Notes to the Half Year Report

1. **ACCOUNTING POLICIES**

Basis of preparation

The results for the period ended 30 September 2012 are unaudited and were approved by the Board on 19 November 2012. The financial information contained in this report in respect of the year ended 31 March 2012 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chairman's Statement and the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the interim statement. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Business and Financial Review of the Group's Annual Report for the year ended 31 March 2012.

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

2. SEGMENTAL INFORMATION

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

	Six months ended 30 September 2012 (unaudited) £000	Six months ended 30 September 2011 (unaudited) £000	Year ended 31 March 2012 (audited) £000
Open stores			
Self storage income	**30,223**	27,039	54,734
Other storage related income	**5,203**	4,772	9,363
Ancillary store rental income	**104**	56	176
	35,530	31,867	64,273
Stores under development			
Non-storage income	**152**	159	270
Fee income			
Fees earned from Big Yellow Limited Partnership	**306**	419	714
Other management fees earned	**200**	200	406
Revenue per income statement	**36,188**	32,645	65,663
Investment income (see note 3)	**14**	5	20
Total revenue per IAS 18	**36,202**	32,650	65,683

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

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

The seasonality of the business is discussed in note 18.

3. INVESTMENT INCOME

	Six months ended 30 September 2012 (unaudited) £000	Six months ended 30 September 2011 (unaudited) £000	Year ended 31 March 2012 (audited) £000
Interest receivable on bank deposits	**14**	5	20
Fair value movement on derivatives	**2**	–	–
Total investment income	**16**	5	20

4. FINANCE COSTS

	Six months ended 30 September 2012 (unaudited) £000	Six months ended 30 September 2011 (unaudited) £000	Year ended 31 March 2012 (audited) £000
Interest on bank borrowings	**5,553**	5,492	11,097
Capitalised interest	**(161)**	(449)	(1,035)
Other interest payable	**–**	7	7
Interest on finance lease obligations	**549**	541	1,130
Total interest payable	**5,941**	5,591	11,199
Change in fair value of interest rate derivatives	**–**	9,499	7,965
Total finance costs	**5,941**	15,090	19,164

5. TAX

There is no tax charge in the residual business in the period due to tax relief in relation to the restructuring of interest rate derivatives in prior periods.

6. ADJUSTED PROFIT BEFORE TAX

	Six months ended 30 September 2012 (unaudited) £000	Six months ended 30 September 2011 (unaudited) £000	Year ended 31 March 2012 (audited) £000
Profit/(loss) before tax	**27,242**	6,437	(35,551)
(Gain)/loss on revaluation of investment properties – Group	**(11,521)**	(2,631)	51,381
Share of (gain)/loss on revaluation of investment properties – associate	**(1,594)**	(1,725)	480
Change in fair value of interest rate swaps – Group	**(2)**	9,499	7,965
Share of change in fair value of interest rate swaps – associate	**(156)**	40	(135)
VAT implementation costs	**136**	–	–
(Gains)/losses on surplus land	**(183)**	1	(497)
Adjusted profit before tax	**13,922**	11,621	23,643
Net bank and other interest	**5,378**	5,045	10,049
Depreciation	**295**	280	550
Adjusted EBITDA	**19,595**	16,946	34,242

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

7. DIVIDENDS

	Six months ended 30 September 2012 (unaudited) £000	Six months ended 30 September 2011 (unaudited) £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2012 of 5.5p (2011: 5p) per share.	**7,057**	6,460
Proposed interim dividend for the year ending 31 March 2013 of 5p (2012: 4.5p) per share.	**6,484**	5,762

The proposed interim dividend of 5 pence per ordinary share will be paid on 4 January 2013 to shareholders on the Register on 7 December 2012. The interim dividend is all Property Income Dividend.

8. EARNINGS PER ORDINARY SHARE

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

	Six months ended 30 September 2012 (unaudited)			Six months ended 30 September 2011 (unaudited)			Year ended 31 March 2012 (audited)		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**27.24**	**128.63**	**21.18**	6.44	128.83	5.00	(35.55)	128.44	(27.68)
Adjustments:									
Dilutive share options	**–**	**1.30**	**(0.21)**	–	1.37	(0.05)	–	1.29	0.28
Diluted	**27.24**	**129.93**	**20.97**	6.44	130.20	4.95	(35.55)	129.73	(27.40)
Adjustments:									
(Gain)/loss on revaluation of investment properties	**(11.52)**	**–**	**(8.87)**	(2.63)	–	(2.02)	51.38	–	39.61
Change in fair value of interest rate derivatives	**–**	**–**	–	9.50	–	7.30	7.97	–	6.14
VAT implementation costs	**0.14**	**–**	**0.11**						
Gains on surplus land	**(0.18)**	**–**	**(0.14)**	–	–	–	(0.50)	–	(0.39)
Share of associate non-recurring (gains)/losses	**(1.76)**	**–**	**(1.36)**	(1.69)	–	(1.30)	0.34	–	0.26
EPRA – diluted	**13.92**	**129.93**	**10.71**	11.62	130.20	8.93	23.64	129.73	18.22
EPRA – basic	**13.92**	**128.63**	**10.82**	11.62	128.83	9.02	23.64	128.44	18.41

