Notes to the Financial Statements

Year ended 31 March 2012

1. GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The nature of the Group's operations and its principal activities are set out in note 4 and in the Business Review on pages 9 to13.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, there were no new or revised Standards or Interpretations that have been adopted that have affected the amounts reported in these financial statements.

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year:

- Revised IAS 24 Related party disclosures; effective for accounting periods beginning on or after 1 January 2011
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement; effective for accounting periods beginning on or after 1 January 2011
- IFRS 2010 Improvements; effective for accounting periods beginning on or after 1 January 2011
- Amendments to IFRS 7 Financial Instruments Disclosures; effective for accounting periods beginning on or after 1 January 2011

Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

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

- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets; effective for accounting periods beginning on or after 1 January 2012
- Amendments to IAS 1 Presentation of items of other comprehensive income; effective for accounting periods beginning on or after 1 July 2012
- Amendments to IAS 19 Employee benefits; effective for accounting periods beginning on or after 1 January 2013
- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 January 2015
- IFRS 10 Consolidated financial statements; effective for accounting periods beginning on or after 1 January 2013
- IFRS 11 Joint Arrangements; effective for accounting periods beginning on or after 1 January 2013
- IFRS 12 Disclosure of interests in other entities; effective for accounting periods beginning on or after 1 January 2013
- IFRS 13 Fair value measurement; effective for accounting periods beginning on or after 1 January 2013
- IAS 27 Separate financial statements (2011); effective for accounting periods beginning on or after 1 January 2013
- IAS 28 Investments in associates and joint ventures (2011); effective for accounting periods beginning on or after 1 January 2013
- Improvements 2011 Improvements to IFRSs 2011; effective for accounting periods beginning on or after 1 January 2013
- Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities; effective for accounting periods beginning on or after 1 January 2013
- Amendments to IAS 32 Offsetting financial assets and financial liabilities; effective for accounting periods beginning on or after 1 January 2014
- Amendments to IFRS 1 Government Loans; effective for accounting periods beginning on or after 1 January 2013

With the exception of IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 27 and IAS 28 which the Group is currently evaluating, we do not expect there to be a material impact from the adoption of these standards.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted, which have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements in the current and preceding year, are set out below:

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 9 to 21 of the Business and Financial Reviews. 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 financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Business and Financial Reviews, and in the Report on Corporate Governance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

After reviewing Group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ended 31 March 2013 and projections contained in the longer term business plan which covers the period to March 2016. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment and the other principal risks to the Group's performance. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

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

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

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

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

Investment in subsidiaries

These are recognised at cost less provision for any impairment.

Investment in associates

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

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

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

Goodwill

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

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

Revenue recognition

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

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

Management fees earned are recognised over the period for which the services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Bank borrowings

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

Finance costs

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

Operating profit

Operating profit is stated after gains and losses on surplus land, movements on the revaluation of investment properties and before the share of results of associates, investment income and finance costs.

Taxation

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant, equipment & owner occupied property

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

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

Freehold property	50 years
Freehold improvements	20 years
Leasehold improvements	Over period of the lease
Plant and machinery	10 years
Fixtures and fittings	5 years
Computer equipment	3 years
Motor vehicles	4 years

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

Investment property

The criterion used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS 40, investment property held leasehold is stated gross of the recognised finance lease liability.

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

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

Investment property under construction

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

Gains or losses arising from the changes in fair value of investment property under construction are included in the statement of comprehensive income in the period in which they arise.

Surplus land

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

Impairment of assets

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

Inventories

Inventories, representing the cost of packing materials, are stated at the lower of cost and net realisable value.

Financial instruments

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

A – Derivative financial instruments and hedge accounting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A – Derivative financial instruments and hedge accounting (continued)

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

B – Loans and receivables

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

C – Impairment of financial assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

D – Cash and cash equivalents

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

E – Financial liabilities and equity

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

F – Equity instruments

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

G – Trade payables

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

Retirement benefit costs

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

Share-based payments

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

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

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Critical accounting estimates and judgements

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements (continued)

a) *Estimate of fair value of Investment Properties and Investment Property Under Construction*

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

b) *Surplus land*

The Group's surplus land is held in the balance sheet at cost less provisions for impairment and is not valued externally. The Directors review all surplus land assets for impairment at each balance sheet date, considering all available evidence as to the likely proceeds receivable from the sale of the surplus land.

3. REVENUE

Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 22.

	2012 £000	2012 £000	2011 £000	2011 £000
Open stores				
Self storage income	54,734		50,690	
Other storage related income	9,363		8,844	
Ancillary store rental income	176		88	
		64,273		59,622
Stores under development				
Non-storage income	270		937	
		270		937
Fee income				
Fees earned from Big Yellow Limited Partnership	714		920	
Other management fees earned	406		406	
		1,120		1,326
Revenue per statement of comprehensive income		65,663		61,885
Interest receivable on bank deposits (see note 7)		20		114
Total revenue per IAS 18		65,683		61,999

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

4. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. Given the nature of the Group's business, there is one segment, which is the provision of self storage and related services.

Revenue represents amounts derived from the provision of self storage 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 and related services. These all arise in the United Kingdom in the current year and prior year.

