

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 September 2018

	Note	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Revenue	2	62,164	58,075	116,660
Cost of sales		(18,528)	(17,588)	(35,674)
Gross profit		43,636	40,487	80,986
Administrative expenses		(5,581)	(5,076)	(10,065)
Operating profit before gains and losses on property assets		38,055	35,411	70,921
Gain on the revaluation of investment properties	9a	27,653	47,464	71,635
Gain on part disposal of investment property	9a	–	650	650
Operating profit		65,708	83,525	143,206
Share of profit of associates	9d	821	946	1,370
Investment income – interest receivable	3	103	149	244
– fair value movement of derivatives	3	–	842	1,294
Finance costs – interest payable	4	(5,118)	(6,799)	(11,975)
– fair value movement of derivatives	4	(81)	–	–
Profit before taxation		61,433	78,663	134,139
Taxation	5	(316)	(302)	(597)
Profit for the period (attributable to equity shareholders)		61,117	78,361	133,542
Total comprehensive income for the period attributable to equity shareholders		61,117	78,361	133,542
Basic earnings per share	8	38.8p	50.0p	85.0p
Diluted earnings per share	8	38.6p	49.5p	84.4p

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

All items in the income statement relate to continuing operations.

Condensed Consolidated Balance Sheet

30 September 2018

	Note	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
Non-current assets				
Investment property	9a	1,290,204	1,204,710	1,245,142
Investment property under construction	9a	63,341	49,099	58,157
Interest in leasehold properties	9a	22,359	23,074	22,929
Plant, equipment and owner-occupied property	9b	2,975	3,135	3,092
Intangible assets	9c	1,433	1,433	1,433
Investment in associates	9d	9,852	8,187	9,276
Capital Goods Scheme receivable	10	2,177	2,809	2,385
Derivative financial instruments		1,623	1,252	1,704
		1,393,964	1,293,699	1,344,118
Current assets				
Inventories		298	272	283
Trade and other receivables	10	13,629	13,907	18,586
Cash and cash equivalents		6,051	5,484	6,853
		19,978	19,663	25,722
Total assets		1,413,942	1,313,362	1,369,840
Current liabilities				
Trade and other payables	11	(32,227)	(32,648)	(36,828)
Borrowings	12	(2,535)	(2,414)	(2,474)
Obligations under finance leases		(2,064)	(2,038)	(2,061)
		(36,826)	(37,100)	(41,363)
Non-current liabilities				
Borrowings	12	(271,990)	(306,597)	(326,461)
Obligations under finance leases		(20,295)	(21,036)	(20,868)
		(292,285)	(327,633)	(347,329)
Total liabilities		(329,111)	(364,733)	(388,692)
Net assets		1,084,831	948,629	981,148
Equity				
Called up share capital		16,664	15,848	15,857
Share premium account		111,260	46,298	46,362
Reserves		956,907	886,483	918,929
Equity shareholders' funds		1,084,831	948,629	981,148

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2018 (unaudited)

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

Six months ended 30 September 2017 (unaudited)

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2017	15,788	45,462	74,950	1,795	753,374	(1,019)	890,350
Total comprehensive income for the period	–	–	–	–	78,361	–	78,361
Issue of share capital	60	836	–	–	–	–	896
Credit to equity for equity-settled share based payments	–	–	–	–	1,129	–	1,129
Dividends	–	–	–	–	(22,107)	–	(22,107)
At 30 September 2017	15,848	46,298	74,950	1,795	810,757	(1,019)	948,629

Year ended 31 March 2018 (audited)

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2017	15,788	45,462	74,950	1,795	753,374	(1,019)	890,350
Total comprehensive income for the period	–	–	–	–	133,542	–	133,542
Issue of share capital	69	900	–	–	–	–	969
Credit to equity for equity-settled share based payments	–	–	–	–	2,470	–	2,470
Dividends	–	–	–	–	(46,183)	–	(46,183)
At 31 March 2018	15,857	46,362	74,950	1,795	843,203	(1,019)	981,148

