Big Yellow Group PLC
Half Year Report 2018

Building
on a proven model

Get some space in your life.™

STRONG PERFORMANCE DRIVEN BY OCCUPANCY AND RATE GROWTH

Financial Highlights

Financial metrics	Six months ended 30 September 2018	Six months ended 30 September 2017	Growth
Revenue	**£62.2 million**	£58.1 million	7%
Like-for-like Revenue[1]	**£62.0 million**	£58.1 million	7%
Store EBITDA[1]	**£42.5 million**	£39.7 million	7%
Adjusted profit before tax[1]	**£33.3 million**	£30.6 million	9%
EPRA earnings per share[1]	**20.9 pence**	19.1 pence	9%
Interim dividend per share	**16.7 pence**	15.3 pence	9%
Statutory metrics			
Profit before tax	**£61.4 million**	£78.7 million	(22%)
Cash flow from operating activities (after net finance costs)	**£34.6 million**	£29.9 million	16%
Basic earnings per share	**38.8 pence**	50.0 pence	(22%)
Store metrics			
Store Maximum Lettable Area ("MLA")[1]	**4,656,000**	4,576,000	1.7%
Closing occupancy (sq ft) [1]	**3,904,000**	3,816,000	2.3%
Occupancy growth in the period (sq ft)[1]	**174,000**	265,000	(34%)
Closing occupancy[1]	**83.8%**	83.4%	0.4 ppts
Occupancy - like-for-like stores[1]	**84.9%**	83.4%	1.5 ppts
Average achieved net rent per sq ft[1]	**£26.97**	£26.02	3.7%
Closing net rent per sq ft[1]	**£27.20**	£26.29	3.5%

[1] See note 19 for glossary of terms

Contents

Our momentum keeps building

WE KEEP IT SIMPLE FOR INVESTORS. OUR RESULTS SHOW WE PROVIDE SUSTAINABLE EARNINGS AND DIVIDEND GROWTH FROM A SOLID CAPITAL STRUCTURE.

First Half Highlights

- Like-for-like revenue increased by 7% driven by growth in occupancy and rate
- Average achieved net rent per sq ft increased by 3.7% period on period
- Cash flow from operating activities (after net finance costs) increased by 16% to £34.6 million
- Adjusted profit before tax up 9% to £33.3 million
- 9% increase in interim dividend to 16.7 pence per share
- Acquisition of new development sites in Hove, Uxbridge and Queensbury taking pipeline to 11 development sites of approximately 680,000 sq ft (15% of current MLA)
- Placing of 7.2 million shares raising £65.3 million (net of expenses) to fund development of new stores

WE REMAIN FOCUSED ON STRENGTHENING OUR MARKET LEADING BRAND AND OPERATING PLATFORM; FILLING STORES AND THEN DRIVING RENTAL GROWTH AT HIGHER OCCUPANCY LEVELS; AND DEVELOPING NEW HIGH QUALITY STORES, WHILE MAINTAINING A CONSERVATIVE CAPITAL STRUCTURE.

Building
on a proven model

Big Yellow Group PLC, the UK's brand leader in self storage, is pleased to announce its results for the six months ended 30 September 2018. In this seasonally stronger six month trading period, the Group has delivered a solid set of results with like-for-like revenue growth of 7% compared to the same period last year, and an increasing contribution from rate growth, given the higher occupancy level of the portfolio.

We have continued to grow our like-for-like occupancy to 84.9% (up 3.4 percentage points from 81.5% at 31 March 2018) and remain focussed on our core objective of 90% across the portfolio. As we have reduced vacant capacity, our pricing model is delivering improved rental growth and we are pleased to have achieved growth in average net rent of 3.7%.

The Group's central overhead and operating expense is largely embedded in the business, and as a consequence increases in revenue should deliver higher growth in earnings. In the current period we have seen a 9% increase in adjusted earnings per share compared to the same period last year.

Financial results

Revenue for the period was £62.2 million (2017: £58.1 million), an increase of 7%. We have seen strong growth in cash flow from operating activities (after net finance costs) which has increased by 16% to £34.6 million for the period (2017: £29.9 million). The Group made an adjusted profit before tax in the period of £33.3 million, up 9% from £30.6 million for the same period last year (see note 6). The period on period growth in cash flow is higher than for adjusted profit before tax as a result of favourable working capital movements.

Adjusted diluted EPRA earnings per share were 20.9 pence (2017: 19.1 pence), an increase of 9%. The Group's statutory profit before tax for the period was £61.4 million, a decrease of 22% from £78.7 million for the same period last year, due to a lower revaluation gain in the period.

The Group's interest cover for the period (expressed as the ratio of cash generated from operations against interest paid) was 7.5 times (2017: 7.1 times). This is comfortably ahead of our internal minimum interest cover requirement of five times.

Investment in new capacity

We are pleased to report the acquisition of three high quality development sites since March, in Uxbridge (West London), Queensbury (North West London) and Hove. The 25,000 sq ft extension to our Wandsworth store completed in May 2018, and we opened a 25,000 sq ft store in Wapping in July 2018.