5. (LOSS)/PROFIT FOR THE YEAR

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

	2012 £000	2011 £000
Depreciation of plant, equipment and owner-occupied property	**550**	611
Leasehold property depreciation	**853**	910
Decrease in fair value of investment property	**51,381**	16,039
Gains on surplus land	**(497)**	(71)
Cost of inventories recognised as an expense	**914**	822
Employee costs (see note 6)	**10,255**	9,867
Operating lease rentals	**164**	162
Auditors' remuneration for audit services (see below)	**167**	165

b) Analysis of auditors' remuneration:

	2012 £000	2011 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**160**	158
Other services – audit of the Company's subsidiaries' annual accounts	**7**	7
Total audit fees	**167**	165
Tax services – compliance	**30**	30
Tax services – advisory	**60**	62
Other services	**50**	50
Drivers Jonas Deloitte real estate advice	**12**	16
Total non-audit fees	**152**	158

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

6. EMPLOYEE COSTS

The average monthly number of full-time equivalent employees (including Executive Directors) was:

	2012 Number	2011 Number
Sales	**235**	229
Administration	**44**	44
	279	273

At 31 March 2012 the total number of Group employees was 310 (2011: 301).

	2012 £000	2011 £000
Their aggregate remuneration comprised:		
Wages and salaries	**7,605**	7,133
Social security costs	**791**	768
Other pension costs	**327**	325
Share-based payments	**1,532**	1,641
	10,255	9,867

Details of Directors' Remuneration is given on pages 47 to 55.

7. INVESTMENT INCOME

	2012 £000	2011 £000
Interest receivable on bank deposits	**20**	114
Change in the fair value of interest rate derivatives	**–**	197
	20	311

8. FINANCE COSTS

	2012 £000	2011 £000
Interest on bank borrowings	**11,097**	11,074
Capitalised interest	**(1,035)**	(878)
Interest on obligations under finance leases	**1,130**	1,123
Other interest payable	**7**	7
Total interest payable	**11,199**	11,326
Change in fair value of interest rate derivatives	**7,965**	–
Total finance costs	**19,164**	11,326

9. 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 qualifying rental business in the UK provided that 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.

UK tax	2012 £000	2011 £000
Current tax:		
– Current year	**–**	–
Deferred tax (see note 20):		
– Current year	**–**	–
	–	–

A reconciliation of the tax charge is shown below:

	2012 £000	2011 £000
(Loss)/profit before tax	**(35,551)**	6,901
Tax (credit)/charge at 26% (2011 – 28%) thereon	**(9,243)**	1,932
Effects of:		
Revaluation of investment properties	**13,484**	4,491
Share of results of associate	**–**	(48)
Permanent differences	**37**	(1,511)
Profits from the tax exempt business	**(5,759)**	(5,294)
Losses not utilised in the year	**685**	387
Utilisation of brought forward losses	**(370)**	–
Temporary timing differences	**1,166**	43
Total tax charge	**–**	–

10. ADJUSTED PROFIT BEFORE TAX AND ADJUSTED EBITDA

	2012 £000	2011 £000
(Loss)/profit before tax	**(35,551)**	6,901
Loss/(gain) on revaluation of investment properties – wholly owned	**51,381**	16,039
– in associate	**480**	(2,241)
Change in fair value of interest rate derivatives – Group	**7,965**	(197)
– in associate	**(135)**	(191)
Gains on surplus land – wholly owned	**(497)**	(71)
– in associate	**–**	(33)
Adjusted profit before tax	**23,643**	20,207
Net bank and other interest	**10,049**	10,089
Depreciation	**550**	611
Adjusted EBITDA	**34,242**	30,907

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 surplus land, and non-recurring items of income and expenditure have been disclosed to give a clearer understanding of the Group's underlying trading performance. The adjusted profit before tax of £23,643,000 (2011: £20,207,000) equates to EPRA earnings, as there is no tax charge in the year.

11. DIVIDENDS

	2012 £000	2011 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2011 of 5p (2010: 4p) per share.	**6,460**	5,163
Interim dividend for the year ended 31 March 2012 of 4.5p (2011: 4p) per share.	**5,763**	5,165
	12,223	10,328
Proposed final dividend for the year ended 31 March 2012 of 5.5p (2011: 5p) per share.	**7,057**	6,460

Subject to approval by shareholders at the Annual General Meeting to be held on 10 July 2012, the final dividend will be paid on 20 July 2012 to shareholders on the Register on 8 June 2012.

The Property Income Dividend ("PID") payable for the current year is 9 pence per share.