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

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

9. NON-CURRENT ASSETS

a) Investment property

	Investment property £000	Investment property under construction £000	Interests in leasehold properties £000	Total £000
At 1 April 2012	726,390	33,905	22,394	782,689
Additions	2,124	72	–	2,196
Capital Goods Scheme adjustment*	(10,629)	–	–	(10,629)
Reclassification to investment property	16,260	(16,260)	–	–
Revaluation	11,340	181	–	11,521
Depreciation	–	–	(443)	(443)
At 30 September 2012	**745,485**	**17,898**	**21,951**	**785,334**

Capital commitments at 30 September 2012 were £nil (31 March 2012: £4.9 million).

* The Capital Goods Scheme adjustment includes the discounted debtor receivable of £10,346,000, and a reduction in the creditor payable of £283,000.

b) Plant, equipment and owner-occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Total £000
Cost						
At 1 April 2012	1,867	44	780	25	6,308	9,024
Additions	15	–	43	–	215	273
At 30 September 2012	**1,882**	**44**	**823**	**25**	**6,523**	**9,297**
Accumulated depreciation						
At 1 April 2012	(226)	(44)	(563)	(9)	(5,545)	(6,387)
Charge for the period	(17)	–	(23)	(3)	(252)	(295)
At 30 September 2012	**(243)**	**(44)**	**(586)**	**(12)**	**(5,797)**	**(6,682)**
Net book value						
At 30 September 2012	**1,639**	**–**	**237**	**13**	**726**	**2,615**
At 1 April 2012	1,641	–	217	16	763	2,637

c) Goodwill

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

9. 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 the equity method of consolidation.

	30 September 2012 (unaudited) £000	30 September 2011 (unaudited) £000	31 March 2012 (audited) £000
At the beginning of the year	**15,496**	14,931	14,931
Subscription for partnership capital and advances	**1,000**	1,000	1,167
Share of results (see below)	**1,884**	1,548	(602)
	18,380	17,479	15,496

The Group's total subscription for partnership capital and advances in Big Yellow Limited Partnership to date is £15,799,000.

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

Big Yellow Limited Partnership	Six months ended 30 September 2012 (unaudited) £000	Six months ended 30 September 2011 (unaudited) £000	Year ended 31 March 2012 (audited) £000
Income statement (100%)			
Revenue	**4,219**	3,124	6,539
Cost of sales	**(2,441)**	(2,284)	(4,660)
Administrative expenses	**(68)**	(24)	(77)
Operating profit	**1,710**	816	1,802
Gain/(loss) on the revaluation of investment properties	**4,783**	5,175	(1,441)
Net interest payable	**(1,308)**	(1,228)	(2,572)
Fair value movement of interest rate derivatives	**468**	(120)	406
Profit/(loss) before and after tax	**5,653**	4,643	(1,805)
Balance sheet (100%)			
Investment property	**111,010**	116,860	110,460
Other non-current assets	**3,717**	724	641
Current assets	**3,046**	1,100	1,548
Current liabilities	**(61,770)**	(2,090)	(2,463)
Derivative financial instruments	**(862)**	(1,856)	(1,330)
Non-current liabilities	**–**	(62,300)	(62,367)
Net assets (100%)	**55,141**	52,438	46,489
Group share (33.3%)			
Operating profit	**570**	272	601
Gain on the revaluation of investment properties	**1,594**	1,725	(480)
Net interest payable	**(436)**	(409)	(858)
Fair value movement of interest rate derivatives	**156**	(40)	135
Profit/(loss) before and after tax	**1,884**	1,548	(602)
Associate net assets	**18,380**	17,479	15,496

The Partnership loan is classified as a current liability at period end, as its expiry date was 30 September 2013. In October 2012, the facility was extended with a new expiry date of September 2016.