Condensed Consolidated Cash Flow Statement

Six months ended 30 September 2018

	Note	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Cash generated from operations	17	39,995	35,022	73,457
Interest paid		(5,326)	(4,943)	(9,724)
Interest received		13	5	13
Tax paid		(83)	(221)	(769)
Cash flows from operating activities		34,599	29,863	62,977
Investing activities				
Purchase of non-current assets		(23,570)	(15,220)	(41,959)
Proceeds on part disposal of investment property		–	650	650
Receipt from Capital Goods Scheme		1,428	2,332	2,786
Investment in associate		–	–	(900)
Dividend received from associates	9d	245	211	446
Cash flows from investing activities		(21,897)	(12,027)	(38,977)
Financing activities				
Issue of share capital		65,705	896	969
Payment of finance lease liabilities		(570)	(509)	(1,109)
Payment to cancel interest rate derivative		–	(3,374)	(3,374)
Equity dividends paid		(24,417)	(22,107)	(46,183)
(Decrease)/increase in borrowings		(54,222)	5,836	25,644
Cash flows from financing activities		(13,504)	(19,258)	(24,053)
Net decrease in cash and cash equivalents		(802)	(1,422)	(53)
Opening cash and cash equivalents		6,853	6,906	6,906
Closing cash and cash equivalents		6,051	5,484	6,853

Notes to the Half Year Report

1. ACCOUNTING POLICIES

Basis of preparation

The results for the period ended 30 September 2018 are unaudited and were approved by the Board on 19 November 2018. The financial information contained in this report in respect of the year ended 31 March 2018 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of Big Yellow Group PLC are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting", as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as were applied in the Group's latest annual audited financial statements, except that a number of new standards and amendments to standards have been issued and are now effective for the Group. The most significant of these, and their impact on the Group's accounting, are set out below:

IFRS 9 Financial Instruments (effective from 1 January 2018)

On 1 April 2018, the Group adopted IFRS 9 Financial Instruments. The standard applies to the classification and measurement of financial assets and liabilities, impairment provisioning and hedge accounting. The standard also introduced an expected credit losses model, which replaced the incurred loss impairment model. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The adoption, however, has not had a material impact on the recognition and measurement of income and costs in the Income Statement or of assets and liabilities on the Balance Sheet. The Group has not identified any significant changes in how it accounts for financial assets or liabilities under IFRS 9. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 30 September 2018 based on actual losses experienced over the past five years and consider the impact to the Group's bad debt provision is immaterial. The Group does not apply hedge accounting.

There will be incremental disclosures included in the Annual Report for the year ended 31 March 2019 to notes that have not been included in the interim statement.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

On 1 April 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers. The requirements of the standard have been applied retrospectively to each prior reporting period presented in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Prior to its adoption, and as disclosed in the Group's Annual Report for the year ended 31 March 2018, the Group completed a detailed review of the requirements of IFRS 15 against its current accounting policies. The Group concluded that there was no material change in the amounts and timing of revenue recognised following the adoption of the standard and no transition adjustments have been made. In making this assessment, the Group considered its timing of revenue recognition based on discrete performance obligations, accounting for opening offer discounts and principal versus agent relationships. Each customer licence agreement is terminable on seven days' notice by the customer at any time and in specific circumstances by the Group. Each licence has a discrete performance obligation with revenue recognised from day one. The opening offer discount and principal versus agent relationship were also assessed under IFRS 15 and the accounting for these have remained unchanged.

Refer to note 2 for the disclosure of revenue. The Group's accounting policy for revenue remains unchanged.

Amendments have also been made to IFRS 2 (Share Based Payments) and IAS 40 Investment Property. These were effective from 1 January 2018 and adopted by the Group on 1 April 2018. The impact on the Group from adopting these amendments is immaterial.