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

(Loss)/earnings per ordinary share

	Year ended 31 March 2012			Year ended 31 March 2011		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**(35.55)**	**128.44**	**(27.68)**	6.90	129.11	5.34
Dilutive share options	**–**	**1.29**	**0.28**	–	1.38	(0.05)
Diluted	**(35.55)**	**129.73**	**(27.40)**	6.90	130.49	5.29
Adjustments:						
Loss on revaluation of investment properties	**51.38**	**–**	**39.61**	16.04	–	12.29
Change in fair value of interest rate derivatives	**7.97**	**–**	**6.14**	(0.20)	–	(0.15)
Gains on surplus land	**(0.50)**	**–**	**(0.39)**	(0.07)	–	(0.05)
Share of associate non-recurring losses/(gains)	**0.34**	**–**	**0.26**	(2.46)	–	(1.89)
EPRA – diluted	**23.64**	**129.73**	**18.22**	20.21	130.49	15.49
EPRA – basic	**23.64**	**128.44**	**18.41**	20.21	129.11	15.65

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

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

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

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

	As at 31 March 2012 £000	As at 31 March 2011 £000
Basic net asset value	**494,500**	544,949
Exercise of share options	**746**	603
EPRA NNNAV	**495,246**	545,552
Adjustments:		
Fair value of derivatives	**15,748**	7,783
Fair value of derivatives – share of associate	**443**	579
EPRA NAV	**511,437**	553,914
Basic net assets per share (pence)	**386.1**	421.9
EPRA NNNAV per share (pence)	**378.9**	415.0
EPRA NAV per share (pence)	**391.3**	421.3
EPRA NAV (as above) (£000)	**511,437**	553,914
Valuation methodology assumption (see note 14) (£000)	**35,514**	37,483
Capital goods scheme adjustment – group (£000)	**12,282**	–
Capital goods scheme adjustment – share of associate (£000)	**1,765**	–
Adjusted net asset value (£000)	**560,998**	591,397
Adjusted net assets per share (pence)	**429.2**	449.8

	No. of shares	No. of shares
Shares in issue	**131,393,041**	131,060,522
Own shares held in treasury	**(1,418,750)**	–
Own shares held in EBT	**(1,885,117)**	(1,905,000)
Basic shares in issue used for calculation	**128,089,174**	129,155,522
Exercise of share options	**2,623,172**	2,312,475
Diluted shares used for calculation	**130,712,346**	131,467,997

Net assets per share are shareholders' funds divided by the number of shares at the year end. The shares currently held in the Group's Employee Benefit Trust and in treasury 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). It has also been adjusted for the Group's estimate of capital goods scheme repayments due to it following the proposed introduction of VAT on self storage from 1 October 2012. As described in note 14, the investment property valuations have been adjusted to reflect the impact of VAT being introduced, and the Board considers it appropriate to reflect the estimated amounts due back to the Group from HMRC following the introduction of VAT in the calculation of adjusted net assets per share. This amount, which is subject to agreement with HMRC, cannot be recognised as an asset at the balance sheet date as the legislation to introduce VAT had not been substantially enacted at 31 March 2012.

13. NON-CURRENT ASSETS

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

	Investment property £000	Investment property under construction £000	Interests in leasehold property £000	Total £000
At 31 March 2010	761,570	33,960	21,998	817,528
Additions	1,617	11,037	–	12,654
Adjustment to present value	–	–	156	156
Reclassification from plant, equipment and freehold property	5	–	–	5
Revaluation (see note 14)	(17,352)	1,313	–	(16,039)
Depreciation	–	–	(910)	(910)
At 31 March 2011	745,840	46,310	21,244	813,394
Additions	2,723	16,803	–	19,526
Reclassification	27,371	(27,371)	–	–
Adjustment to present value	–	–	2,003	2,003
Revaluation (see note 14)	(49,544)	(1,837)	–	(51,381)
Depreciation	–	–	(853)	(853)
At 31 March 2012	**726,390**	**33,905**	**22,394**	**782,689**

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses arising on the investment property in the year are disclosed in the Portfolio Summary on page 22.

Included within additions is £1.0 million of capitalised interest, calculated at the Group's average borrowing cost of 3.7%.

b) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 31 March 2010	1,875	44	683	–	5,457	8,059
Reclassifications	(8)	–	3	–	–	(5)
Additions	–	–	58	25	374	457
At 31 March 2011	1,867	44	744	25	5,831	8,511
Additions	–	–	36	–	477	513
At 31 March 2012	**1,867**	**44**	**780**	**25**	**6,308**	**9,024**
Depreciation						
At 31 March 2010	(159)	(37)	(455)	–	(4,575)	(5,226)
Charge for the year	(32)	(4)	(60)	(3)	(512)	(611)
At 31 March 2011	(191)	(41)	(515)	(3)	(5,087)	(5,837)
Charge for the year	(35)	(3)	(48)	(6)	(458)	(550)
At 31 March 2012	**(226)**	**(44)**	**(563)**	**(9)**	**(5,545)**	**(6,387)**
Net book value						
At 31 March 2012	**1,641**	**–**	**217**	**16**	**763**	**2,637**
At 31 March 2011	1,676	3	229	22	744	2,674

c) Goodwill

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

13. NON-CURRENT ASSETS (continued)

d) Investment in associate

The Group has a 33.3% interest in Big Yellow Limited Partnership. This interest is accounted for as an associate, using equity accounting. The Partnership commenced trading on 1 December 2007.

	31 March 2012 £000	31 March 2011 £000
At the beginning of the year	**14,931**	12,105
Subscription for partnership capital and advances	**1,167**	1,000
Share of results (see below)	**(602)**	1,826
	15,496	14,931

The Group has subscribed for cumulative partnership capital and advances of £14,799,000 to 31 March 2012 (2011: £13,632,000).