10. SURPLUS LAND

	£000
At 1 April 2012	18,035
Additions	2,504
Disposals	(12,973)
At 30 September 2012	**7,566**

11. TRADE AND OTHER RECEIVABLES

	30 September 2012 (unaudited) £000	30 September 2011 (unaudited) £000	31 March 2012 (audited) £000
Current			
Trade receivables	**2,568**	1,462	1,559
Capital Goods Scheme receivable	**2,845**	–	–
Other receivables	**699**	407	1,316
Prepayments and accrued income	**5,366**	5,545	8,068
	11,478	7,414	10,943
Non-current			
Capital Goods Scheme receivable	**7,501**	–	–

12. TRADE AND OTHER PAYABLES

	30 September 2012 (unaudited) £000	30 September 2011 (unaudited) £000	31 March 2012 (audited) £000
Current			
Trade payables	**3,948**	4,140	9,159
Other payables	**5,841**	2,802	2,957
Accruals and deferred income	**11,182**	12,128	12,918
VAT repayable under Capital Goods Scheme	**641**	918	641
	21,612	19,988	25,675
Non-current			
VAT repayable under Capital Goods Scheme	**32**	954	315

13. BORROWINGS

	30 September 2012 (unaudited) £000	30 September 2011 (unaudited) £000	31 March 2012 (audited) £000
Bank borrowings	**178,000**		
Unamortised debt arrangement costs	**(676)**	–	–
Current borrowings	**177,324**	–	–
Long term borrowings	**99,239**	–	–
Bank borrowings	**–**	284,000	284,000
Unamortised debt arrangement costs	**(1,432)**	(1,440)	(1,040)
Non-current borrowings	**97,807**	282,560	282,960
Total borrowings	**275,131**	282,560	282,960

In April 2012 the Group entered into a new £100 million 15 year loan with Aviva Commercial Finance Limited, secured over a portfolio of 15 freehold self storage centres valued at £242.1 million at 29 February 2012. The annual fixed interest rate on the loan is 4.90%. The loan was deployed to repay and cancel £100 million of the Group's core bank debt facility.

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 on the tenth anniversary, with £60 million at expiry in April 2027.

In October 2012 the Group entered into a new £190 million 4 year bank facility with Lloyds TSB, HSBC and Santander, expiring in September 2016. £140 million of the facility is term loan with the balance of £50 million revolving.

This facility replaced the Group's existing £225 million facility, expiring in September 2013, which was provided by the same three banks and HSH Nordbank, who have been fully repaid following completion of this refinancing. The amount of the facility has been reduced to £190 million as the Group no longer needs a higher capacity given its commitment to reduce debt. As this facility had less than a year to expiry at the balance sheet date, it is presented as short term borrowings.

The facilities attract a ratcheted margin over LIBOR based on interest cover. The Group is currently paying a blended 2.4% margin, the lowest margin on the ratchet, which is effective for income cover of greater than 3 times.

The Group has one interest rate derivative in place; £70 million fixed at 2.8% (excluding the margin on the underlying debt instrument) until September 2016.

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 gain in the income statement for the period of these interest rate swaps was £2,000 (2011: loss of £9,499,000).

At 30 September 2012 the Group and the Partnership were in compliance with all of their loan covenants.

14. ADJUSTED NET ASSETS PER SHARE

Analysis of net asset value	**30 September 2012 (unaudited) £000**	30 September 2011 (unaudited) £000	31 March 2012 (audited) £000
Basic net asset value	**517,564**	541,767	494,500
Exercise of share options	**389**	369	746
EPRA NNNAV	**517,953**	542,136	495,246
Adjustments:			
Fair value of derivatives	**6,573**	17,282	15,748
Fair value of derivatives – share of associate	**287**	619	443
EPRA NAV	**524,813**	560,037	511,437
Basic net assets per share (pence)	**399.1**	423.1	386.1
EPRA NNNAV per share (pence)	**395.4**	414.8	378.9
EPRA NAV per share (pence)	**400.6**	428.5	391.3
EPRA NAV (£000)	**524,813**	560,037	511,437
Valuation methodology assumption (£000) (see note 15)	**35,762**	37,937	35,514
Capital Goods Scheme adjustment (see below)	**–**	–	12,056
Adjusted net asset value (£000)	**560,575**	597,974	559,007
Adjusted net assets per share (pence)	**427.9**	457.5	427.7
Shares in issue	**131,726,812**	131,355,716	131,393,041
Own shares held	**(2,042,081)**	(3,303,867)	(3,303,867)
Basic shares in issue used for calculation	**129,684,731**	128,051,849	128,089,174
Exercise of share options	**1,319,583**	2,654,006	2,623,172
Diluted shares used for calculation	**131,004,314**	130,705,855	130,712,346

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

Adjusted net assets per share include:

– the effect of those shares issuable under employee share option schemes; and

– the effect of alternative valuation methodology assumptions (see note 15).

The adjusted net assets per share presented for the year ended 31 March 2012 has been restated to show the discounted Capital Goods Scheme receivable and the reduction in the creditor payable as recorded at 30 September 2012 to ensure comparability with the current period disclosure. This has reduced the adjusted net assets per share at 31 March 2012 from 429.2 pence to 427.7 pence.