Construction is underway on our Manchester and Camberwell stores which we anticipate will open in Summer 2019 and Spring 2020 respectively. After lengthy consultations, we have submitted planning applications on our Kings Cross, Battersea and Bracknell developments. Good progress has been made on other consultations but as always, the process is subject to the vagaries of the planning system.

Big Yellow now has a pipeline comprising eleven development sites (including the proposed increases in capacity of our Battersea and Wapping stores) with a cost to complete of approximately £100 million in addition to the £23 million of capital expenditure spent in the first half. These store openings are expected to add approximately 680,000 sq ft of storage space to the portfolio, an increase of 15% from the current maximum lettable area of the Group's portfolio.

Our current estimate of net operating income at stabilisation, at today's prices, for this increase in capacity is in excess of £17.4 million. The total development cost including cost incurred to date is estimated to be approximately £198 million implying an 8.8% net operating income return on cost.

We continue to look for land and existing storage centres in large urban conurbations, with a focus on London and the South East, and should the current uncertainties throw up new opportunities, we will pursue them aggressively. That said, developing stores in these areas remains challenging given the competition for land and the pressure to produce more housing. We anticipate reporting further acquisitions in due course.

In September, the Group issued 7.2 million shares (4.5% of the issued share capital prior to the placing) at a price of 930 pence per share, raising £65.3 million (net of expenses). The proceeds will be used to acquire new development sites in attractive locations that will allow the Company to continue to deliver a contribution to earnings from external growth whilst maintaining a strong capital structure.

Dividends

The Group's dividend policy is to distribute 80% of adjusted earnings per share. The interim dividend declared is 16.7 pence per share. This has all been declared as Property Income Distribution ("PID"). The interim dividend declared represents an increase of 9% from 15.3 pence per share for the same period last year.

Outlook

It is self-evident that the current political and economic outlook is more uncertain than usual, but as a management team we cannot influence the outcomes.

A Year of Further Achievement

AS OUR VACANT CAPACITY HAS REDUCED WE HAVE BEEN MORE AGGRESSIVELY PURSUING AN EXPANSION STRATEGY.

Chairman's Statement (continued)

We remain focused on strengthening our market leading brand and operating platform; filling stores and then driving rental growth at higher occupancy levels; and developing new high quality stores, while maintaining a conservative capital structure.

We believe this strategy positions the Group to provide a good degree of protection against adversity, and at the same time flexibility to invest in our business and exploit growth opportunities when they come along.

Nicholas Vetch
Executive Chairman
19 November 2018

Our Competitive Advantage

OUR POWERFUL NATIONWIDE BRAND MEANS WE'RE AT THE FRONT OF MANY MORE CONSUMERS' MINDS THAN OUR COMPETITORS.

Business and Financial Review

Trading performance

We are pleased to report a solid trading performance for the six months with an increase in like-for-like occupancy of 3.4 ppts from March 2018. Revenue growth for the half year was 7%.

As we have often said, a significant risk to this business is around competition and new supply in our areas of operation. Competitor store openings remain constrained, particularly in London and our other core areas of operation, due to the scarcity of land and competition from other land users. The SSA UK Annual Industry Report (2018) refers to 29 substantial self storage centres in excess of 12,000 to 15,000 sq ft opening in 2017. Many of these openings are not in the larger conurbations where we operate and by way of example, in London, there were five store openings, but also two closures in 2017. In 2018 to date there have been three new openings in London, including our Wapping store, and three store closures.

Customer demand

Demand for self storage is largely driven by need, with security, convenience, quality of product, service and location being key drivers. Awareness remains relatively low compared to commoditised products, such as hotel rooms or airline seats, albeit it is increasing slowly year on year with increased supply, marketing spend and customer use.

We are confident that Big Yellow benefits disproportionately from this improving market for our product, due to our market-leading brand and operating platform with our focus on London, the South East and large metropolitan cities. Our digital platform now accounts for 90% of our prospects, of which over half come through our mobile site.

Customers renting storage space whilst moving within the rental or owner occupied sectors represent 42% of move-ins during the period. 10% of our customers who moved in took storage space as a spare room for decluttering. 37% of our customers used the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited possessions, are getting together or separating, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 11% of our customer demand during the period came from businesses. These demand segments are broadly in line with the same period last year.

Of our occupied space today, customers who are longer stay lifestyle users, decluttering into small rooms as an extension to their accommodation, occupy 10% to 15%; 50% to 55% are using it for less than 12 months for largely event driven reasons, which could be inheritance, moving, carrying out building work, and the balance of 35% are businesses, typically SMEs.

There is a continuing trend towards self-employment and smaller business start-ups in the UK, dynamics that are positive for self storage. Additionally, businesses in the UK are increasingly seeking flexible, convenient office and storage space as a means of operation, shying away from longer inflexible leases. The deindustrialisation of big cities with the conversion of commercial space into residential and other uses is also a driver for demand from the SME market seeking flexible warehouse space. Our recent survey of our business customers showed that 60% of our business customers were start-ups who have never rented space anywhere else before and for approximately 50% it was their only business space.