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

Big Yellow Limited Partnership	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000
Income statement (100%)		
Revenue	**6,539**	4,134
Cost of sales	**(4,660)**	(3,836)
Administrative expenses	**(77)**	(75)
Operating profit	**1,802**	223
(Loss)/gain on the revaluation of investment properties	**(1,441)**	6,725
Gain on the disposal of surplus land	**–**	99
Net interest payable	**(2,572)**	(2,141)
Fair value movement of interest rate derivatives	**406**	574
(Loss)/profit before and after tax	**(1,805)**	5,480
Balance sheet (100%)		
Investment property	**110,460**	105,450
Investment property under construction	**–**	2,730
Other fixed assets	**641**	725
Current assets	**1,548**	1,981
Current liabilities	**(2,463)**	(2,160)
Derivative financial instruments	**(1,330)**	(1,736)
Non-current liabilities	**(62,367)**	(62,195)
Net assets (100%)	**46,489**	44,795

Group share of (33.3%)	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000
Operating profit	**601**	74
(Loss)/gain on the revaluation of investment properties	**(480)**	2,241
Gain on the disposal of surplus land	**–**	33
Net interest payable	**(858)**	(713)
Fair value movement of interest rate derivatives	**135**	191
(Loss)/profit for the year	**(602)**	1,826
Associate net assets	**15,496**	14,931

The Partnership has in place a fully drawn loan of £62.7 million, secured from Royal Bank of Scotland plc and HSBC Bank plc.

13. NON-CURRENT ASSETS (continued)

d) Investment in associate (continued)

The loan has a five year term and expires in September 2013. £31.8 million of the £62.7 million drawn down at 31 March 2012 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 5.5%. The balance of the drawn debt is currently paying one month LIBOR plus applicable margin. The weighted average interest cost post margin at 31 March 2012 of the facility was 3.9%. Following the year end the partners reduced the outstanding debt drawn to £60 million, through repaying and cancelling £2.7 million of the facility.

The Partnership loan has a loan to value covenant which requires the gross loan to the value of the Partnership's investment property assets to be no more than 55%. The loan is non-recourse to the Group.

The Group has an option to acquire the assets within the Partnership or the remaining interest in the Partnership not held by the Group, which is first exercisable at 31 March 2013, but can be deferred to March 2014 and March 2015, subject to Internal Rate of Return ("IRR") hurdles. The price payable is based on the market value of the Partnership's assets and liabilities, and is subject to certain promotes, dependent on the IRR achieved.

14. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
Freehold stores*			
As at 1 April 2011	325,353	373,177	698,530
Transfer from investment property under construction	30,650	(3,279)	27,371
Movement in year	2,564	(45,575)	(43,011)
As at 31 March 2012	**358,567**	**324,323**	**682,890**
Leasehold stores			
As at 1 April 2011	15,692	31,618	47,310
Movement in year	159	(3,969)	(3,810)
As at 31 March 2012	**15,851**	**27,649**	**43,500**
Total of open stores			
As at 1 April 2011	341,045	404,795	745,840
Transfer from investment property under construction	30,650	(3,279)	27,371
Movement in year	2,723	(49,544)	(46,821)
As at 31 March 2012	**374,418**	**351,972**	**726,390**
Investment property under construction			
As at 1 April 2011	58,260	(11,950)	46,310
Transfer to investment property	(30,650)	3,279	(27,371)
Movement in year	16,803	(1,837)	14,966
As at 31 March 2012	**44,413**	**(10,508)**	**33,905**
Valuation of all investment property			
As at 1 April 2011	399,305	392,845	792,150
Movement in year	19,526	(51,381)	(31,855)
As at 31 March 2012	**418,831**	**341,464**	**760,295**

* Includes one long leasehold property

The freehold and leasehold investment properties have been valued at 31 March 2012 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential, as appropriate.

14. VALUATION OF INVESTMENT PROPERTY continued)

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

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

Market uncertainty
C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn, which have caused a low number of transactions in the market for self storage property. C&W note that, although there were a number of self storage transactions in 2007, the only significant transactions since 2007 are:

1. The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008.
2. The sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010; and
3. The purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was 172 million Euros and the transaction was announced in March 2011. The two joint ventures owned 72 self storage properties.

Four further smaller transactions took place in 2011 at West Molesey, Cambridge, Dartford and St Albans.

C&W state that due to the lack of comparable market information in the self storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

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

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

Assumptions

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

B. The net operating income in future years is calculated assuming straight-line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 53 trading stores (both freeholds and leaseholds) open at 31 March 2012 averages 82.4% (31 March 2011: 83.1%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 32 established stores to trade at their maturity levels is 32 months (31 March 2011: 36 months); for the 21 lease-up stores, the period to maturity is 44 months (31 March 2011: 49 months).

C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre administration expenses for the 32 established stores is 6.8% (31 March 2011: 6.3%) rising to a stabilised net yield pre administration expenses of 8.1% (31 March 2011: 8.2%). Also on a no growth and pre administration expenses basis the 21 lease-up stores have a net initial yield of 4.4% (31 March 2011: 3.6%) rising to 8.6% (31 March 2011: 8.7%) on stabilisation.

D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.23% (31 March 2011: 11.29%).

E. Purchaser's costs of 5.8% (see below) have been assumed initially and sale plus purchaser's costs totalling 6.8% are assumed on the notional sales in the tenth year in relation to the freehold stores.

