ended 30 September 2018	Net move-ins period ended 30 September 2019	Net move-ins period ended 30 September 2018
April to June	125,000	131,000	4,208	4,285
July to September	(25,000)	43,000	(1,950)	(1,177)
<b>Total</b>	<b>100,000</b>	<b>174,000</b>	<b>2,258</b>	<b>3,108</b>

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. In the current year, we have lost 76,000 sq ft (1.6% of maximum lettable area "MLA") since the end of September, compared to a loss of 56,000 sq ft (1.2% of MLA) at the same stage last year, and a loss of 86,000 sq ft (1.8% of MLA) in 2017. We do expect to return to occupancy growth in our seasonally stronger March quarter.

The 69 mature stores are 84.9% occupied compared to 85.1% at the same time last year (with Battersea closed for redevelopment in March 2019). The three established stores have maintained their occupancy at 83.1%. The three developing stores added 40,000 sq ft of occupancy in the past 12 months to reach closing occupancy of 40.4%.

Overall like-for-like store occupancy has increased over the 12 months from 83.8% to 84.1%, and by 1.7 ppts from 1 April 2019.

	Occupancy 30 September 2019 %	Occupancy growth from March 2019 000 sq ft	Occupancy 30 September 2019 000 sq ft	Occupancy 31 March 2019 000 sq ft	Occupancy 30 September 2018 000 sq ft
69 mature stores	84.9%	68	3,689	3,621	3,723
3 established stores	83.1%	-	162	162	162
3 developing stores	40.4%	32	59	27	19
<b>Total – all 75 stores</b>	<b>83.4%</b>	<b>100</b>	<b>3,910</b>	<b>3,810</b>	<b>3,904</b>

# 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. We offer a headline opening promotion of 50% off for up to the first 8 weeks, and we continue to manage pricing dynamically, taking account of room availability, customer demand and local competition.

Our pricing model reduces promotions and increases asking prices where individual units are in scarce supply. This lowering of promotions, coupled with price increases to existing and new customers, leads to an increase in net achieved rents. The average net achieved rent grew by 1.6% compared to the same period last year. The closing net rent at 30 September 2019 grew by 1.6% from 31 March 2019 and by 1.9% from 30 September 2018. At the date of these results, the Group's net rent per sq ft has increased by 3.1% since 1 April 2019.

The table below illustrates the growth in net rent per sq ft for the portfolio by average occupancy over the six months (on a non-weighted basis). The analysis excludes our recent opening in Manchester.

<b>Average occupancy in the six months</b>	<b>Number of stores</b>	<b>Net rent per sq ft growth from 1 April to 30 September 2019</b>	<b>Net rent per sq ft growth from 1 April to 30 September 2018</b>
0 to 75%	3	(1.6%)	(3.1%)
75 to 85%	47	1.4%	1.5%
Above 85%	24	3.4%	2.8%

## Security of income

Our principal financial aims remain to grow 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 our contract with our customers is in theory as short as a week, we do not need to rely on contracts for our income security. At 30 September 2019 the average length of stay for existing customers was 26 months (2018: 26 months). For all customers, including those who have moved out of the business, the average length of stay has increased slightly to 8.6 months (2018: 8.5 months). 33% of our customers by occupied space have been storing with us for over two years (2018: 32%), and a further 18% of customers have been in the business for between one and two years (2018: 17%).

The location of our stores, brand, security, and most importantly customer service, together with the diversity of our 58,000 customers, serve better than any contract in providing income security.

## Revenue

Total revenue for the six month period was £64.3 million, an increase of £2.1 million (3.4%) from £62.2 million in the prior period. Like-for-like revenue (see glossary in note 19) was £63.8 million, an increase of 4.2% from the prior period figure of £61.2 million. The Group closed its 34,000 sq ft Battersea store in March 2019 for redevelopment into a 71,000 sq ft store. The revenue from Battersea in the first half of the prior financial year amounted to £0.9 million.

Other sales (included within the above), comprising the selling of packing materials, insurance and storage related charges, represented 14.2% of total store revenue for the period (2018: 14.5%) and generated revenue of £8.9 million for the period, up 1% from £8.8 million in 2018 (see Portfolio Summary).

The other revenue earned is management fee income from the Armadillo Partnerships and tenant income on sites where we have not started development.

## BIG YELLOW GROUP PLC

### Operating costs

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

The breakdown of the portfolio's operating costs compared to the prior period is shown in the table below (see Portfolio Summary):

Category	Period ended	Period ended	%	% of store operating costs in period
	30 September 2019	30 September 2018		
	£000	£000	change	
Cost of sales (insurance and packing materials)	1,459	1,496	(2%)	8%
Staff costs	4,716	4,589	3%	27%
General & Admin	581	621	(6%)	3%
Utilities	295	644	(54%)	2%
Property Rates	5,561	5,467	2%	31%
Marketing	2,964	2,633	13%	17%
Repairs and maintenance	1,443	1,355	6%	8%
Insurance	361	363	(1%)	2%
Computer Costs	321	261	23%	2%
Irrecoverable VAT	5	8	(38%)	0%
<b>Total per portfolio summary</b>	<b>17,706</b>	<b>17,437</b>	<b>2%</b>	

Store operating costs have increased by £0.3 million (2%) compared to the same period last year. Our new stores at Wapping and Manchester carry incremental cost of £0.3 million. Our marketing expenditure has increased by £0.3 million some of which is timing related, including the launch of a new website, with the balance tactical to maintain the Group's online market share and enquiry levels. Our Battersea store has been closed for redevelopment saving £0.2 million of operating costs in this period. The expenditure on utilities has reduced by £0.3 million following a significant backdated recharge of electricity costs to a third-party telecoms mast provider. The other increases in store operating costs are mainly inflationary.

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

	Period ended 30 September 2019	Period ended 30 September 2018
	£000	£000
Direct store operating costs per portfolio summary (excluding rent)	17,706	17,437
Rent included in cost of sales (total rent payable is included in portfolio summary)	650	570
Depreciation charged to cost of sales	157	213
Head office operational management costs charged to cost of sales	537	308
<b>Cost of sales per income statement</b>	<b>19,050</b>	<b>18,528</b>

The increase in head office operational management costs includes abortive costs of £0.2 million related to investigations on potential development sites.

### Store EBITDA

Store EBITDA for the period was £44.0 million, an increase of £1.5 million (3.5%) from £42.5 million for the period ended 30 September 2018 (see Portfolio Summary). The overall EBITDA margin for all Big Yellow stores during the period was 70.2%, up from 69.7% in 2018.

The EBITDA margin for the established stores in the current period has fallen compared to the prior year. This is due to a rates rebate received of £0.1 million on one of the stores in the prior period.

74 stores are currently trading profitably at the Store EBITDA level, with Manchester expected to break even shortly.

### Administrative expenses

Administrative expenses in the income statement have reduced by £0.1 million. The fall is due reduction in the IFRS 2 share-based payments charge. The non-cash share-based payments charge represents £1.2 million of the overall £5.5 million expense.