Valuation of assets and liabilities held at fair value

For those financial instruments held at fair value, the Group has categorised them into a three level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 13. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The fair value of the Group's outstanding interest rate derivatives has been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13. Investment Property and Investment Property under Construction have been classified as Level 3. This is discussed further in note 14.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chairman's Statement and the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the interim statement. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Strategic Report within the Group's Annual Report for the year ended 31 March 2018.

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

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 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Open stores			
Self storage income	51,895	48,408	97,717
Insurance income	6,600	6,268	12,418
Packing materials income	1,499	1,492	2,716
Other income from storage customers	718	683	1,360
Ancillary store rental income	258	262	524
	60,970	57,113	114,735
Other revenue			
Non-storage income	612	456	950
Management fees	582	506	975
Total revenue	62,164	58,075	116,660

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

Further analysis of the Group's operating revenue and costs are in the Portfolio Summary and the Business and Financial Review.

The seasonality of the business is discussed in note 18.

3. INVESTMENT INCOME

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Bank interest receivable	13	5	13
Unwinding of discount on Capital Goods Scheme receivable	90	144	231
Total interest receivable	103	149	244
Fair value movement on derivatives	–	842	1,294
Total investment income	103	991	1,538

Notes to the Half Year Report Continued

4. FINANCE COSTS

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Interest on bank borrowings	5,025	4,951	9,817
Capitalised interest	(384)	(170)	(360)
Interest on finance lease obligations	477	492	992
Total interest payable	5,118	5,273	10,449
Change in fair value of interest rate derivatives	81	–	–
Refinancing costs	–	1,526	1,526
Total finance costs	5,199	6,799	11,975

The refinancing costs in the prior period relate to the unamortised loan arrangement costs of the previous bank facility which was extinguished, and the write-off of the costs of the new bank facility in accordance with IAS 39.

5. TAXATION

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

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Current tax:			
– Current year	316	315	546
– Prior year	–	(13)	51
	316	302	597

6. ADJUSTED PROFIT BEFORE TAX

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Profit before tax	61,433	78,663	134,139
Gain on revaluation of investment properties – Group	(27,653)	(47,464)	(71,635)
– associates (net of deferred tax)	(571)	(716)	(724)
Change in fair value of interest rate derivatives – Group	81	(842)	(1,294)
– associates	(5)	(36)	(60)
Gain on part disposal of investment property	–	(650)	(650)
Share of associate acquisition costs written off	–	73	120
Refinancing costs	–	1,526	1,526
Adjusted profit before tax	33,285	30,554	61,422
Tax	(316)	(302)	(597)
Adjusted profit after tax (EPRA earnings)	32,969	30,252	60,825

Adjusted profit before tax which excludes gains and losses on the revaluation of investment properties, changes in fair value of interest rate derivatives, net gains and losses on disposal of investment property, and material non-recurring items of income and expenditure have been disclosed as, in the Board's view, this provides a clearer understanding of the Group's underlying trading performance.

Notes to the Half Year Report *Continued*

7. DIVIDENDS

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2018 of 15.5p (2017: 14.1p) per share	24,417	22,107
Proposed interim dividend for the year ending 31 March 2019 of 16.7p (2018: 15.3p) per share	27,641	24,076

The proposed interim dividend of 16.7 pence per ordinary share will be paid to shareholders on 7 January 2019. The ex-div date is 6 December 2018 and the record date is 7 December 2018. The interim dividend is all Property Income Distribution.