Short leasehold
The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 16.7 years (31 March 2011: 16.2 years).

14. VALUATION OF INVESTMENT PROPERTY continued)

Assumptions (continued)

Investment properties under construction

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

Proposed VAT change

The Government has announced in the Budget Statement a proposed change to the VAT status of self storage from 1 October 2012. The rental of self storage units is currently exempt from VAT as a licence to occupy land in the same way as the rental of commercial property. The Government are proposing that self storage will be subject to standard rate VAT (20%). C&W have prepared their valuation reflecting the potential impact of the proposed VAT Change.

We also instructed C&W to prepare a valuation on the Special Assumption that the proposed VAT change is not reflected in the valuation.

Immature stores: value uncertainty

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

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

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

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

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

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

Valuation assumption for purchaser's costs

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

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2012 of £794,169,000 (£33,874,000 higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4,920,000 higher than the value recorded in the financial statements, of which the Group's share is £1,640,000. The sum of these is £35,514,000 and translates to 27.2 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 14).

15. SURPLUS LAND

	£000
At 1 April 2011	17,633
Additions	4,647
Disposals	(4,245)
At 31 March 2012	**18,035**

In the current year, a gain of £497,000 was recorded following the disposal of a site.

The prior year gain of £71,000 was comprised of a write back of a prior year impairment on a site of £500,000, offset by a loss on disposal of £429,000.

16. TRADE AND OTHER RECEIVABLES

	31 March 2012 £000	31 March 2011 £000
Trade receivables	**1,559**	1,776
Other receivables	**1,316**	274
Prepayments and accrued income	**8,068**	9,490
	10,943	11,540

Trade receivables are net of a bad debt provision of £24,000 (2011: £25,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Trade receivables

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

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £173,000 (2011: £155,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 31 days past due (2011: 34 days past due).

Ageing of past due but not impaired receivables

	2012 £000	2011 £000
1 – 30 days	**117**	99
30 – 60 days	**16**	33
60 + days	**40**	23
Total	**173**	155

Movement in the allowance for doubtful debts

	2012 £000	2011 £000
Balance at the beginning of the year	**25**	29
Amounts provided in year	**39**	69
Amounts written off as uncollectible	**(40)**	(73)
Balance at the end of the year	**24**	25

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

16. TRADE AND OTHER RECEIVABLES (continued)

Ageing of impaired trade receivables

	2012 £000	2011 £000
1 – 30 days	**2**	–
30 – 60 days	**3**	4
60 + days	**19**	21
Total	**24**	25

17. TRADE AND OTHER PAYABLES

	31 March 2012 £000	31 March 2011 £000
Current		
Trade payables	**9,159**	9,885
Other payables	**2,957**	2,075
Accruals and deferred income	**12,916**	9,663
Amounts owed to associate	**2**	177
VAT repayable under Capital Goods Scheme	**641**	918
	25,675	22,718
Non-current		
VAT repayable under Capital Goods Scheme	**315**	954

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value. Included within accruals and deferred income is £1,656,000 in respect of the Long Term Bonus Performance Plan.

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

	2012		2011	
	Carrying amount £000	Estimated fair value £000	Carrying amount £000	Estimated fair value £000
VAT payable under the capital goods scheme	**956**	**913**	1,872	1,791

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

18. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's banking facilities at the year end required hedging of 70% of the funds drawn under the investment tranche of its core banking facility. The Group has complied with this during the year.

With the exception of derivative instruments which are classified as a financial liability at fair value through the profit and loss ("FVTPL"), financial liabilities are categorised under amortised cost. All financial assets are categorised as loans and receivables.

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

Significant accounting policies

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

18. FINANCIAL INSTRUMENTS (continued)

A. Balance sheet management

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

The gearing ratio at the year end is as follows:

	2012 £000	2011 £000
Debt	**(284,000)**	(275,000)
Cash and cash equivalents	**10,060**	8,954
Net debt	**273,940**	266,046
Balance sheet equity	**494,500**	544,949
Net debt to equity ratio	**55.4%**	48.8%

Debt is defined as long-term and short-term bank borrowings, as detailed in note 19. Equity includes all capital and reserves of the Group attributable to equity holders of the Company. Net debt is defined as gross bank borrowings less cash and cash equivalents.

B. Debt management

The Group borrows through a senior term loan, secured on its existing store portfolio, and in addition since the year end has arranged a 15 year loan with Aviva Commercial Finance Limited secured on a portfolio of 15 self storage assets. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged in the Group and in Big Yellow Limited Partnership through banks and financial institutions with whom the Group has a strong working relationship.

C. Interest rate risk management

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

At 31 March 2012 the Group had two interest rate derivatives in place; £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) also until September 2015.

In April 2012, the Group announced the completion of a £100 million 15 year term fixed rate loan with Aviva Commercial Finance Limited, which was deployed to repay £100 million of existing bank debt. At the same time, the Group also cancelled £100 million of the above interest rate derivatives at a cost of £9.2 million. This left a £90 million interest rate swap in the core bank debt facility at 2.99% plus margin to September 2015, with the remaining £100 million of the core bank debt paying at floating rates plus margin, in addition to the Aviva fixed rate loan.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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 statement of comprehensive income. The loss in the statement of comprehensive income for the year of these interest rate swaps was £7,965,000 (2011: gain of £197,000).