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## Interest

The interest on bank borrowings during the period was £5.2 million, £0.2 million higher than the same period last year. Average debt levels were approximately 3% higher than the prior period, with the balance of the increase due to a slightly higher average cost of debt following the increase in base rate in August 2018.

Interest capitalised in the period amounted to £0.6 million (2018: £0.4 million), principally arising on the construction of our Camberwell, Battersea and Bracknell stores.

## Results

The Group's statutory profit before tax for the period was £95.8 million, an increase of 56% from £61.4 million for the same period last year. The increase is due to a higher revaluation surplus in the period, which is discussed further below.

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 period of £35.3 million, up 6% from £33.3 million in 2018.

<b>Profit before tax analysis</b>	<b>Six months ended 30 September 2019</b>	Six months ended 30 September 2018
	<b>£m</b>	£m
Profit before tax	95.8	61.4
Gain on revaluation of investment properties	(60.9)	(27.6)
Gain on disposal of investment property	(0.1)	-
Change in fair value of interest rate derivatives	0.8	0.1
Share of non-recurring gains in associates	(0.3)	(0.6)
Adjusted profit before tax	35.3	33.3
Tax	(0.4)	(0.3)
Adjusted profit after tax	34.9	33.0

During the period the Group sold the part of the Wyvern Industrial Estate in New Malden, London that it does not occupy for £11.8 million. In April 2019, the Group acquired a property in Slough for a new self storage centre. The Group also sold an existing plot of land in Slough on the same date for £2.4 million. The net profit on disposal from the sale of these two sites was £0.1 million.

The movement in the adjusted profit before tax from the prior year is shown in the table below, with the majority of the increase being driven by the improvement in gross profit:

<b>Movement in adjusted profit before tax</b>	<b>£m</b>
Adjusted profit before tax for the six months to 30 September 2018	33.3
Increase in gross profit	1.6
Reduction in administrative expenses	0.1
Increase in net interest payable	(0.2)
Increase in capitalised interest	0.2
Increase in share of recurring profit of associates	0.3
<b>Adjusted profit before tax for the six months to 30 September 2019</b>	<b>35.3</b>

Diluted EPRA earnings per share was 21.0 pence (2018: 20.9 pence), an increase of 0.5% from the same period last year, with the adjusted profit growth diluted following the placing of 7.2 million shares in September 2018, raising £65.3 million to fund the development of new stores. There has also been increased dilution from the issuance of 0.9 million of shares in respect of the Long Term Bonus Performance Plan which vested at the end of July 2018, coupled with other share options.

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## Cash flow

Cash flows from operating activities (after net finance costs) have increased by 4% to £36.0 million for the period (2018: £34.6 million). These operating cash flows are after the ongoing maintenance costs of the stores, which are on average £38,000 per store per annum. The Group's net debt has increased over the period to £344.8 million (March 2019: £319.7 million), following investment in growth capital expenditure in the period.

	Six months ended 30 September 2019	Six months ended 30 September 2018
	£m	£m
Cash generated from operations	41.9	40.0
Finance costs (net)	(5.7)	(5.3)
<b>Free cash flow</b>	<b>36.2</b>	<b>34.7</b>
Tax	(0.2)	(0.1)
Disposal of assets	14.1	-
Capital expenditure	(49.5)	(23.5)
Receipt from Capital Goods Scheme	0.9	1.4
Dividend received from associates	0.3	0.2
<b>Cash flow after investing activities</b>	<b>1.8</b>	<b>12.7</b>
Dividends	(27.3)	(24.4)
Payment of finance lease liabilities	(0.5)	(0.6)
Issue of share capital	0.9	65.7
Increase/(decrease) in borrowings	12.7	(54.2)
<b>Net cash outflow</b>	<b>(12.4)</b>	<b>(0.8)</b>

The Group's interest cover for the period (expressed as the ratio of cash generated from operations against interest paid) was 7.3 times (2018: 7.5 times).

Of the capital expenditure in the period £37.9 million is the cost of the acquisitions of Harrow, Hayes and Slough, with an additional £11.6 million relating to build costs of the new stores.

At 30 September 2018, the Group's net debt was £270.3 million, after the placing which raised £65.3 million. In the past 12 months we have spent £109 million on capital expenditure, acquiring six new development sites, the freehold of our New Malden store, coupled with construction spend across five sites. We have received £14.1 million from the sale of land and property (including the part of New Malden that we do not occupy), and retained net operating cash flow after dividends of £18.3 million. After other net cash inflows of £2.1 million, the Group's net debt at 30 September 2019 is £344.8 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 £0.4 million tax charge in the residual business for the period ended 30 September 2019 (six months to 30 September 2018: £0.3 million).

## Dividends

REIT regulatory requirements determine the level of Property Income Distribution ("PID") payable by the Group. A PID of 17.1 pence per share is proposed as the total interim dividend, an increase of 2.4% from 16.7 pence per share PID for the same period last year.

The interim dividend will be paid on 10 January 2020. The ex-div date is 5 December 2019 and the record date is 6 December 2019.

## Financing and treasury

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

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During the period the Group extended the term of its bank loan by a further year. The Group also increased the quantum of the bank loan by £30 million during the period, with Bank of Ireland joining the facility taking this additional debt.

The Group has an option to increase the amount of revolving loan by a further £30 million during the loan's term. The table below summarises the Group's debt facilities at 30 September 2019. The average cost has remained at 2.9% since 31 March 2019.

<b>Debt</b>	<b>Expiry</b>	<b>Facility</b>	<b>Drawn</b>	<b>Cost</b>
Aviva Loan	April 2027	£83.8m	£83.8m	4.9%
M&G loan	June 2023	£70m	£70m	2.9%
Bank loan (Lloyds, HSBC and Bank of Ireland)	October 2024	£240m	£196.5m	2.0%
<b>Total</b>	Average 5.2 years	£393.8m	£350.3m	2.9%

The Group was comfortably in compliance with its banking covenants at 30 September 2019.

The net debt to gross property assets ratio is 22% (2018: 20%) and the net debt to adjusted net assets ratio (see net asset value section below) is 27% (2018: 23%).

### Property

#### Investment property

The Group's investment properties are carried at the half year at Directors' valuation. They are valued externally by Cushman and Wakefield LLP ("C&W") at the year end. The Directors' valuations reflect the latest cash flows derived from each of the stores at the end of September.

In performing the valuations, the Directors consulted with C&W on the capitalisation rates used in the valuations. The Directors, as advised by C&W, consider that the capitalisation rates have reduced by 12.5 bps since the start of the financial year, given recent transactional evidence and the weight of money looking to invest in the self storage sector.

The Directors consider that the other core assumptions underpinning the valuations including the stabilised occupancy levels (of 84.7% across the 75 open stores) and rental growth used by C&W in the March 2019 valuations are still appropriate at the September valuation date. See the Group's annual report for the year ended 31 March 2019 for the full detail of the valuation methodology.