8. EARNINGS PER ORDINARY SHARE

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

	Six months ended 30 September 2018 (unaudited)			Six months ended 30 September 2017 (unaudited)			Year ended 31 March 2018 (audited)		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	61.1	157.5	38.8	78.4	156.9	50.0	133.5	157.1	85.0
Dilutive share options	–	0.7	(0.2)	–	1.4	(0.5)	–	1.0	(0.6)
Diluted	61.1	158.2	38.6	78.4	158.3	49.5	133.5	158.1	84.4
<i>Adjustments:</i>									
Gain on revaluation of investment properties	(27.6)	–	(17.4)	(47.5)	–	(30.0)	(71.6)	–	(45.3)
Gain on part disposal of investment property	–	–	–	(0.6)	–	(0.4)	(0.6)	–	(0.4)
Change in fair value of interest rate derivatives	0.1	–	0.1	(0.8)	–	(0.5)	(1.3)	–	(0.8)
Refinancing costs	–	–	–	1.5	–	0.9	1.5	–	1.0
Share of associates' non-recurring gains and losses	(0.6)	–	(0.4)	(0.7)	–	(0.4)	(0.7)	–	(0.4)
EPRA – diluted	33.0	158.2	20.9	30.3	158.3	19.1	60.8	158.1	38.5
EPRA – basic	33.0	157.5	21.0	30.3	156.9	19.3	60.8	157.1	38.7

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

EPRA earnings and earnings per ordinary share have 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	Interest in leasehold properties £000	Total £000
At 1 April 2018	1,245,142	58,157	22,929	1,326,228
Additions	3,208	19,385	–	22,593
Reclassification	14,544	(14,544)	–	–
Revaluation	27,310	343	–	27,653
Depreciation	–	–	(570)	(570)
At 30 September 2018	1,290,204	63,341	22,359	1,375,904

Capital commitments at 30 September 2018 were £7.4 million (31 March 2018: £13.7 million).

During the prior period the Group sold land at its Richmond store to an adjoining landowner for £650,000. The valuation of the store was not impacted by this disposal, hence the full proceeds were recorded as profit on part disposal of investment property. This was eliminated from the Group's adjusted profit for the prior period.

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 2018	2,197	74	691	32	1,316	4,310
Additions	25	–	52	–	184	261
Retirement of fully depreciated assets	–	–	(42)	–	(632)	(674)
At 30 September 2018	2,222	74	701	32	868	3,897
Accumulated depreciation						
At 1 April 2018	(451)	(22)	(309)	(14)	(422)	(1,218)
Charge for the period	(21)	(1)	(71)	(4)	(281)	(378)
Retirement of fully depreciated assets	–	–	42	–	632	674
At 30 September 2018	(472)	(23)	(338)	(18)	(71)	(922)
Net book value						
At 30 September 2018	1,750	51	363	14	797	2,975
At 31 March 2018	1,746	52	382	18	894	3,092

c) Intangible assets

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

9. NON-CURRENT ASSETS (continued)

d) Investment in associates

Armadillo Partnerships

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

	Armadillo 1			Armadillo 2		
	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
At the beginning of the period	5,730	5,048	5,048	3,546	2,404	2,404
Subscription for capital	–	–	–	–	–	900
Share of results (see below)	428	598	937	393	348	433
Dividends	(135)	(120)	(255)	(110)	(91)	(191)
At the end of the period	6,023	5,526	5,730	3,829	2,661	3,546

In March 2018, Armadillo 2 raised £4.5 million of equity, which alongside additional debt from Lloyds, funded the acquisition of 1st Storage Centres. Big Yellow's equity invested was £0.9 million [20% of the total raised], with the balance funded by our partners. The Group's total subscription for partnership capital and advances in Armadillo 1 is £1,920,000 and £2,689,000 in Armadillo 2.

9. NON-CURRENT ASSETS (continued)

b) Investment in associates (continued)