Domestic demand represents approximately 80% of customers and 65% of space at any point in time. Given the continuing issues around the shortage of housing supply, planning continues to be focussed on the creation of more residential stock particularly in our larger conurbations. Most of this is being built with high density and a lack of storage space. Additionally, the trend to more of our customers being renters rather than owners of property where they may move more and need surplus space is also supportive to demand for our product.

Store occupancy

Prospects for the six months were slightly up on the same period last year. The table below shows the monthly move-in and move-out activity over the half year:

	Move-ins period ended 30 September 2018	Move-ins period ended 30 September 2017	%	**Move-outs period ended 30 September 2018**	Move-outs period ended 30 September 2017	%
April	**5,275**	5,530	(5)	**5,134**	5,082	1
May	**6,172**	6,470	(5)	**5,266**	5,168	2
June	**8,337**	8,322	–	**5,099**	4,862	5
July	**7,178**	7,562	(5)	**6,362**	6,679	(5)
August	**7,089**	6,969	2	**6,657**	6,622	1
September	**7,298**	6,932	5	**9,723**	9,651	1
Total	**41,349**	41,785	(1)	**38,241**	38,064	–
October	**5,896**	5,989	(2)	**6,909**	6,978	(1)

The performance in the prior period was a strong comparator, and hence move-ins were down 1% on the same period last year, although up 3% on the six month period to 30 September 2016. Across the period, move-outs were broadly in line with the prior period. October's move outs show a reduction on the prior year, following the lower levels of move-ins over the summer and this trend has continued into November.

Occupancy growth over the six month period was 174,000 sq ft (2017: 265,000 sq ft).

	Net sq ft period ended 30 September 2018	Net sq ft period ended 30 September 2017	**Net move-ins period ended 30 September 2018**	Net move-ins period ended 30 September 2017
April	**(8,000)**	30,000	**141**	448
May	**26,000**	48,000	**906**	1,302
June	**113,000**	105,000	**3,238**	3,460
July	**57,000**	78,000	**816**	883
August	**22,000**	36,000	**432**	347
September	**(36,000)**	(32,000)	**(2,425)**	(2,719)
Total	**174,000**	265,000	**3,108**	3,721
October	**(31,000)**	(46,000)	**(1,013)**	(989)

Our third quarter is historically the weakest trading quarter and in recent years, we have typically lost two to three percentage points of occupancy before a return to growth in the new year. The third quarter last year, which followed a strong summer showed a loss of 3.7 ppts of MLA, which was unusually high. However, in the current year, we have lost 56,000 sq ft (1.2% of maximum lettable area "MLA") since the end of September, compared to a loss of 86,000 sq ft (1.9% of MLA) at the same stage last year. The year-on-year like-for-like increase in occupancy at the date of these results is 2.1 ppts. We do expect to return to occupancy growth in our seasonally stronger March quarter.

The 69 mature stores are 85.0% occupied compared to 83.7% at the same time last year. The 3 established stores have grown in occupancy from 83.5% to 84.5%. The 3 developing stores added 29,000 sq ft of occupancy in the past 12 months to reach closing occupancy of 48.6%. Overall like-for-like store occupancy has increased over the 12 months from 83.4% to 84.9%, and by 3.4 ppts from 1 April 2018.

	Occupancy at 30 September 2018 %	**Occupancy growth from March 2018 000 sq ft**	**30 September 2018 000 sq ft**	31 March 2018 000 sq ft	30 September 2017 000 sq ft
69 mature stores	85.0%	**145**	3,661	3,516	3,604
3 established stores	84.5%	**3**	174	171	172
3 developing stores	48.6%	**26**	69	43	40
Total – all 75 stores	83.8%	**174**	3,904	3,730	3,816

Pricing and rental yield

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

Our pricing model reduces promotions and increases asking prices where individual units are in scarce supply. This lowering of promotions, coupled with price increases to existing and new customers, leads to an increase in net achieved rents. With higher occupancy level across the portfolio, the average net achieved rent grew by 3.7% compared to the same period last year. The closing net rent at 30 September 2018 grew by 1.7% from 31 March 2018 and by 3.5% from 30 September 2017.

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

Average occupancy in the six months	**Number of stores**	**Net rent per sq ft growth from 1 April to 30 September 2018**
0 to 75%	5	**(3.1%)**
75 to 85%	46	**1.5%**
Above 85%	22	**2.8%**

Security of income

Our principal financial aims remain to grow cash flow, earnings and dividend. We believe that self storage income is essentially evergreen income with highly defensive characteristics driven from buildings with very low obsolescence risk. Although our contract with our customers is in theory as short as a week, we do not need to rely on contracts for our income security. At 30 September 2018 the average length of stay for existing customers was 26 months (2017: 24 months). For all customers, including those who have moved out of the business, the average length of stay is 8.5 months (2017: 8.4 months). 32% of our customers by occupied space have been storing with us for over two years (2017: 30%), and a further 17% of customers have been in the business for between one and two years (2017: 17%).