At 30 September 2019 the total value of the Group's properties is shown in the table below:

<b>Analysis of property portfolio</b>	<b>Value at 30 September 2019 £m</b>	<b>Revaluation movement in the period £m</b>
Investment property	1,412.2	55.7
Investment property under construction	130.9	5.2
<b>Investment property total</b>	<b>1,543.1</b>	<b>60.9</b>

The revaluation surplus for the open stores in the period was £55.7 million, with 43% of the increase due to the adjustment in cap rates and the balance from growth in the store cash flows. There is a revaluation uplift of £5.2 million on the investment property under construction, due to the change in cap rates, coupled with the beneficial impact of the Group obtaining planning consents during the period.

The initial yield on the portfolio before administration expenses and assuming no rental growth, is 6.4% rising to a stabilised yield of 6.5% (31 March 2019: 6.6% rising to 6.9%).

## BIG YELLOW GROUP PLC

### Development pipeline

The Group has acquired three development sites since March, in Slough, Hayes and Harrow. These acquisitions take the total pipeline to approximately 890,000 sq ft, representing 19% of current MLA, with an estimated future cost to complete of £95 million. The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Camberwell, London	Prominent location on Southampton Way	Planning consent granted in April 2018. Construction started in November 2018 with a view to opening in May 2020.	77,000 sq ft
Bracknell	Prime location on Ellesfield Avenue	Planning consent granted in January 2019 for self storage and other trade uses. Construction commenced in August 2019 with a view to opening in Summer 2020.	57,000 sq ft
Battersea, London	Prominent location on junction of Lombard Road and York Road (South Circular)	Planning granted for redevelopment of original 34,000 sq ft store and of adjoining retail into a mixed use residential led scheme. Construction commenced of the Big Yellow storage facility in July 2019 with a view to store re-opening in Summer 2020.	71,000 sq ft
Uxbridge, London	Prominent location on Oxford Road	Planning consent granted in July 2019. Construction is expected to commence in January of next year, with the store anticipated to open in early 2021.	52,000 sq ft
Hove	Prominent location on Old Shoreham Road	Site acquired in April 2018. Planning consent granted in October 2019. The site is currently occupied until Summer 2020 and it is anticipated that construction will commence during the Autumn of 2020, with a view to the store opening in Spring 2022.	55,500 sq ft
Queensbury, London	Prominent location off Honeypot Lane	Site acquired in November 2018. Planning consent granted in November 2019.	58,000 sq ft
Hayes, London	Prominent location on Hayes Road	Site acquired in April 2019. Planning application submitted in September 2019 with a decision anticipated in December 2019.	70,000 sq ft to 75,000 sq ft
Kings Cross, London	Prominent location on York Way	Planning application for a standalone Big Yellow store resubmitted in November 2019.	115,000 to 120,000 sq ft
North Kingston, London	Prominent location on Richmond Road, Ham	Site acquired in February 2019, planning discussions ongoing with a view to submitting an application in December 2019.	55,000 sq ft to 60,000 sq ft
Slough	Prominent location on Bath Road	Site acquired in April 2019. Planning application to be submitted in Spring 2020.	65,000 to 70,000 sq ft
Wembley, London	Prominent location on Towers Business Park	Site acquired in February 2019. Discussions ongoing to secure vacant possession prior to commencing planning discussions.	65,000 sq ft to 70,000 sq ft.
Harrow, London	Prominent location on Harrow View	Site acquired in June 2019. Planning discussions ongoing with a view to submitting an application in Spring 2020.	75,000 sq ft to 80,000 sq ft
Newcastle	Prime location on Scotswood Road	Planning application to be submitted in Spring 2020.	60,000 sq ft
<b>Total</b>			<b>875,500 sq ft to 905,500 sq ft</b>

## BIG YELLOW GROUP PLC

The capital expenditure forecast for the remainder of the financial year (excluding any new site acquisitions) is approximately £14 million, which principally relates to construction costs on Camberwell, Battersea, Bracknell and Uxbridge.

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.

### Net asset value

The adjusted net asset value is 770.4 pence per share (see note 13), up 6% from 724.4 pence per share at 31 March 2019. The table below reconciles the movement from 31 March 2019:

	Equity shareholders' funds £m	EPRA adjusted NAV pence per share
<b>Movement in adjusted net asset value</b>		
31 March 2019	1,209.8	724.4
Adjusted profit after tax	34.9	20.9
Equity dividends paid	(27.3)	(16.4)
Revaluation movements (including share of associate)	61.3	36.7
Movement in purchaser's cost adjustment	9.1	5.5
Other movements (e.g. share schemes)	1.9	(0.7)
30 September 2019	1,289.7	770.4

### Armadillo Self Storage

In 2014 we set up a joint venture with a consortium of Australian investors with the aim of acquiring existing self storage facilities as a consolidator in the secondary market. The Group has a 20% investment in Armadillo Storage Holding Company Limited and a 20% investment in Armadillo Storage Holding Company 2 Limited. In the consolidated accounts of Big Yellow Group PLC, our investments in the vehicles are treated as associates using the equity accounting method.

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

The occupancy of the portfolios at 30 September 2019 is 836,000 sq ft, against a total capacity of 1,062,000 sq ft representing occupancy at 30 September 2019 of 78.7% (31 March 2019: 75.1%). The revenue of the portfolio increased by 9% to £8.3 million for the six months to 30 September 2019 (2018: £7.6 million). On a like-for-like basis, the increase was 4%.

The Armadillo Partnerships made a combined operating profit of £4.0 million in the period, of which Big Yellow's share is £0.8 million. After net interest costs, the revaluation of investment properties, deferred tax on the revaluation surplus and interest rate derivatives, the profit for the period was £4.5 million, of which the Group's share was £0.9 million.

Big Yellow has a responsibility for operating the assets and receives a management fee from the Partnerships, which for the period to 30 September 2019 amounted to £0.6 million. The Group's share of the interim dividend declared for the period is £0.3 million, representing a 6.6% yield on our equity invested for the six months.