15. VALUATIONS OF INVESTMENT PROPERTY

	Cost £000	Revaluation on cost £000	Valuation £000
Freehold stores*			
At 1 April 2012	358,567	324,323	682,890
Transfer from investment property under construction	20,936	(4,676)	16,260
Capital Goods Scheme adjustment	(10,525)	10,525	–
Movement in period	2,074	571	2,645
At 30 September 2012	**371,052**	**330,743**	**701,795**
Leasehold stores			
At 1 April 2012	15,851	27,649	43,500
Capital Goods Scheme adjustment	(104)	104	–
Movement in period	50	140	190
At 30 September 2012	**15,797**	**27,893**	**43,690**
Total of open stores			
At 1 April 2012	374,418	351,972	726,390
Transfer from investment property under construction	20,936	(4,676)	16,260
Capital Goods Scheme adjustment	(10,629)	10,629	–
Movement in period	2,124	711	2,835
At 30 September 2012	**386,849**	**358,636**	**745,485**
Investment property under construction			
At 1 April 2012	44,413	(10,508)	33,905
Transfer to investment property	(20,936)	4,676	(16,260)
Movement in period	72	181	253
At 30 September 2012	**23,549**	**(5,651)**	**17,898**
Total			
At 1 April 2012	418,831	341,464	760,295
Capital Goods Scheme adjustment **	(10,629)	10,629	–
Movement in period	2,196	892	3,088
At 30 September 2012	**410,398**	**352,985**	**763,383**

* Includes one long leasehold store

** The Capital Goods Scheme adjustment includes the discounted debtor receivable of £10,346,000, and a reduction in the creditor payable of £283,000.

The freehold and leasehold investment properties have been valued at 30 September 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.

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;

15. VALUATIONS OF INVESTMENT PROPERTY (continued)

– C&W do not provide other significant professional or agency services to the Group;

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

– The fee payable to C&W is a fixed amount per store, and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from 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 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 either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 54 trading stores (both freeholds and leaseholds) open at 30 September 2012 averages 82.3% (31 March 2012: 82.4%). 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 25 months (31 March 2012: 32 months); for the 22 lease-up stores, the average period to maturity is 38 months (31 March 2012: 44 months).

C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 32 established stores is 7.3% (31 March 2012: 6.8%) rising to a stabilised net yield pre-administration expenses of 8.1% (31 March 2012: 8.1%). Also on a no growth and pre-administration expenses basis the 22 lease-up stores have a net initial yield of 5.0% (31 March 2012: 4.4%) rising to 8.5% (31 March 2012: 8.6%) 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 2012: 11.23%).

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.

15. VALUATIONS OF INVESTMENT PROPERTY (continued)

Short leasehold

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 16.2 years (31 March 2012: 16.7 years).

Investment properties under construction

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

Immature stores: value uncertainty

C&W have assessed the value of each property individually. However, two of the stores in the Group and two of the stores in Big Yellow Limited Partnership 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 30 September 2012 of £797,498,000 (£34,115,000 higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4,940,000 higher than the value recorded in the financial statements, of which the Group's share is £1,647,000. The sum of these is £35,762,000 and translates to 27.3 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 14).

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.

Dreams plc

Steve Johnson, a Non-Executive Director of the Group was the Executive Chairman of Dreams plc until 31 October 2012. During the period, the Group has continued to lease a retail unit at its Eltham store to Dreams plc on normal commercial terms.

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.

Transactions with Big Yellow Limited Partnership

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

	30 September 2012 (unaudited) £000	30 September 2011 (unaudited) £000	31 March 2012 (audited) £000
Fees earned from Big Yellow Limited Partnership	**306**	419	714
Balance due from/(owed to) the Partnership	**323**	(2)	294

No other related party transactions took place during the period ended 30 September 2012, the period ended 30 September 2011 or the year ended 31 March 2012.

17. POST BALANCE SHEET EVENTS

On 5 October 2012 the Group completed the refinancing of its bank facility, putting in place a new £190 million facility expiring in September 2016 (see note 13 for further details).

On 30 October 2012 Big Yellow Limited Partnership completed the extension of its existing £60 million bank facility, extending the expiry date to September 2016.

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 2012. The outlook for the housing market and the economy is broadly similar to that considered in March 2012, and the risk mitigating factors listed in the 2012 Annual Report are still appropriate.

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

Self storage is a seasonal business, and over the last three years we have seen losses in occupancy of c. 2-3% in the December quarter. The New Year typically sees an increase in activity, occupancy and revenue growth. The visibility we have on the business is relatively limited at three to four weeks and is based on the net reservations we have in hand, which are currently in line with our expectations.

Our customers are facing difficult financial conditions and there is therefore an increased risk that they may default on their rent payments, however since the start of the current economic difficulties, we have not seen an increase in bad debts. We have 39,000 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. 81% 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.