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

Revenue

Total revenue for the six month period was £62.2 million, an increase of £4.1 million (7%) from £58.1 million in the prior period. Like-for-like revenue (see glossary in note 19) was £62.0 million, an increase of 7% from the prior period driven by growth in both occupancy and rate.

Other sales (included within the above), comprising the selling of packing materials, insurance and storage related charges, represented 14.5% of total store revenue for the period (2017: 14.8%) and generated revenue of £8.8 million for the period, up 4% from £8.4 million in 2017 (see Portfolio Summary).

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

Operating costs

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

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

Category	Period ended 30 September 2018 £000	Period ended 30 September 2017 £000	% change	% of store operating costs in period
Cost of sales (insurance and packing materials)	**1,496**	1,341	12	9
Staff costs	**4,589**	4,510	2	26
General & Admin	**621**	570	9	4
Utilities	**644**	679	(5)	4
Property Rates	**5,467**	5,172	6	31
Marketing	**2,633**	2,178	21	15
Repairs and maintenance	**1,355**	1,296	5	8
Insurance	**363**	404	(10)	2
Computer Costs	**261**	229	14	1
Irrecoverable VAT	**8**	8	–	–
Total per portfolio summary	**17,437**	16,387	6	

Store operating costs have increased by £1.0 million (6%) compared to the same period last year. Of this increase £0.3 million relates to our new stores at Guildford Central and Wapping. The Group's property rates have increased by £0.3 million from the prior period, with the Group receiving rates rebates on two stores last year, which reduced last year's expense. The remaining increase of £0.4 million is largely due to an increased investment in marketing some of which is timing related, with the balance tactical to maintain the Group's online market share and enquiry levels. This investment is marketing is broadly in line with the amount spent in the second half of the last financial year, and we are projecting to invest approximately £5.3 million in marketing over the full year, most of which is digital execution.

The cost of insurance and packing materials varies with ancillary revenue. Our investment in LED lighting has contributed to a reduction in our utility expenditure, and we have received a profit-share to offset our insurance costs in the period. The other increases in store operating costs are inflationary and offsetting.

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

	Period ended 30 September 2018 £000	Period ended 30 September 2017 £000
Direct store operating costs per portfolio summary (excluding rent)	**17,437**	16,387
Rent included in cost of sales (total rent payable is included in portfolio summary)	**570**	509
Depreciation charged to cost of sales	**213**	226
Head office operational management costs charged to cost of sales	**308**	466
Cost of sales per income statement	**18,528**	17,588

Store EBITDA

Store EBITDA for the period was £42.5 million, an increase of £2.8 million (7%) from £39.7 million for the period ended 30 September 2017 (see Portfolio Summary). The overall EBITDA margin for all Big Yellow stores during the period was 69.7%, up from 69.6% in 2017.

All 75 stores open at the period end are trading profitably at the Store EBITDA level, with the exception of Guildford Central which opened in March 2018.

Administrative expenses

Administrative expenses in the income statement have increased by £0.5 million. The increase is due a number of factors; an increase in the IFRS 2 charge (£150,000), an increase in donations to the Big Yellow Foundation (£30,000), increased investment in CSR (£30,000), legal costs associated with GDPR compliance (£15,000), increased staffing levels in IT, marketing and HR (£75,000) with the balance of £200,000 due to inflationary increases.

The non-cash share based payments charge represents £1.3 million of the overall £5.6 million expense.

Interest

The interest on bank borrowings during the period was £5.0 million, £0.1 million higher than the same period last year. Average debt levels were approximately 6% higher than the prior period, however the Group benefited from a lower average cost of borrowing compared to the same period last year following lower margins post refinancing in 2017 and the cancellation of interest rate swaps and associated re-hedging.

Interest capitalised in the period amounted to £0.4 million (2017: £0.2 million), principally arising on the construction of our Manchester, Camberwell and Wapping stores.

Results

The Group's statutory profit before tax for the period was £61.4 million, a decrease of 22% from £78.7 million for the same period last year. The decrease is due to the lower revaluation surplus in the period, partially offset by the increase in adjusted profit before tax (as explained below).

After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below, the Group made an adjusted profit before tax in the period of £33.3 million, up 9% from £30.6 million in 2017.

Profit before tax analysis	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Profit before tax	**61.4**	78.7
Gain on revaluation of investment properties	**(27.6)**	(47.5)
Gain on part disposal of investment property	**–**	(0.6)
Change in fair value of interest rate derivatives	**0.1**	(0.8)
Refinancing costs	**–**	1.5
Share of non-recurring gains in associates	**(0.6)**	(0.7)
Adjusted profit before tax	**33.3**	30.6
Tax	**(0.3)**	(0.3)
Adjusted profit after tax	**33.0**	30.3

In the period to 30 September 2017, 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 and are an adjusting item above.

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

Movement in adjusted profit before tax	£m
Adjusted profit before tax for the six months to 30 September 2017	30.6
Increase in gross profit	3.1
Increase in administrative expenses	(0.5)
Increase in net interest payable	(0.1)
Increase in capitalised interest	0.2
Adjusted profit before tax for the six months to 30 September 2018	**33.3**

Diluted EPRA earnings per share was 20.9 pence (2017: 19.1 pence), an increase of 9% from the same period last year.