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

	Armadillo 1			Armadillo 2		
	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Income statement (100%)						
Revenue	4,637	4,059	8,188	2,953	2,223	4,576
Cost of sales	(2,228)	(2,138)	(4,247)	(1,406)	(996)	(1,919)
Administrative expenses	(1,212)	(107)	(282)	(73)	(50)	(136)
Operating profit	1,197	1,814	3,659	1,474	1,177	2,521
Gain on the revaluation of investment properties	2,034	3,001	3,264	1,282	1,309	1,196
Net interest payable	(491)	(452)	(938)	(483)	(330)	(813)
Acquisition costs written off	–	(366)	(375)	–	–	(227)
Fair value movement of interest rate derivatives	20	89	147	4	91	154
Current and deferred tax	(622)	(1,100)	(1,074)	(310)	(503)	(664)
Profit attributable to shareholders	2,138	2,986	4,683	1,967	1,744	2,167
Dividends paid	(675)	(600)	(1,275)	(551)	(456)	(957)
Retained profit	1,463	2,386	3,408	1,416	1,288	1,210
Balance sheet (100%)						
Investment property	56,166	51,416	53,176	39,799	27,274	38,205
Interest in leasehold properties	1,390	1,421	1,403	3,082	3,381	3,233
Other non-current assets	1,154	1,156	1,149	1,991	1,503	1,989
Current assets	1,218	1,432	1,177	1,139	579	1,480
Current liabilities	(24,435)	(2,743)	(2,842)	(2,585)	(1,746)	(2,367)
Derivative financial instruments	(32)	(110)	(52)	(29)	(97)	(34)
Non-current liabilities	(5,348)	(24,944)	(25,361)	(24,253)	(17,588)	(24,778)
Net assets (100%)	30,113	27,628	28,650	19,144	13,306	17,728
Group share (20%)						
Operating profit	239	363	732	295	235	504
Gain on the revaluation of investment properties	407	600	653	256	262	239
Net interest payable	(98)	(90)	(187)	(97)	(66)	(163)
Acquisition costs written off	–	(73)	(75)	–	–	(45)
Fair value movement of interest rate derivatives	4	18	29	1	18	31
Current and deferred tax	(124)	(220)	(215)	(62)	(101)	(133)
Profit attributable to shareholders	428	598	937	393	348	433
Dividends paid	(135)	(120)	(255)	(110)	(91)	(191)
Retained profit	293	478	682	283	257	242
Associates' net assets	6,023	5,526	5,730	3,829	2,661	3,546

The loan within Armadillo 1 is shown as current as its term expires in April 2019. Armadillo 1 has an option to extend this loan for a further six months to October 2019, and are also in discussions with Lloyds Bank to further extend the loan beyond this date.

10. TRADE AND OTHER RECEIVABLES

	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
Current			
Trade receivables	4,273	3,978	3,684
Capital Goods Scheme receivable	746	1,819	1,876
Other receivables	252	354	287
Prepayments and accrued income	8,358	7,756	12,739
	13,629	13,907	18,586
Non-current			
Capital Goods Scheme receivable	2,177	2,809	2,385

11. TRADE AND OTHER PAYABLES

	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
Current			
Trade payables	7,011	6,505	12,739
Other payables	6,660	9,331	7,710
Accruals and deferred income	18,556	16,812	16,379
	32,227	32,648	36,828

12. BORROWINGS

	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
Aviva loan	2,535	2,414	2,474
Current borrowings	2,535	2,414	2,474
Aviva loan	83,842	86,377	85,125
M&G loan	70,000	70,000	70,000
Bank borrowings	120,000	152,000	173,000
Unamortised debt arrangement costs	(1,852)	(1,780)	(1,664)
Non-current borrowings	271,990	306,597	326,461
Total borrowings	274,525	309,011	328,935

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The loss in the income statement for the period of these interest rate swaps was £81,000 [2017: gain of £842,000]. At 30 September 2018 the Group and the Armadillo Partnerships were in compliance with all loan covenants.