The fair value of the above derivatives at 31 March 2012 was a liability of £15,748,000 (2011: liability of £7,783,000).

D. Interest rate sensitivity analysis

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

At 31 March 2012, it is estimated that an increase of 0.5 percentage points in interest rates would have reduced the Group's adjusted profit before tax by £470,000 (2011: reduced adjusted profit before tax by £425,000) and a decrease of 0.5 percentage points in interest rates would have increased the Group's adjusted profit before tax by £470,000 (2011: increased adjusted profit before tax by £425,000). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

18. FINANCIAL INSTRUMENTS (continued)

D. Interest rate sensitivity analysis (continued)

The Group's sensitivity to interest rates has increased during the year, following the drawing of additional floating rate debt from cash resources. The Board monitors closely the exposure to the floating rate element of our debt.

E. Cash management and liquidity

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 19 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

F. Foreign currency management

The Group does not have any foreign currency exposure.

G. Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 16. The Group has no significant concentration of credit risk, with exposure spread over 36,000 customers in our stores.

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

H. Financial maturity analysis

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

2012 Maturity	**Total £000**	**Less than one year £000**	**One to two years £000**	**Two to five years £000**	**More than five years £000**
Debt					
Bank loan payable at variable rate	94,000	–	94,000	–	–
Debt fixed by interest rate derivatives	190,000	–	190,000	–	–
Total	**284,000**	**–**	**284,000**	**–**	**–**

2011 Maturity	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Debt					
Bank loan payable at variable rate	85,000	–	–	85,000	–
Debt fixed by interest rate derivatives	190,000	–	–	190,000	–
Total	275,000	–	–	275,000	–

I. Fair values of financial instruments

The fair values of the Group's cash and short term deposits and those of other financial assets equate to their book values. Details of the Group's receivables at amortised cost are set out in note 16. The amounts are presented net of provisions for doubtful receivables, and allowances for impairment are made where appropriate. Trade and other payables, including bank borrowings, are carried at amortised cost. Finance lease liabilities are included at the fair value of their minimum lease payments. Derivatives are carried at fair value.

For those financial instruments held at valuation, the Group has categorised them into a three level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 7. 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 values of the Group's outstanding interest rate swaps, as detailed in note 18J, have 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 7. There are no financial instruments which have been categorised as Level 1 or Level 3.

18. FINANCIAL INSTRUMENTS (continued)

J. Maturity analysis of financial liabilities

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

2012	Trade and other payables £000	Interest rate swaps £000	Borrowing and interest £000	Finance leases £000	Total £000
From five to twenty years	–	–	–	25,436	25,436
From two to five years	–	4,854	–	5,953	10,807
From one to two years	315	4,235	288,680	1,984	295,214
Due after more than one year	315	9,089	288,680	33,373	331,457
Due within one year	25,675	4,860	10,228	1,984	42,747
Total	**25,990**	**13,949**	**298,908**	**35,357**	**374,204**

2011	Trade and other payables £000	Interest rate swaps £000	Borrowing and interest £000	Finance leases £000	Total £000
From five to twenty years	–	–	–	23,189	23,189
From two to five years	–	482	279,566	5,959	286,007
From one to two years	954	2,682	9,980	1,987	15,603
Due after more than one year	954	3,164	289,546	31,135	324,799
Due within one year	22,718	4,444	9,980	1,987	39,129
Total	23,672	7,608	299,526	33,122	363,928

K. Reconciliation of maturity analyses

The maturity analysis in note 18J shows non-discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 19 with the borrowings and interest column in the maturity analysis presented in note 18J.

2012	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interests £000
From two to five years	–	–	–	–
From one to two years	282,960	4,680	1,040	288,680
Due after more than one year	282,960	4,680	1,040	288,680
Due within one year	–	10,228	–	10,228
Total	**282,960**	**14,908**	**1,040**	**298,908**

2011	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interests £000
From two to five years	273,230	4,566	1,770	279,566
From one to two years	–	9,980	–	9,980
Due after more than one year	273,230	14,546	1,770	289,546
Due within one year	–	9,980	–	9,980
Total	273,230	24,526	1,770	299,526

19. BANK BORROWINGS

Secured borrowings at amortised cost	31 March 2012 £000	31 March 2011 £000
Bank borrowings	**284,000**	275,000
Unamortised loan arrangement costs	**(1,040)**	(1,770)
	282,960	273,230

The weighted average interest rate paid on the bank borrowings during the year was 3.7% (2011: 3.6%).

The Group has £41,000,000 in undrawn committed borrowing facilities at 31 March 2012 which expire between one and two years (2011: £50,000,000 expiring between two and three years).

On 26 April 2012, the Group announced the completion of a £100 million 15 year fixed rate loan with Aviva Commercial Finance Limited. The loan is secured over a portfolio of 15 freehold self storage centres which were valued at £242.1 million at 29 February 2012 for the purposes of the drawdown. The annual fixed interest rate on the loan is 4.9%.

The loan amortises to £60 million over the course of the 15 years, consistent with the Group's medium term debt reduction strategy. The debt service is payable monthly based on fixed annual amounts. The loan outstanding on the fifth anniversary will be £89.8 million; £76.7 million outstanding on the tenth anniversary, with £60 million remaining at expiry in April 2027.