James Gibson  
Chief Executive Officer

John Trotman  
Chief Financial Officer

18 November 2019

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

	2019				2018			
	Mature <sup>(1)</sup>	Established	Developing	Total	Mature	Established	Developing	Total
Number of stores	69	3	3	75	70	3	2	75
<b>At 30 September:</b>								
Total capacity (sq ft)	4,347,000	195,000	146,000	4,688,000	4,376,000	195,000	85,000	4,656,000
Occupied space (sq ft)	3,689,000	162,000	59,000	3,910,000	3,723,000	162,000	19,000	3,904,000
Percentage occupied	84.9%	83.1%	40.4%	83.4%	85.1%	83.1%	22.4%	83.8%
Net rent per sq ft	£27.86	£26.16	£24.09	£27.73	£27.30	£24.74	£24.25	£27.20
<b>For the period:</b>								
REVPAF <sup>(2)</sup>	£27.31	£24.66	£11.45	£26.74	£26.69	£22.73	£4.69	£26.19
Average occupancy	84.7%	84.1%	33.1%	83.2%	83.8%	80.5%	15.0%	82.7%
Average annual net rent psf	£27.52	£25.33	£25.21	£27.40	£27.12	£23.97	£19.95	£26.97
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Self storage income	50,811	2,077	573	53,461	49,904	1,883	108	51,895
Other storage related income <sup>(2)</sup>	8,430	324	152	8,906	8,444	329	44	8,817
Ancillary store rental Income	286	10	56	352	225	10	23	258
Total store revenue	59,527	2,411	781	62,719	58,573	2,222	175	60,970
Direct store operating costs (excluding depreciation)	(16,323)	(760)	(623)	(17,706)	(16,498)	(635)	(304)	(17,437)
Short and long leasehold rent <sup>(3)</sup>	(998)	-	(4)	(1,002)	(1,046)	-	(2)	(1,048)
Store EBITDA <sup>(2,4)</sup>	42,206	1,651	154	44,011	41,029	1,587	(131)	42,485
Store EBITDA margin	70.9%	68.5%	19.7%	70.2%	70.0%	71.4%	(74.9%)	69.7%
<b>Deemed cost</b>								
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>				
To 30 September 2019	600.1	34.4	41.3	675.8				
Capex to complete	-	-	0.5	0.5				
Total	600.1	34.4	41.8	676.3				

(1) The mature stores have been open for more than six years at 1 April 2019. The established stores have been open for between three and six years at 1 April 2019 and the developing stores have been open for fewer than three years at 1 April 2019. The Group's mature Battersea store was closed for redevelopment in March 2019.

(2) See glossary in note 19.

(3) Rent under IFRS 16 for six mature short leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 339,000 sq ft, a long leasehold mature store with a capacity of 64,000 sq ft, and a long leasehold developing store with a capacity of 60,000 sq ft. The EBITDA margin for the 63 freehold mature stores is 72.9%, and 46.3% for the six short leasehold mature stores.

(4) The table below reconciles Store EBITDA to gross profit in the income statement:

	Period ended 30 September 2019			Period ended 30 September 2018		
	Store EBITDA	Reconciling items	Gross profit per income statement	Store EBITDA	Reconciling items	Gross profit per income statement
Store revenue/Revenue <sup>(1)</sup>	62,719	1,551	64,270	60,970	1,194	62,164
Cost of sales <sup>(2)</sup>	(17,706)	(1,344)	(19,050)	(17,437)	(1,091)	(18,528)
Rent <sup>(3)</sup>	(1,002)	1,002	-	(1,048)	1,048	-
	44,011	1,209	45,220	42,485	1,151	43,636

(1) See note 2 of the interim statement, reconciling items are management fees and non-storage income.

(2) See reconciliation in cost of sales section in Business and Financial Review.

(3) The rent shown above is the cost associated with leasehold stores, only part of which is recognised within gross profit in line with finance lease accounting principles. The amount included in gross profit is shown in the reconciling items in cost of sales.

# BIG YELLOW GROUP PLC

## PORTFOLIO SUMMARY – ARMADILLO STORES

	2019	2018
Number of stores	25	22
<b>At 30 September:</b>		
Total capacity (sq ft)	1,062,000	965,000
Occupied space (sq ft)	836,000	740,000
Percentage occupied	78.7%	76.7%
Net rent per sq ft	£17.33	£17.20
<b>For the period:</b>		
REVPAF	£16.06	£15.69
Average occupancy	78.1%	75.7%
Average annual net rent psf	£17.30	£17.26
	<b>£000</b>	<b>£000</b>
Self storage income	6,959	6,326
Other storage related income	1,292	1,197
Ancillary store rental income	21	67
Total store revenue	8,272	7,590
Direct store operating costs (excluding depreciation)	(3,283)	(2,998)
Short leasehold rent	(258)	(247)
Store EBITDA	4,731	4,345
Store EBITDA margin	57.2%	57.2%
<b>Cumulative capital expenditure</b>	<b>£m</b>	
To 30 September 2019	82.3	
To complete	1.0	
Total capital expenditure	83.3	

# **BIG YELLOW GROUP PLC**

## **RESPONSIBILITY STATEMENT**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

James Gibson  
Director

John Trotman  
Director

18 November 2019

# BIG YELLOW GROUP PLC

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Six months ended 30 September 2019

	Note	Six months ended 30 September 2019 (unaudited) £000	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
<b>Revenue</b>	2	64,270	62,164	125,414
Cost of sales		(19,050)	(18,528)	(38,145)
<b>Gross profit</b>		<hr/> 45,220	<hr/> 43,636	<hr/> 87,269
Administrative expenses		(5,498)	(5,581)	(10,607)
<b>Operating profit before gains and losses on property assets</b>		<hr/> 39,722	<hr/> 38,055	<hr/> 76,662
Gain on the revaluation of investment properties	9a	60,884	27,653	58,898
Gain on disposal of investment property		57	-	-
<b>Operating profit</b>		<hr/> 100,663	<hr/> 65,708	<hr/> 135,560
Share of profit of associates	9d	903	821	2,327
Investment income – interest receivable	3	73	103	167
Finance costs – interest payable	4	(5,010)	(5,118)	(10,076)
– fair value movement of derivatives	4	(809)	(81)	(1,123)
<b>Profit before taxation</b>		<hr/> 95,820	<hr/> 61,433	<hr/> 126,855
Taxation	5	(370)	(316)	(355)
<b>Profit for the period (attributable to equity shareholders)</b>		<hr/> 95,450	<hr/> 61,117	<hr/> 126,500
<b>Total comprehensive income for the period attributable to equity shareholders</b>		<hr/> 95,450	<hr/> 61,117	<hr/> 126,500
<b>Basic earnings per share</b>	8	57.6p	38.8p	78.3p
<b>Diluted earnings per share</b>	8	57.4p	38.6p	78.0p

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.

The notes on pages 20 to 35 are an integral part of these condensed consolidated interim financial statements.

# BIG YELLOW GROUP PLC

## CONDENSED CONSOLIDATED BALANCE SHEET 30 September 2019

		<b>30 September 2019 (unaudited) £000</b>	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
	<b>Note</b>			
<b>Non-current assets</b>				
Investment property	9a	1,412,175	1,290,204	1,354,430
Investment property under construction	9a	130,870	63,341	91,115
Interest in leasehold properties	9a	18,365	22,359	18,774
Plant, equipment and owner-occupied property	9b	3,968	2,975	2,939
Intangible assets	9c	1,433	1,433	1,433
Investment in associates	9d	11,651	9,852	11,053
Capital Goods Scheme receivable	10	646	2,177	1,332
Derivative financial instruments		-	1,623	581
		<hr/> 1,579,108	<hr/> 1,393,964	<hr/> 1,481,657
<b>Current assets</b>				
Inventories		304	298	282
Trade and other receivables	10	13,644	13,629	20,356
Cash and cash equivalents		5,548	6,051	17,902
		<hr/> 19,496	<hr/> 19,978	<hr/> 38,540
<b>Total assets</b>		<hr/> 1,598,604	<hr/> 1,413,942	<hr/> 1,520,197
<b>Current liabilities</b>				
Trade and other payables	11	(36,398)	(32,227)	(41,649)
Borrowings	12	(2,662)	(2,535)	(2,598)
Obligations under leases		(1,751)	(2,064)	(1,625)
		<hr/> (40,811)	<hr/> (36,826)	<hr/> (45,872)
<b>Non-current liabilities</b>				
Borrowings	12	(345,869)	(271,990)	(333,279)
Obligations under leases		(17,642)	(20,295)	(17,149)
Derivative financial instruments		(228)	-	-
		<hr/> (363,739)	<hr/> (292,285)	<hr/> (350,428)
<b>Total liabilities</b>		<hr/> (404,550)	<hr/> (329,111)	<hr/> (396,300)
<b>Net assets</b>		<hr/> 1,194,054	<hr/> 1,084,831	<hr/> 1,123,897
<b>Equity</b>				
Called up share capital		16,713	16,664	16,667
Share premium account		112,335	111,260	111,514
Reserves		1,065,006	956,907	995,716
<b>Equity shareholders' funds</b>		<hr/> 1,194,054	<hr/> 1,084,831	<hr/> 1,123,897