Cash flow

Cash flows from operating activities (after net finance costs) have increased by 16% to £34.6 million for the period (2017: £29.9 million). The period on period growth in cash flow is higher than for adjusted profit before tax as a result of favourable working capital movements. These operating cash flows are after the ongoing maintenance costs of the stores, which are on average £36,000 per store per annum. The Group's net debt has reduced over the period to £270.3 million (March 2018: £323.7 million), following the equity raise in September 2018.

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Cash generated from operations	**40.0**	35.0
Finance costs (net)	**(5.3)**	(4.9)
Free cash flow	**34.7**	30.1
Tax	**(0.1)**	(0.2)
Disposal of assets	**–**	0.7
Capital expenditure	**(24.1)**	(15.7)
Receipt from Capital Goods Scheme	**1.4**	2.3
Dividend received from associates	**0.2**	0.2
Cash flow after investing activities	**12.1**	17.4
Dividends	**(24.4)**	(22.1)
Payment to cancel interest rate derivatives	**–**	(3.4)
Issue of share capital	**65.7**	0.9
(Decrease)/increase in borrowings	**(54.2)**	5.8
Net cash outflow	**(0.8)**	(1.4)

The Group's interest cover for the period (expressed as the ratio of cash generated from operations against interest paid) was 7.5 times (2017: 7.1 times).

The capital expenditure in the period principally relates to the acquisitions of Uxbridge and Hove, construction costs on our new stores at Wapping and Manchester, and the completion of the extension to our Wandsworth store.

Taxation

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

There is a £0.3 million tax charge in the residual business for the period ended 30 September 2018 (six months to 30 September 2017: £0.3 million).

Dividends

REIT regulatory requirements determine the level of Property Income Distribution ("PID") payable by the Group. A PID of 16.7 pence per share is proposed as the total interim dividend, an increase of 9% from 15.3 pence per share PID for the same period last year.

The interim dividend will be paid on 7 January 2019. The ex-div date is 6 December 2018 and the record date is 7 December 2018.

Financing and treasury

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

During the period the Group extended the term of its bank loan by a further year, and retains an option to extend the loan by a further year. The Group also has an option to increase the amount of revolving loan by a further £60 million during the course of the loan's term.

The table below summarises the Group's debt facilities at 30 September 2018. The average cost has increased to 3.3% from 2.9% at 31 March 2018 following the repayment of variable rate bank debt following the placing in September, coupled with the increase in base rate in August 2018.

Debt	Expiry	Facility	Drawn	Average interest cost
Aviva Loan	April 2027	£86.4 million	£86.4 million	4.9%
M&G loan	June 2023	£70 million	£70 million	2.9%
Bank loan (Lloyds & HSBC)	October 2023	£210 million	£120 million	2.3%
Total	**Average term 5.7 years**	**£366.4 million**	**£276.4 million**	**3.3%**

The Group was comfortably in compliance with its banking covenants at 30 September 2018.

The refinancing costs of £1.5 million shown in the prior period income statement relate to the unamortised loan arrangement costs of the previous bank facility, and the write-off of the costs of the new bank facility in accordance with IAS 39. This was eliminated from the Group's adjusted profit for that period. In the prior period, the Group cancelled an interest rate derivative that was in place over half of the M&G loan (2.64% expiring in June 2022) at a cost of £3.4 million and replaced it with a new derivative until June 2023 at a pre margin rate of 0.76%.

The net debt to gross property assets ratio is 20% (2017: 24%) and the net debt to adjusted net assets ratio (see net asset value section below) is 23% (2017: 30%).

Property

Investment property

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

In performing the valuations, the Directors consulted with C&W on the capitalisation rates used in the valuations. The Directors consider that the capitalisation rates are unchanged since the start of the financial year. C&W support this view. In the prior period there was a cap rate reduction of 15bps applied to the Group's London and South East stores. This explains the lower revaluation surplus in the current period compared to the same period last year.

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 (see the Group's annual report for the year ended 31 March 2018 for the full detail of the valuation methodology).

At 30 September 2018 the total value of the Group's properties is shown in the table below:

Analysis of property portfolio	Value at 30 September 2018 £m	Revaluation movement in the period £m
Investment property	**1,290.2**	27.3
Investment property under construction	**63.3**	0.3
Investment property total	**1,353.5**	27.6

The revaluation surplus for the open stores in the period was £27.3 million, as the growth in cash flows feeds through to the valuation. There is a small surplus on the investment property under construction, due to an increase in the anticipated size on one of our schemes.

The initial yield on the portfolio before administration expenses and assuming no rental growth, is 6.6% rising to a stabilised yield of 6.9% (31 March 2018: 6.5% rising to 6.9%).