The new 15 year term loan has been deployed to repay and cancel £100 million of the Group's core bank debt facility, reducing it to £225 million of which £190 million is drawn. This facility expires in September 2013 and is secured on the remainder of the Group's self storage centres. The repayment and cancellation has been disproportionately applied against HSH Nordbank's commitment which has been reduced from £150 million to £65 million. The remainder of the loan is held by Lloyds TBS Bank plc, HSBC Bank plc and Santander.

The Group was comfortably in compliance with its banking covenants at 31 March 2012, as illustrated in the table below.

	Covenant	At 31 March 2012
Minimum income cover on charged assets	1.5x	**3.67x**
Minimum net assets (excluding goodwill)	£250 million	**£493.1m**
Maximum gross loan to net assets gearing	1.3:1	**0.58:1**

The minimum net asset and gearing covenants on the Aviva loan are in line with the covenants on the existing loan. There is also a minimum income cover covenant of 1.5x on the charged assets and a minimum debt service cover of 1.2x, and a loan to value covenant of 65% based on the valuation of the 15 assets charged to Aviva.

Interest rate profile of financial liabilities	Total £000	Floating rate £000	Fixed rate £000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2012						
Gross financial liabilities	**284,000**	**94,000**	**190,000**	**3.7%**	**6.0 years**	**3.5 years**
At 31 March 2011						
Gross financial liabilities	275,000	85,000	190,000	3.6%	6.0 years	4.7 years

The floating rate at 31 March 2012 was paying a margin of 1.125% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.16%. All monetary liabilities, including short term receivables and payables are denominated in sterling. The weighted average interest rate includes the effect of the Group's interest rate derivatives.

Narrative disclosures on the Group's policy for financial instruments are included within the Report on Corporate Governance and in note 18.

20. DEFERRED TAX

Deferred tax assets in respect of share based payments (£0.1 million), interest rate swaps (£5.0 million), losses (£1.7 million), capital allowances in excess of depreciation (£0.3 million) and capital losses (£1.1 million) in respect of the non-REIT taxable business have not been recognised due to uncertainty over the projected tax liabilities arising in the short term within the non-REIT taxable business.

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Amounts payable under finance leases:				
Within one year	**1,984**	1,987	**1,946**	1,947
Within two to five years inclusive	**7,937**	7,946	**6,857**	6,828
Greater than five years	**25,436**	23,189	**13,591**	12,469
	35,357	33,122	**22,394**	21,244
Less: future finance charges	**(12,963)**	(11,878)		
Present value of lease obligations	**22,394**	21,244		

All lease obligations are denominated in sterling. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

22. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Ordinary shares of 10 pence each	**20,000**	20,000	**13,139**	13,106

Movement in issued share capital	
Number of shares at 31 March 2010	130,990,837
Exercise of share options – Share option schemes	69,685
Number of shares at 31 March 2011	131,060,522
Exercise of share options – Share option schemes	332,519
Number of shares at 31 March 2012	**131,393,041**

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

At 31 March 2012 options in issue to Directors and employees were as follows:

Date option granted	Option price per ordinary share	Date first exercisable	Date on which the exercise period expires	**Number of ordinary shares 2012**	Number of ordinary shares 2011
8 November 2001	98p	8 November 2004	7 November 2011	**–**	18,359
15 May 2002	102p	15 May 2005	14 May 2012	**8,000**	20,200
16 December 2002	81.5p	16 December 2005	15 December 2012	**8,150**	14,830
2 July 2003	82.5p	2 July 2006	1 July 2013	**18,613**	22,112
11 November 2003	96p	11 November 2006	10 November 2013	**7,650**	10,850
27 September 2004	nil p**	27 September 2007	26 September 2014	**–**	6,500
6 June 2005	nil p**	6 June 2008	5 June 2015	**74,765**	94,165
9 June 2006	nil p**	9 June 2009	8 June 2016	**91,665**	101,665
6 March 2008	310p*	1 April 2011	1 October 2011	**–**	11,019
9 July 2008	nil p**	9 July 2011	8 July 2018	**57,620**	343,000
22 August 2008	249p*	22 August 2011	21 February 2012	**–**	13,439
24 February 2009	141p*	1 April 2012	1 October 2012	**215,650**	224,690
3 August 2009	nil p**	3 August 2012	2 August 2019	**372,967**	375,167
23 February 2010	255p*	1 April 2013	1 October 2013	**11,263**	19,319
12 July 2010	nil p **	12 July 2013	11 July 2020	**457,212**	457,212
28 February 2011	263p *	28 February 2014	29 August 2014	**29,060**	34,132
19 July 2011	nil p **	19 July 2013	19 July 2021	**493,582**	–
12 March 2012	240p *	1 April 2015	1 October 2015	**124,702**	–
				1,970,899	1,766,659

* SAYE (see note 23)
** LTIP (see note 23)

22. SHARE CAPITAL (continued)

OWN SHARES

The own shares reserve represents the cost of shares in Big Yellow Group PLC purchased in the market, and held by the Big Yellow Group PLC Employee Benefit Trust, along with shares issued directly to the Employee Benefit Trust. 1,885,117 shares are held in the Employee Benefit Trust (2011: 1,905,000), and 1,418,750 shares are held in treasury.