The notes on pages 20 to 35 are an integral part of these condensed consolidated interim financial statements.

# BIG YELLOW GROUP PLC

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2019 (unaudited)

	Share capital £000	Share premium account £000	Other non- distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
<b>At 1 April 2019</b>	16,667	111,514	74,950	1,795	919,990	(1,019)	1,123,897
Total comprehensive income for the period	-	-	-	-	95,450	-	95,450
Issue of share capital	46	821	-	-	-	-	867
Credit to equity for equity- settled share-based payments	-	-	-	-	1,159	-	1,159
Dividends	-	-	-	-	(27,319)	-	(27,319)
<b>At 30 September 2019</b>	<b>16,713</b>	<b>112,335</b>	<b>74,950</b>	<b>1,795</b>	<b>989,280</b>	<b>(1,019)</b>	<b>1,194,054</b>

Six months ended 30 September 2018 (unaudited)

	Share capital £000	Share premium account £000	Other non- distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
<b>At 1 April 2018</b>	15,857	46,362	74,950	1,795	843,203	(1,019)	981,148
Total comprehensive income for the period	-	-	-	-	61,117	-	61,117
Issue of share capital	807	64,898	-	-	-	-	65,705
Credit to equity for equity- settled share-based payments	-	-	-	-	1,278	-	1,278
Dividends	-	-	-	-	(24,417)	-	(24,417)
<b>At 30 September 2018</b>	<b>16,664</b>	<b>111,260</b>	<b>74,950</b>	<b>1,795</b>	<b>881,181</b>	<b>(1,019)</b>	<b>1,084,831</b>

Year ended 31 March 2019 (audited)

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

The notes on pages 20 to 35 are an integral part of these condensed consolidated interim financial statements.

# BIG YELLOW GROUP PLC

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2019

	<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
<b>Cash generated from operations</b>	17	41,943	39,995
Interest paid		(5,755)	(5,326)
Interest received		19	13
Tax paid		(178)	(83)
<b>Cash flows from operating activities</b>		36,029	34,599
<b>Investing activities</b>			
Purchase of non-current assets		(49,506)	(23,570)
Proceeds on disposal of investment property		14,105	-
Receipt from Capital Goods Scheme		933	1,428
Dividend received from associates	9d	305	245
<b>Cash flows from investing activities</b>		(34,163)	(21,897)
<b>Financing activities</b>			
Issue of share capital		867	65,705
Payment of finance lease liabilities		(485)	(570)
Equity dividends paid		(27,319)	(24,417)
Increase/(decrease) in borrowings		12,717	(54,222)
<b>Cash flows from financing activities</b>		(14,220)	(13,504)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(12,354)	(802)
<b>Opening cash and cash equivalents</b>		17,902	6,853
<b>Closing cash and cash equivalents</b>		5,548	6,051

The notes on pages 20 to 35 are an integral part of these condensed consolidated interim financial statements.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 1. ACCOUNTING POLICIES

#### Basis of preparation

The results for the period ended 30 September 2019 are unaudited and were approved by the Board on 18 November 2019. The financial information contained in this report in respect of the year ended 31 March 2019 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 auditor 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 were applied in the Group's latest annual audited financial statements, except that a number of new standards and amendments to standards have been issued and are now effective for the Group. The most significant of these is IFRS 16 Leases which has been adopted by the Group. Its impact is set out below:

#### *IFRS 16 Leases (effective from 1 January 2019)*

The Group's adoption of the standard has not impacted the Group's financial position as a lessor or the accounting for the rental income from the Group's investment properties. The standard requires lessees to recognise, for each lease, a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset is recognised in the consolidated statement of comprehensive income.

Included within the scope of the standard are the Group's current operating leases for its six short leasehold stores and two long leasehold stores, on which the Group pays rent. These leases are already disclosed on the consolidated balance sheet and accounted for in accordance with the requirements of IFRS 16, with the exception of one long leasehold store where the lease has now been recognised, amounting to £188,000. The Group also has operating leases in place on its head office and distribution warehouse.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. Until this financial year, the payments made under the operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

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

#### *Impact on financial position from the adoption of IFRS 16:*

The Balance Sheet impact of recognising the additional lease liabilities and associated assets upon adoption of IFRS 16 at 1 April 2019 is shown below:

<b>Balance sheet caption</b>	<b>1 April 2019 £000</b>	<b>30 September 2019 £000</b>
Interest in leasehold properties (asset)	188	186
Property plant and equipment (asset)	914	861
Obligations under leases (current)	126	126
Obligations under leases (non-current)	976	921

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 1. ACCOUNTING POLICIES (continued)

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

Balance sheet caption	1 April 2019	IFRS 16 Adoption at 1 April 2019	1 April 2019
	£000	£000	£000
Interest in leasehold properties (asset)	18,774	188	18,962
Property plant and equipment (asset)	-	914	914
Obligations under leases (current)	(1,625)	(126)	(1,751)
Obligations under leases (non-current)	(17,149)	(976)	(18,125)

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

The standard changes the allocation of lease payments over the length of the lease, resulting in the rental payments being more front ended in the statement of comprehensive income. Adjusted profit after tax reduced by £0.2 million and adjusted earnings per share reduced by 0.1 pence as a result of the adoption of IFRS 16 for the 6 month period ended 30 September 2019.

There are no other Standards or Interpretations yet to be effective that would be expected to have a material impact on the financial statements of the Group.

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

For those financial instruments held at fair value, 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 under Construction have been classified as Level 3. This is discussed further in note 14.

#### 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 Strategic Report within the Group's Annual Report for the year ended 31 March 2019.

The Directors have considered carefully the Group's trading performance and cash flows in the context of the uncertain global economic environment, Brexit 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 carefully considered 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 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
<b>Open stores</b>			
Self storage income	53,461	51,895	104,072
Insurance income	6,816	6,600	13,019
Packing materials income	1,371	1,499	2,707
Other income from storage customers	719	718	1,420
Ancillary store rental income	352	258	492
	<hr/> 62,719	<hr/> 60,970	<hr/> 121,710
<b>Other revenue</b>			
Non-storage income	922	612	1,561
Management fees	629	582	2,143
<b>Total revenue</b>	<hr/> 64,270	<hr/> 62,164	<hr/> 125,414

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 are in the Portfolio Summary and the Business and Financial Review.