Development pipeline

The Group has acquired three development sites since March, in Uxbridge, Hove and Queensbury. These acquisitions take the total pipeline to approximately 680,000 sq ft, representing 15% of current MLA, with an estimated future cost to complete of £100 million. The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Manchester	Prime location on Water Street, central Manchester	Planning consent granted in September 2017. Store construction started in March 2018, with a view to opening in Summer 2019.	60,000 sq ft
Camberwell, London	Prominent location on Southampton Way	Planning consent granted in April 2018. Construction started in November 2018 with a view to opening in Spring 2020.	77,000 sq ft
Kings Cross, London	Prominent location on York Way	Planning application submitted and registered by LB Islington.	115,000 to 120,000 sq ft
Bracknell	Prime location on Ellesfield Avenue	Site acquired in February 2018. Planning application submitted in October to Bracknell Forest Council incorporating self storage and other trade occupiers.	60,000 to 65,000 sq ft
Slough	Prominent location on Bath Road	Site acquired in November 2017. Planning application to be submitted to Slough Borough Council in late 2018.	50,000 sq ft
Battersea, London	Prominent location on junction of Lombard Road and York Road (South Circular)	Potential redevelopment to increase size of existing 34,000 sq ft Big Yellow store. Redevelopment of adjoining retail into a mixed use residential led scheme. Application submitted and registered by LB Wandsworth in August 2018.	Up to an additional 40,000 sq ft
Wapping, London	Prominent location on The Highway	Site acquired in May 2017. The Group converted the existing vacant space and opened a 25,000 sq ft self storage centre at the end of July, and are also collecting income from the remaining short-let tenancies. This provides income while we look to expand the store.	Up to an additional 45,000 sq ft
Uxbridge, London	Prominent location on Oxford Road	Site acquired in April 2018. Planning application to be submitted to South Bucks DC late 2018/early 2019.	55,000 sq ft
Hove	Prominent location on Old Shoreham Road	Site acquired in April 2018. Planning application to be submitted in 2019.	55,000 sq ft to 60,000 sq ft
Queensbury, London	Prominent location off Honeypot Lane	Contracts exchanged, planning discussions to commence following completion	55,000 sq ft to 60,000 sq ft
Newcastle	Prime location on Scotswood Road	Planning application to be submitted in early 2019.	60,000 sq ft
Total			**672,000 sq ft to 692,000 sq ft**

The capital expenditure forecast for the remainder of the financial year (excluding any new site acquisitions) is approximately £15 million, which principally relates to the completion of the purchase of Queensbury and construction costs incurred on Manchester and Camberwell.

The Group manages the construction and fit-out of its stores in-house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget.

Capital Goods Scheme receivable

At 30 September 2018 we had a receivable of £2.9 million in respect of payments due back to the Group under the Capital Goods Scheme as a consequence of the introduction of VAT on self storage from 1 October 2012. To date, we have received payments under the Capital Goods Scheme of £13.1 million, receiving £1.4 million during the period and £0.4 million subsequent to the period end.

Net asset value

The adjusted net asset value is 697.7 pence per share (see note 13), up 3% from 675.5 pence per share at 31 March 2018 (rebased for the impact of the placing). The table below reconciles the movement from 31 March 2018:

Movement in adjusted net asset value	Equity shareholders' funds £m	EPRA adjusted NAV pence per share
31 March 2018	1,059.1	665.0
Share placing	65.3	10.5
31 March 2018 (rebased)	1,124.4	675.5
Adjusted profit after tax	33.0	19.8
Equity dividends paid	(24.4)	(14.6)
Revaluation movements (including share of associate)	28.2	16.9
Movement in purchaser's cost adjustment	2.5	1.5
Other movements (e.g. share schemes)	1.9	(1.4)
30 September 2018	**1,165.6**	**697.7**

Armadillo Self Storage

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

The occupancy of the portfolios at 30 September 2018 is 740,000 sq ft, against a total capacity of 965,000 sq ft representing occupancy at 30 September 2018 of 76.7% (31 March 2018: 73.9%). The revenue of the portfolio increased by 21% to £7.6 million for the six months to 30 September 2018 (2017: £6.3 million). On a like-for-like basis, the increase was 6%.

The Armadillo Partnerships made a combined operating profit of £2.7 million in the period, of which Big Yellow's share is £0.5 million. After net interest costs, the revaluation of investment properties, deferred tax on the revaluation surplus and interest rate derivatives, the profit for the period was £4.1 million, of which the Group's share was £0.8 million.

Included within administrative expenses in Armadillo 1 is a £1 million accrual for a performance fee payable to Big Yellow in April 2019. The final fee calculation will be based on the 31 March 2019 external property valuation for the Armadillo 1 portfolio. Under revenue recognition accounting principles, Big Yellow will recognise the fee to revenue in the second half of the year should the performance conditions be met.

Big Yellow has a responsibility for operating the assets and receives a management fee from the Partnerships, which for the period to 30 September 2018 amounted to £0.6 million. The Group's share of the interim dividend declared for the period is £0.3 million, representing a 6.6% yield on our equity invested for the six months.