Notes to the Half Year Report Continued

13. ADJUSTED NET ASSETS PER SHARE

	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
Basic net asset value	1,084,831	948,629	981,148
Exercise of share options	1,267	1,105	1,105
EPRA NNNNAV	1,086,098	949,734	982,253
Adjustments:			
Fair value of derivatives	(1,623)	(1,252)	(1,704)
Fair value of derivatives – share of associates	12	41	17
Share of deferred tax on revaluations in associates	886	772	794
EPRA NAV	1,085,373	949,295	981,360
Basic net assets per share (pence)	655.4	602.8	623.2
EPRA NNNNAV per share (pence)	650.1	595.8	616.8
EPRA NAV per share (pence)	649.7	595.5	616.2
EPRA NAV (£000)	1,085,373	949,295	981,360
Valuation methodology assumption (£000) (see note 14)	80,250	72,181	77,706
Adjusted net asset value (£000)	1,165,623	1,021,476	1,059,066
Adjusted net assets per share (pence)	697.7	640.8	665.0
	No. of shares	No. of shares	No. of shares
Shares in issue	166,635,158	158,480,574	158,570,574
Own shares held in EBT	(1,122,908)	(1,122,908)	(1,122,908)
Basic shares in issue used for calculation	165,512,250	157,357,666	157,447,666
Exercise of share options	1,553,941	2,056,268	1,798,494
Diluted shares used for calculation	167,066,191	159,413,934	159,246,160

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

Adjusted net assets per share include:

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

14. VALUATIONS OF INVESTMENT PROPERTY

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

The freehold and leasehold investment properties have been valued at 30 September 2018 by the Directors. The valuation has been carried out in accordance with the same methodology as the year end valuations prepared by Cushman & Wakefield LLP ("C&W"). Please see the accounts for the year ended 31 March 2018 for details of this methodology.

The Directors' valuations reflect the latest cash flows derived from each of the stores at 30 September 2018. In performing the valuations, the Directors consulted with C&W on the capitalisation rates used in the valuations. The Directors consider that capitalisation rates for self storage centres are unchanged since the start of the financial year. C&W support this view.

The Directors consider that the other core assumptions underpinning the valuations including the stabilised occupancy assumptions used, rental growth, and discount rates used by C&W in the March 2018 valuations are still appropriate at the September valuation date.

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of circa 6.1% to 6.8% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation that is entirely linked to the operating performance of the business. The assets would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing for the deduction of operational costs and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs, reflecting additional due diligence, resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Directors have therefore carried out a valuation on the above basis, and this results in a higher property valuation at 30 September 2018 of £1,432.5 million (£79.0 million higher than the value recorded in the financial statements). The valuations in the Armadillo Partnerships are £6.1 million higher than the value recorded in the financial statements, of which the Group's share is £1.2 million. The sum of these is £80.2 million and translates to 48.0 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation [see note 13].

15. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The table below sets out the categorisation of the financial instruments held by the Group at 30 September 2018. Where the financial instruments are held at fair value the valuation level indicates the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuations categorised as Level 2 are obtained from third parties. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

		30 September 2018 (unaudited) £000
	Valuation level	£000
Interest rate derivatives	2	1,623

16. RELATED PARTY TRANSACTIONS

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

AnyJunk Limited

James Gibson is a Non-Executive Director and shareholder in AnyJunk Limited, and Adrian Lee is a shareholder in AnyJunk Limited. During the period AnyJunk Limited provided waste disposal services to the Group on normal commercial terms amounting to £13,000 (2017: £14,000).

Transactions with Armadillo

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

	30 September 2018 (unaudited) £000	30 September 2017 (unaudited) £000	31 March 2018 (audited) £000
Fees earned from Armadillo 1	370	374	705
Fees earned from Armadillo 2	212	132	270
Balance due from Armadillo 1	120	100	89
Balance due from Armadillo 2	28	15	33

17. CASH FLOW NOTES

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

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Note			
Profit after tax	61,117	78,361	133,542
Taxation	316	302	597
Share of profit of associates	(821)	(946)	(1,370)
Investment income	(103)	(991)	(1,538)
Finance costs	5,199	6,799	11,975
Operating profit	65,708	83,525	143,206
Gain on the revaluation of investment properties	(27,653)	(47,464)	(71,635)
Gain on part disposal of investment property	–	(650)	(650)
Depreciation of plant, equipment and owner-occupied property	378	363	729
Depreciation of finance lease capital obligations	570	509	1,109
Employee share options	1,278	1,129	2,470
Cash generated from operations pre working capital movements	40,281	37,412	75,229
Increase in inventories	15	11	–
Decrease/(increase) in receivables	3,768	3,229	(1,352)
Decrease in payables	(4,069)	(5,630)	(420)
Cash generated from operations	39,995	35,022	73,457