The seasonality of the business is discussed in note 18.

### 3. INVESTMENT INCOME

	<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Bank interest receivable	20	13	25
Unwinding of discount on Capital Goods Scheme receivable	53	90	142
<b>Total investment income</b>	<hr/> 73	<hr/> 103	<hr/> 167

### 4. FINANCE COSTS

	<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Interest on bank borrowings	5,225	5,025	9,926
Capitalised interest	(626)	(384)	(765)
Interest on finance lease obligations	411	477	915
<b>Total interest payable</b>	<hr/> 5,010	<hr/> 5,118	<hr/> 10,076
Change in fair value of interest rate derivatives	809	81	1,123
<b>Total finance costs</b>	<hr/> 5,819	<hr/> 5,199	<hr/> 11,199

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 5. TAXATION

The Group converted to a REIT in January 2007. As a result, the Group does not pay UK corporation tax on the profits and gains from its qualifying rental business in the UK if it meets certain conditions. Non-qualifying profits and gains of the Group are subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

	<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Current tax:			
- Current year	370	316	318
- Prior year	-	-	37
	<u>370</u>	<u>316</u>	<u>355</u>

### 6. ADJUSTED PROFIT BEFORE TAX

	<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Profit before tax	95,820	61,433	126,855
Gain on revaluation of investment properties – Group	(60,884)	(27,653)	(58,898)
– associates (net of deferred tax)	(366)	(571)	(1,605)
Change in fair value of interest rate derivatives – Group	809	81	1,123
– associates	(4)	(5)	(10)
Gain on disposal of investment property	(57)	-	-
Adjusted profit before tax	<u>35,318</u>	<u>33,285</u>	<u>67,465</u>
Tax	(370)	(316)	(355)
Adjusted profit after tax (EPRA earnings)	<u>34,948</u>	<u>32,969</u>	<u>67,110</u>

Adjusted profit before tax which excludes gains and losses on the revaluation of investment properties, changes in fair value of interest rate derivatives, net gains and losses on disposal of investment property, and material non-recurring items of income and expenditure have been disclosed as, in the Board's view, this provides 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 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2019 of 16.5p (2018: 15.5p) per share	27,319	24,417
Proposed interim dividend for the year ending 31 March 2020 of 17.1p (2019: 16.7p) per share	28,387	27,641

The proposed interim dividend of 17.1 pence per ordinary share will be paid to shareholders on 10 January 2020. The ex-div date is 5 December 2019 and the record date is 6 December 2019. The interim dividend is all Property Income Distribution.

### 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 2019 (unaudited)			Six months ended 30 September 2018 (unaudited)			Year ended 31 March 2019 (audited)		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	95.5	165.7	57.6	61.1	157.5	38.8	126.5	161.5	78.3
Dilutive share options	-	0.6	(0.2)	-	0.7	(0.2)	-	0.6	(0.3)
Diluted	95.5	166.3	57.4	61.1	158.2	38.6	126.5	162.1	78.0
<i>Adjustments:</i>									
Gain on revaluation of investment properties	(60.9)	-	(36.6)	(27.6)	-	(17.4)	(58.9)	-	(36.3)
Gain on disposal of investment property	(0.1)	-	(0.1)	-	-	-	-	-	-
Change in fair value of interest rate derivatives	0.8	-	0.5	0.1	-	0.1	1.1	-	0.7
Share of associates’ non-recurring gains and losses	(0.4)	-	(0.2)	(0.6)	-	(0.4)	(1.6)	-	(1.0)
EPRA - diluted	34.9	166.3	21.0	33.0	158.2	20.9	67.1	162.1	41.4
EPRA – basic	34.9	165.7	21.1	33.0	157.5	21.0	67.1	161.5	41.5

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 share options.

EPRA earnings and earnings per ordinary share have been disclosed to give a clearer understanding of the Group’s underlying trading performance.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 9. NON-CURRENT ASSETS

#### a) Investment property

	Investment property £000	Investment property under construction £000	Interest in leasehold properties £000	Total £000
<b>At 1 April 2019</b>	1,354,430	91,115	18,774	1,464,319
Additions	4,664	46,000	188	50,852
Reclassification	9,070	(9,070)	-	-
Revaluation	55,665	5,219	-	60,884
Disposals	(11,654)	(2,394)	-	(14,048)
Depreciation	-	-	(597)	(597)
<b>At 30 September 2019</b>	<b>1,412,175</b>	<b>130,870</b>	<b>18,365</b>	<b>1,561,410</b>

Capital commitments at 30 September 2019 were £13.1 million (31 March 2019: £7.4 million).

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

	Freehold property £000	Leasehold improve- ments £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	IFRS 16 leases £000	Total £000
<b>Cost</b>							
At 1 April 2019	2,235	74	672	32	918	-	3,931
Additions	-	6	42	-	444	914	1,406
Retirement of fully depreciated assets	-	-	-	-	(69)	-	(69)
<b>At 30 September 2019</b>	<b>2,235</b>	<b>80</b>	<b>714</b>	<b>32</b>	<b>1,293</b>	<b>914</b>	<b>5,268</b>
<b>Accumulated depreciation</b>							
At 1 April 2019	(494)	(24)	(348)	(21)	(105)	-	(992)
Charge for the period	(21)	(2)	(61)	(4)	(236)	(53)	(377)
Retirement of fully depreciated assets	-	-	-	-	69	-	69
<b>At 30 September 2019</b>	<b>(515)</b>	<b>(26)</b>	<b>(409)</b>	<b>(25)</b>	<b>(272)</b>	<b>(53)</b>	<b>(1,300)</b>
<b>Net book value</b>							
<b>At 30 September 2019</b>	<b>1,720</b>	<b>54</b>	<b>305</b>	<b>7</b>	<b>1,021</b>	<b>861</b>	<b>3,968</b>
At 31 March 2019	1,741	50	324	11	813	-	2,939

#### c) Intangible assets

The intangible asset relates to the Big Yellow brand, which was acquired through the acquisition of Big Yellow Self Storage Company Limited in 1999. The carrying value of £1.4 million remains unchanged from the prior year as there is considered to be no impairment in the value of the asset. The asset has an indefinite life and is tested annually for impairment or more frequently if there are indicators of impairment.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

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

#### d) Investment in associates

##### Armadillo Partnerships

The Group has a 20% interest in Armadillo Storage Holding Company Limited (“Armadillo 1”) and a 20% interest in Armadillo Storage Holding Company 2 Limited (“Armadillo 2”). Both interests are accounted for as associates, using the equity method of accounting.