James Gibson
Chief Executive Officer
19 November 2018

John Trotman
Chief Financial Officer

Portfolio Summary – Big Yellow Stores

	2018				2017			
	Mature[1]	**Established**	**Developing**	**Total**	Mature	Established	Developing	Total
Number of stores	**69**	**3**	**3**	**75**	69	3	1	73
At 30 September:								
Total capacity (sq ft)	**4,308,000**	**206,000**	**142,000**	**4,656,000**	4,308,000	206,000	62,000	4,576,000
Occupied space (sq ft)	**3,661,000**	**174,000**	**69,000**	**3,904,000**	3,604,000	172,000	40,000	3,816,000
Percentage occupied	**85.0%**	**84.5%**	**48.6%**	**83.8%**	83.7%	83.5%	64.5%	83.4%
Net rent per sq ft	**£27.26**	**£28.41**	**£19.29**	**£27.20**	£26.39	£25.86	£17.41	£26.29
For the period:								
REVPAF[2]	**£26.64**	**£26.45**	**£10.69**	**£26.19**	£25.17	£23.02	£11.75	£24.89
Average occupancy	**83.8%**	**83.5%**	**43.4%**	**82.7%**	81.6%	79.6%	54.0%	81.1%
Average annual net rent psf	**£27.07**	**£27.38**	**£18.92**	**£26.97**	£26.15	£25.09	£17.02	£26.02
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Self storage income	**49,002**	**2,361**	**532**	**51,895**	46,055	2,063	290	48,408
Other storage related income [2]	**8,321**	**358**	**138**	**8,817**	8,055	314	74	8,443
Ancillary store rental Income	**223**	**12**	**23**	**258**	260	1	1	262
Total store revenue	**57,546**	**2,731**	**693**	**60,970**	54,370	2,378	365	57,113
Direct store operating costs (excluding depreciation)	**(16,144)**	**(803)**	**(490)**	**(17,437)**	(15,456)	(748)	(183)	(16,387)
Short and long leasehold rent[3]	**(1,048)**	**–**	**–**	**(1,048)**	(1,002)	–	–	(1,002)
Store EBITDA[2,4]	**40,354**	**1,928**	**203**	**42,485**	37,912	1,630	182	39,724
Store EBITDA margin	**70.1%**	**70.6%**	**29.3%**	**69.7%**	69.7%	68.5%	49.9%	69.6%
Deemed cost	**£m**	**£m**	**£m**	**£m**				
To 30 September 2018	**528.9**	**46.4**	**40.3**	**615.6**				
Capex to complete	**–**	**–**	**0.4**	**0.4**				
Total	**528.9**	**46.4**	**40.7**	**616.0**				

1. The mature stores have been open for more than six years at 1 April 2018. The established stores have been open for between three and six years at 1 April 2018 and the developing stores have been open for fewer than three years at 1 April 2018.
2. See glossary in note 19.
3. Rent for seven mature short leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 420,000 sq ft, and a long leasehold mature store with a capacity of 64,000 sq ft. The EBITDA margin for the 62 freehold mature stores is 72.2%, and 51.3% for the seven short leasehold mature stores.
4. The table below reconciles Store EBITDA to gross profit in the income statement.

	Period ended 30 September 2018 £000			Period ended 30 September 2017 £000		
	Store EBITDA	**Reconciling items**	**Gross profit per income statement**	Store EBITDA	Reconciling items	Gross profit per income statement
Store revenue/Revenue[1]	**60,970**	**1,194**	**62,164**	57,113	962	58,075
Cost of sales[2]	**(17,437)**	**(1,091)**	**(18,528)**	(16,387)	(1,201)	(17,588)
Rent[3]	**(1,048)**	**1,048**	**–**	(1,002)	1,002	–
	42,485	**1,151**	**43,636**	39,724	763	40,487

1. See note 2 of the interim statement, reconciling items are management fees and non-storage income.
2. See reconciliation in cost of sales section in Business and Financial Review.
3. The rent shown above is the cost associated with leasehold stores, only part of which is recognised within gross profit in line with finance lease accounting principles. The amount included in gross profit is shown in the reconciling items in cost of sales.

Portfolio Summary – Armadillo Stores

	2018	2017
Number of stores	**22**	19
At 30 September:		
Total capacity (sq ft)	**965,000**	829,000
Occupied space (sq ft)	**740,000**	649,000
Percentage occupied	**76.7%**	78.3%
Net rent per sq ft	**£17.20**	£16.51
For the period:		
REVPAF	**£15.69**	£15.11
Average occupancy	**75.7%**	77.0%
Average annual net rent psf	**£17.26**	£16.35

	£000	£000
Self storage income	**6,326**	5,237
Other storage related income	**1,197**	1,022
Ancillary store rental income	**67**	23
Total store revenue	**7,590**	6,282
Direct store operating costs (excluding depreciation)	**(2,998)**	(2,397)
Short leasehold rent	**(247)**	(247)
Store EBITDA	**4,345**	3,638
Store EBITDA margin	**57.2%**	57.9%

Cumulative capital expenditure	£m
To 30 September 2018	**69.8**
To complete	**0.2**
Total capital expenditure	**70.0**

Responsibility Statement

We confirm that to the best of our knowledge:

– the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

– the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

James Gibson
Director
19 November 2018

John Trotman
Director

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

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

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.