17. CASH FLOW NOTES (continued)

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

	Six months ended 30 September 2018 (unaudited) £000	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
Net decrease in cash and cash equivalents	(802)	(1,422)	(53)
Cash flow from movement in debt financing	54,222	(5,836)	(25,644)
Change in net debt resulting from cash flows	53,420	(7,258)	(25,697)
Movement in net debt in the period	53,420	(7,258)	(25,697)
Net debt at start of period	(323,746)	(298,049)	(298,049)
Net debt at end of period	(270,326)	(305,307)	(323,746)

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 2018. The outlook for the housing market and the economy remains uncertain given the ongoing discussions on Brexit. The risk mitigating factors listed in the 2018 Annual Report are still appropriate.

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

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

There is a risk that our customers may default on their rent payments, however we have not seen an increase in bad debts over the past eleven years since the start of the Global Financial Crisis. We have approximately 58,000 customers and this, coupled with the diversity of their reasons for using storage, mean the risk of individual tenant default to Big Yellow is low. Over 80% of our customers pay by direct debit and we take a deposit from all customers. Furthermore, we have a right of lien over customers' goods, so in the ultimate event of default, we are able to auction the goods to recover the debts.

The UK is expected to leave the European Union by the end of March 2019, although the terms of the exit currently remain unclear. This may create economic headwinds in the quarter to March 2019 and beyond, which may have an impact on the demand for self storage. That said, the Group is a UK-only business and self storage is a localised industry with a diverse customer base. The Group has a low proportion of its employees who may be impacted by any changes in legislation in rights to work in the UK post-Brexit.

19. GLOSSARY

Adjusted eps	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the period.
Adjusted NAV	EPRA NAV adjusted for an investment property valuation carried out at purchasers' costs of 2.75%.
Adjusted Profit Before Tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over a defined period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Carbon intensity	Carbon emissions divided by the Group's average occupied space.
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Debt	Long-term and short-term borrowings, as detailed in note 12, excluding finance leases and debt issue costs.
Earnings per share (eps)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA earnings per share	EPRA earnings divided by the average number of shares in issue during the period.
EPRA NAV per share	EPRA NAV divided by the diluted number of shares at the period end.
EPRA net asset value	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow as deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
EPRA NNNAV	The EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.
Gross property assets	The sum of investment property and investment property under construction.
Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
Income statement	Statement of Comprehensive Income.
Interest cover	The ratio of operating cash flow excluding working capital movements divided by interest paid (before exceptional finance costs, capitalised interest and changes in fair value of interest rate derivatives). This metric is provided to give readers a clear view of the Group's financial position.
Like-for-like occupancy	Excludes the closing occupancy of new stores acquired or opened in the current or preceding period.
Like-for-like revenue	Excludes the impact of new stores acquired or opened in the current or preceding financial period in both the current period and comparative figures. This excludes Guildford Central (opened in March 2018) and Wapping (opened in July 2018).
LTV (loan to value)	Net debt expressed as a percentage of the external valuation of the Group's investment properties.
Maximum lettable area (MLA)	The total square foot (sq ft) available to rent to customers. The prior period MLA has been restated for the 25,000 sq ft extension to the existing Wandsworth store, which came on-line in May 2018. The closing occupancy % has been recalculated on this basis.

19. GLOSSARY (CONTINUED)

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

Independent Review Report to Big Yellow Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

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

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

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Steve Masters

for and on behalf of KPMG LLP

Chartered Accountants

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19 November 2018