	Armadillo 1			Armadillo 2		
	30 September 2019 (unaudited) £000	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000	30 September 2019 (unaudited) £000	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
At the beginning of the period	6,804	5,730	5,730	4,249	3,546	3,546
Share of results (see below)	696	428	1,364	207	393	963
Dividends	(155)	(135)	(290)	(150)	(110)	(260)
At the end of the period	7,345	6,023	6,804	4,306	3,829	4,249

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

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

#### d) Investment in associates (continued)

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

	Armadillo 1			Armadillo 2		
	Six months ended 30 September 2019 (unaudited) £000	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000	Six months ended 30 September 2019 (unaudited) £000	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
<b>Income statement (100%)</b>						
Revenue	5,209	4,637	9,178	3,063	2,953	5,879
Cost of sales	(2,677)	(2,228)	(4,751)	(1,422)	(1,406)	(2,781)
Administrative expenses	(126)	(1,212)	(1,272)	(65)	(73)	(144)
Operating profit	2,406	1,197	3,155	1,576	1,474	2,954
Gain on the revaluation of investment properties	2,078	2,034	5,926	124	1,282	3,727
Net interest payable	(604)	(491)	(996)	(486)	(483)	(964)
Fair value movement of interest rate derivatives	4	20	48	16	4	2
Current and deferred tax	(403)	(622)	(1,314)	(194)	(310)	(904)
Profit attributable to shareholders	3,481	2,138	6,819	1,036	1,967	4,815
Dividends paid	(776)	(675)	(1,451)	(750)	(551)	(1,301)
Retained profit	2,705	1,463	5,368	286	1,416	3,514
<b>Balance sheet (100%)</b>						
Investment property	71,278	56,166	60,450	42,922	39,799	42,500
Interest in leasehold properties	1,370	1,390	1,385	2,761	3,082	2,929
Other non-current assets	1,198	1,154	1,196	2,040	1,991	2,051
Current assets	1,227	1,218	1,547	1,009	1,139	1,101
Current liabilities	(32,237)	(24,435)	(4,088)	(21,467)	(2,585)	(2,538)
Derivative financial instruments	-	(32)	(4)	(13)	(29)	(32)
Non-current liabilities	(6,113)	(5,348)	(26,468)	(5,724)	(24,253)	(24,769)
<b>Net assets (100%)</b>	<b>36,723</b>	<b>30,113</b>	<b>34,018</b>	<b>21,528</b>	<b>19,144</b>	<b>21,242</b>
<b>Group share (20%)</b>						
Operating profit	481	239	631	315	295	591
Gain on the revaluation of investment properties	416	407	1,185	25	256	746
Net interest payable	(121)	(98)	(199)	(97)	(97)	(193)
Fair value movement of interest rate derivatives	1	4	10	3	1	-
Current and deferred tax	(81)	(124)	(263)	(39)	(62)	(181)
Profit attributable to shareholders	696	428	1,364	207	393	963
Dividends paid	(155)	(135)	(290)	(150)	(110)	(260)
Retained profit	541	293	1,074	57	283	703
Associates' net assets	7,345	6,023	6,804	4,306	3,829	4,249

The loans within Armadillo 1 and Armadillo 2 are shown as current as their terms expire in July 2020.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 10. TRADE AND OTHER RECEIVABLES

	<b>30 September 2019 (unaudited) £000</b>	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
<b>Current</b>			
Trade receivables	4,536	4,273	4,528
Capital Goods Scheme receivable	1,001	746	1,195
Other receivables	340	252	307
Prepayments and accrued income	7,767	8,358	14,326
	<u>13,644</u>	<u>13,629</u>	<u>20,356</u>
<b>Non-current</b>			
Capital Goods Scheme receivable	646	2,177	1,332

### 11. TRADE AND OTHER PAYABLES

	<b>30 September 2019 (unaudited) £000</b>	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
<b>Current</b>			
Trade payables	9,966	7,011	15,522
Other payables	10,096	9,234	9,319
Accruals and deferred income	16,336	15,982	16,808
	<u>36,398</u>	<u>32,227</u>	<u>41,649</u>

### 12. BORROWINGS

	<b>30 September 2019 (unaudited) £000</b>	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
Aviva loan	2,662	2,535	2,598
<b>Current borrowings</b>	<u>2,662</u>	<u>2,535</u>	<u>2,598</u>
Aviva loan	81,180	83,842	82,527
M&G loan	70,000	70,000	70,000
Bank borrowings	196,500	120,000	182,500
Unamortised debt arrangement costs	(1,811)	(1,852)	(1,748)
<b>Non-current borrowings</b>	<u>345,869</u>	<u>271,990</u>	<u>333,279</u>
<b>Total borrowings</b>	<u>348,531</u>	<u>274,525</u>	<u>335,877</u>

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 £809,000 (2018: loss of £81,000). At 30 September 2019 the Group and the Armadillo Partnerships were in compliance with all loan covenants.

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

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 13. ADJUSTED NET ASSETS PER SHARE

	<b>30 September 2019 (unaudited) £000</b>	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
Basic net asset value	1,194,054	1,084,831	1,123,897
Exercise of share options	1,343	1,267	1,609
EPRA NNAV	<u>1,195,397</u>	<u>1,086,098</u>	<u>1,125,506</u>
Adjustments:			
Fair value of derivatives	228	(1,623)	(581)
Fair value of derivatives – share of associates	3	12	7
Share of deferred tax on revaluations in associates	1,195	886	1,120
EPRA NAV	<u>1,196,823</u>	<u>1,085,373</u>	<u>1,126,052</u>
Basic net assets per share (pence)	719.3	655.4	678.9
EPRA NNAV per share (pence)	714.1	650.1	673.9
EPRA NAV per share (pence)	714.9	649.7	674.2
EPRA NAV (£000)	1,196,823	1,085,373	1,126,052
Valuation methodology assumption (£000) (see note 14)	92,915	80,250	83,784
Adjusted net asset value (£000)	<u>1,289,738</u>	<u>1,165,623</u>	<u>1,209,836</u>
Adjusted net assets per share (pence)	770.4	697.7	724.4
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
Shares in issue	167,128,527	166,635,158	166,665,158
Own shares held in EBT	<u>(1,122,907)</u>	<u>(1,122,907)</u>	<u>(1,122,907)</u>
Basic shares in issue used for calculation	166,005,620	165,512,251	165,542,251
Exercise of share options	<u>1,395,015</u>	<u>1,553,941</u>	<u>1,468,145</u>
Diluted shares used for calculation	167,400,635	167,066,192	167,010,396

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

Adjusted net assets per share include:

- the effect of those shares issuable under employee share option schemes; and
- the effect of alternative valuation methodology assumptions (see note 14).

# **BIG YELLOW GROUP PLC**

## **Notes to the Interim Review**

### **14. VALUATIONS OF INVESTMENT PROPERTY**

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.

The freehold and leasehold investment properties have been valued at 30 September 2019 by the Directors. The valuation has been carried out in accordance with the same methodology as the year end valuations prepared by Cushman & Wakefield LLP (“C&W”). Please see the accounts for the year ended 31 March 2019 for details of this methodology.