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
Adjustments:									
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.

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 NNNAV	**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 NNNAV 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.

	Valuation level	30 September 2018 (unaudited) £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

	Note	**Six months ended 30 September 2018 (unaudited) £000**	Six months ended 30 September 2017 (unaudited) £000	Year ended 31 March 2018 (audited) £000
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	9a, 14	**(27,653)**	(47,464)	(71,635)
Gain on part disposal of investment property		**–**	(650)	(650)
Depreciation of plant, equipment and owner-occupied property	9b	**378**	363	729
Depreciation of finance lease capital obligations	9a	**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.

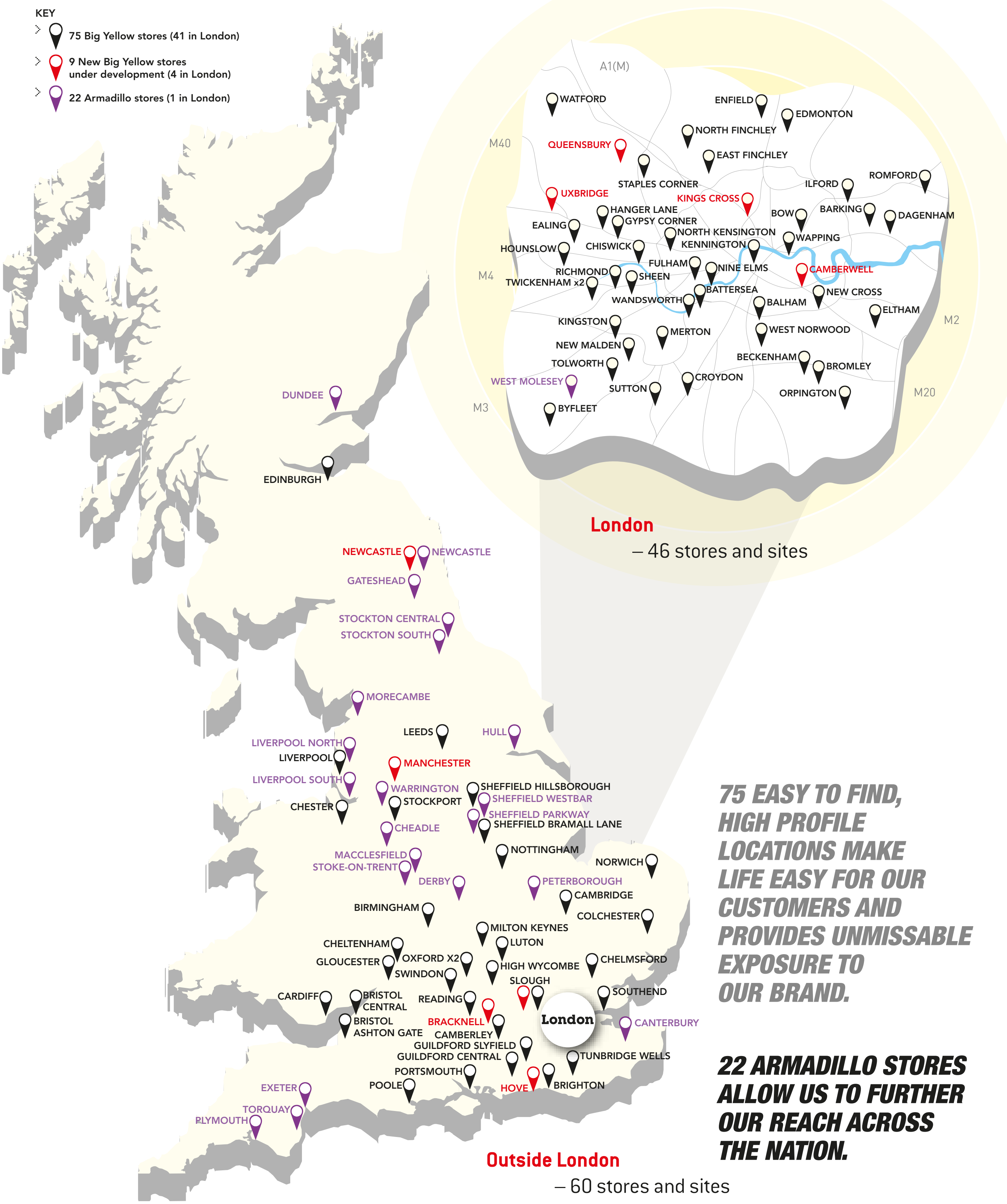
The purpose of our review work and to whom we owe our responsibilities

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
KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

19 November 2018

Our Stores



75 EASY TO FIND, HIGH PROFILE LOCATIONS MAKE LIFE EASY FOR OUR CUSTOMERS AND PROVIDES UNMISSABLE EXPOSURE TO OUR BRAND.

22 ARMADILLO STORES ALLOW US TO FURTHER OUR REACH ACROSS THE NATION.

You can access
more information
about us on our website

bigyellow.co.uk

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on a proven model

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