23. SHARE BASED PAYMENTS

The Company has four equity share-based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, an Employee Share Save Scheme ("SAYE") and a Long Term Bonus Performance Plan. The Group recognised a total expense in the year related to equity-settled share-based payment transactions of £1,532,000 (2011: £1,641,000).

Equity-settled share option plans

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

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

On an annual basis since 2004 the Group awarded nil-paid options to senior management under the Group's Long Term Incentive Plan ("LTIP"). The awards are conditional on the achievement of challenging performance targets as described on page 49 of the Remuneration Report. The awards granted in 2004, 2005 and 2006 vested in full. The awards granted in 2007 lapsed, and the awards granted in 2008 partially vested.

The weighted average share price at the date of exercise for options exercised in the year was 287 pence (2011: 327 pence).

Share option scheme "ESO"	2012 No. of options	2012 Weighted average exercise price (£)	2011 No. of options	2011 Weighted average exercise price (£)
Outstanding at beginning of year	86,351	0.92	107,501	0.94
Exercised during the year	(43,938)	0.95	(21,150)	0.85
Outstanding at the end of the year	42,413	0.85	86,351	0.92
Exercisable at the end of the year	42,413	0.85	86,351	0.92

Options outstanding at 31 March 2012 had a weighted average contractual life of 1.2 years (2011: 1.6 years).

LTIP scheme	2012 No. of options	2011 No. of options
Outstanding at beginning of year	1,377,709	1,488,780
Granted during the year	495,582	471,062
Forfeited during the year	(48,300)	(537,383)
Exercised during the year	(277,180)	(44,750)
Outstanding at the end of the year	1,547,811	1,377,709
Exercisable at the end of the year	220,550	202,330

The weighted average fair value of options granted during the year was £433,000 (2011: £453,000).

Options outstanding at 31 March 2012 had a weighted average contractual life of 7.8 years (2011: 7.8 years).

23. SHARE BASED PAYMENTS (continued)

Equity-settled share option plans (continued)

Employee Share Save Scheme ("SAYE")	2012 No. of options	2012 Weighted average exercise price (£)	2011 No. of options	2011 Weighted average exercise price (£)
Outstanding at beginning of year	**302,599**	**1.73**	304,176	1.66
Granted during the year	**124,702**	**2.40**	34,132	2.63
Forfeited during the year	**(35,225)**	**2.38**	(31,924)	2.04
Exercised during the year	**(11,401)**	**2.66**	(3,785)	1.41
Outstanding at the end of the year	**380,675**	**1.86**	302,599	1.73
Exercisable at the end of the year	**–**	**–**	–	–

Options outstanding at 31 March 2012 had a weighted average contractual life of 1.6 years (2011:1.6 years).

The inputs into the Black-Scholes model are as follows:

	ESO	LTIP	SAYE
Expected volatility	24%	41%	45%
Expected life	3 years	3 years	3 years
Risk-free rate	4.7%	2.2%	1.9%
Expected dividends	3.2%	4.4%	4.9%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the year prior to grant.

Long term bonus performance plan

The Group has a joint share ownership plan in place. This is accounted for as a compound instrument, with 50% accrued as a liability as this proportion of the award may be cash settled. The balance is recognised as a credit to equity, recognising the equity settled element. The plan was set up in August 2009. Directors and senior employees have a partial interest in 1,885,117 shares with the Group's Employee Benefit Trust. The fair value of each award is £2 subject to the vesting criteria as set out in the Directors' Remuneration Report. At 31 March 2012 the weighted average contractual life was 0.4 years.

24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties as at 31 March 2012 were £4.9 million (2011: £3.4 million).

25. EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in note 18, in April 2012 the Group entered into a £100 million 15 year loan with Aviva Commercial Finance Limited. At the same time the Group spent £9.2 million to cancel £100 million of the Group's interest rate derivatives.

26. RELATED PARTY TRANSACTIONS

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

Transactions with Big Yellow Limited Partnership

As described in note 13, the Group has a 33.3% interest in Big Yellow Limited Partnership ("the Partnership"), and entered into transactions with the Partnership during the year on normal commercial terms.

In the current year the Group earned fees from the Partnership of £714,000 (2011: £920,000). At 31 March 2012, the Partnership owed £294,000 to the Group (2011: Group owed £177,000 to the Partnership).

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information on the remuneration of individual Directors is found in the audited part of the Directors' Remuneration Report on pages 53 to 55.

	31 March 2012 £000	31 March 2011 £000
Short term employee benefits	**1,155**	1,103
Post-employment benefits	**86**	83
Share based payments	**464**	–
	1,705	1,186

Dreams plc

Steve Johnson, a Non-Executive Director of the Group was appointed as Executive Chairman of Dreams plc in July 2011. During the year, the Group entered into a lease over a retail unit at its Eltham store with Dreams plc on normal commercial terms. The contracted rent is £127,000 per annum.

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 year AnyJunk Limited provided waste disposal services to the Group on normal commercial terms, amounting to £12,000.

No other related party transactions took place during the years ended 31 March 2012 and 31 March 2011.