The Directors’ valuations reflect the latest cash flows derived from each of the stores at 30 September 2019. In performing the valuations, the Directors consulted with C&W on the capitalisation rates used in the valuations. The Directors consider that capitalisation rates for self storage centres have reduced by 12.5 bps since the start of the financial year. C&W support this view.

The Directors consider that the other core assumptions underpinning the valuations including the stabilised occupancy and rental growth assumptions used by C&W in the March 2019 valuations are still appropriate at the September valuation date.

#### **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 circa 6.1% to 6.8% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation that is entirely linked to the operating performance of the business. The assets would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing for the deduction of operational costs 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 Directors have therefore carried out a valuation on the above basis, and this results in a higher property valuation at 30 September 2019 of £1,634.6 million (£91.5 million higher than the value recorded in the financial statements). The valuations in the Armadillo Partnerships are £6.8 million higher than the value recorded in the financial statements, of which the Group’s share is £1.4 million. The sum of these is £92.9 million and translates to 55.5 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 13).

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 15. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The table below sets out the categorisation of the financial instruments held by the Group at 30 September 2019. 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 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.

		<b>30 September 2019 (unaudited) £000</b>
	<b>Valuation level</b>	
Interest rate derivatives	2	(228)

### 16. 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 £19,000 (2018: £13,000).

#### **Transactions with Armadillo**

As described in note 9d, the Group has a 20% interest in Armadillo Storage Holding Company Limited and a 20% interest in Armadillo Storage Holding Company 2 Limited, and entered into transactions with the Companies during the period on normal commercial terms as shown in the table below.

	<b>30 September 2019 (unaudited) £000</b>	30 September 2018 (unaudited) £000	31 March 2019 (audited) £000
Fees earned from Armadillo 1	446	370	1,735
Fees earned from Armadillo 2	183	212	408
Balance due from Armadillo 1	42	120	124
Balance due from Armadillo 2	29	28	19

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 17. CASH FLOW NOTES

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

		<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Profit after tax		95,450	61,117	126,500
Taxation		370	316	355
Share of profit of associates		(903)	(821)	(2,327)
Investment income		(73)	(103)	(167)
Finance costs		5,819	5,199	11,199
<b>Operating profit</b>		<b>100,663</b>	<b>65,708</b>	<b>135,560</b>
Gain on the revaluation of investment properties	9a, 14	(60,884)	(27,653)	(58,898)
Gain on disposal of investment property		(57)	-	-
Depreciation of plant, equipment and owner-occupied property	9b	377	378	712
Depreciation of finance lease capital obligations	9a	597	570	1,075
Employee share options		1,159	1,278	2,345
<b>Cash generated from operations pre working capital movements</b>		<b>41,855</b>	<b>40,281</b>	<b>80,794</b>
(Increase)/decrease in inventories		(22)	15	1
Decrease/(increase) in receivables		5,896	3,768	(1,874)
(Decrease)/increase in payables		(5,786)	(4,069)	3,076
<b>Cash generated from operations</b>		<b>41,943</b>	<b>39,995</b>	<b>81,997</b>

#### b) Reconciliation of net cash flow to movement in net debt

		<b>Six months ended 30 September 2019 (unaudited) £000</b>	Six months ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Net decrease in cash and cash equivalents		(12,354)	(802)	11,049
Cash flow from movement in debt financing		(12,717)	54,222	(7,026)
Change in net debt resulting from cash flows		<b>(25,071)</b>	<b>53,420</b>	<b>4,023</b>
<b>Movement in net debt in the period</b>		<b>(25,071)</b>	<b>53,420</b>	<b>4,023</b>
Net debt at start of period		(319,723)	(323,746)	(323,746)
<b>Net debt at end of period</b>		<b>(344,794)</b>	<b>(270,326)</b>	<b>(319,723)</b>

# **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 2019. The outlook for the housing market and the economy remains uncertain. The risk mitigating factors listed in the 2019 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 the global economy look set to continue. We have a high quality prime portfolio of assets that should help to mitigate the impact of this on the Group.

Self storage is a seasonal business, and over the last five years we have seen losses in occupancy of approximately 2 to 4 ppts in the December quarter. The new year typically sees an increase in activity, occupancy and revenue growth. The visibility we have in 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.

There is a risk that our customers may default on their rent payments, however we have not seen an increase in bad debts over the past eleven years since the start of the Global Financial Crisis. We have approximately 58,000 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. Over 80% 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.

The UK is expected to leave the European Union by the end of January 2020, and a General Election is scheduled for December 2019. These events may create economic headwinds in the quarter to December 2019 and beyond, which may have an impact on the demand for self storage. That said, the Group is a UK-only business and self storage is a localised industry with a diverse customer base. The Group has a low proportion of its employees who may be impacted by any changes in legislation in rights to work in the UK post-Brexit.

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 19. GLOSSARY

Adjusted earnings growth	The increase in adjusted eps period-on-period.
Adjusted eps	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the financial period.
Adjusted NAV	EPRA NAV adjusted for an investment property valuation carried out at purchasers' costs of 2.75%.
Adjusted Profit Before Tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over the period.
Average rental growth	The growth in average net achieved rent per sq ft period-on-period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Carbon intensity	Carbon emissions divided by the Group's average occupied space.
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Committed facilities	Available undrawn debt facilities plus cash and cash equivalents.
Debt	Long-term and short-term borrowings, as detailed in note 12, excluding finance leases and debt issue costs.
Earnings per share (eps)	Profit for the financial period attributable to equity shareholders divided by the average number of shares in issue during the financial period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA earnings per share	EPRA earnings divided by the average number of shares in issue during the period.
EPRA NAV per share	EPRA NAV divided by the diluted number of shares at the period end.
EPRA net asset value	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow as deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
EPRA NNAV	The EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.
Gross property assets	The sum of investment property and investment property under construction.
Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
Interest cover	The ratio of operating cash flow divided by interest paid (before exceptional finance costs, capitalised interest and changes in fair value of interest rate derivatives). This metric is provided to give readers a clear view of the Group's financial position.
Like-for-like occupancy	Excludes the closing occupancy of new stores acquired, opened or closed in the past 12 months in both the current financial year and comparative figures. In 2019 this excludes Battersea (closed for redevelopment in March 2019) and Manchester (opened in May 2019).
Like-for-like revenue	Excludes the impact of new stores acquired, opened or stores closed in the current or preceding financial year in both the current year and comparative figures. This excludes Wapping (opened in July 2018), Battersea (closed for redevelopment in March 2019), and Manchester (opened in May 2019).

# BIG YELLOW GROUP PLC

## Notes to the Interim Review

### 19. GLOSSARY (CONTINUED)

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

# INDEPENDENT REVIEW REPORT TO BIG YELLOW GROUP PLC

## INDEPENDENT REVIEW REPORT TO BIG YELLOW GROUP PLC

### Conclusion

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 2019 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Cash Flow Statement and the related explanatory notes.

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 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

### 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 UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

### *The impact of uncertainties due to the UK exiting the European Union on our review*

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### 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 DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

### 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.

### The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 reached.

### Steve Masters

for and on behalf of KPMG LLP  
*Chartered Accountants*  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

18 November 2019