

**Big Yellow Group PLC**  
Annual Report & Accounts  
2005





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SELF STORAGE IS A FLEXIBLE, DO IT YOURSELF CONCEPT THAT HAS CHANGED THE WAY PEOPLE THINK ABOUT STORING THEIR POSSESSIONS.

Big Yellow's philosophy is to provide personal and business users with exceptional customer service from a network of high profile, conveniently located stores.



# LOCATIONS

25 OF OUR 44 STORES ARE LOCATED WITHIN THE M25 AND 34 ARE OWNED FREEHOLD.

When fully built out our portfolio will provide 2.7m sq. ft. of flexible storage space.



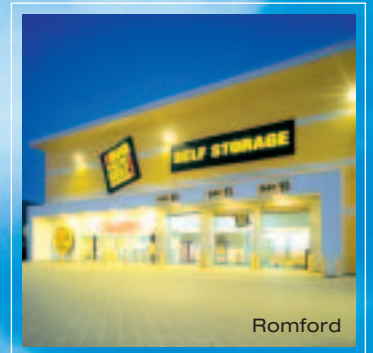
Byfleet



Colchester



Cardiff



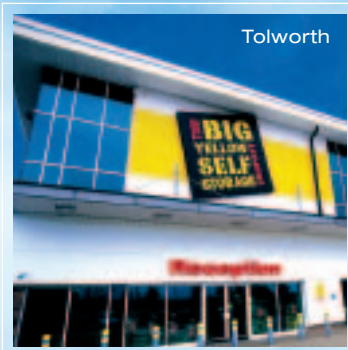
Romford

AVERAGE  
STORE SIZE OF  
**60,000** SQ FT



Hounslow

**2.7m** SQ FT  
OF FLEXIBLE  
STORAGE SPACE



Tolworth



Beckenham



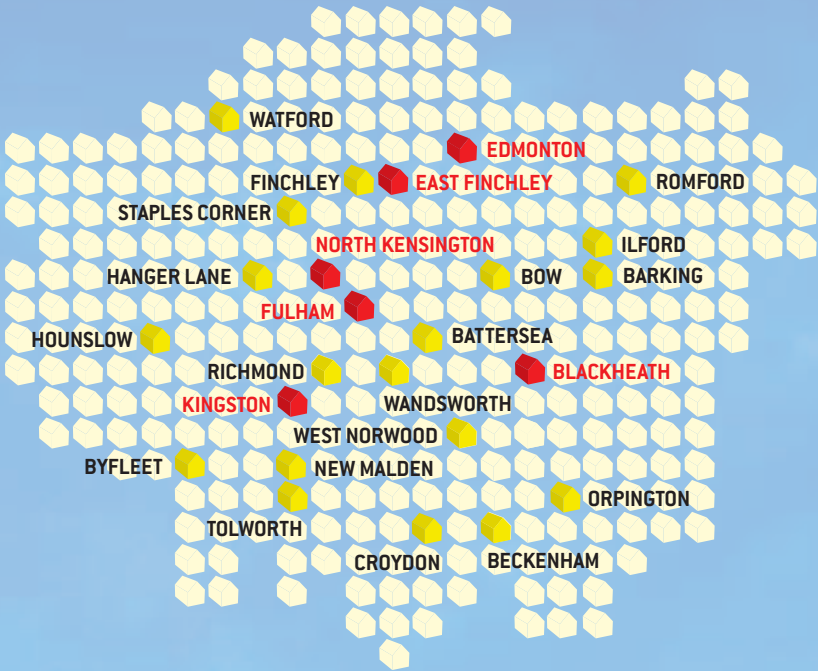
Ilford



Orpington



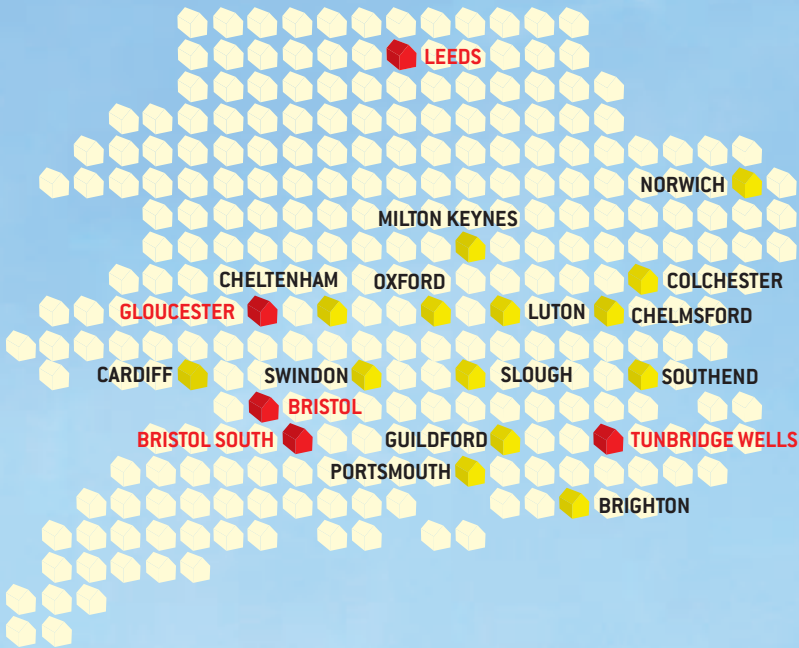
LONDON



- KEY
- Stores
  - Stores under development

[www.bigyellow.co.uk](http://www.bigyellow.co.uk)

THE REST OF THE UK



SELF STORE

# CHAIRMAN'S STATEMENT

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the self storage company, is pleased to announce results for the twelve months and for the fourth quarter ended 31 March 2005.

The Group continued to enjoy growth over the year, despite more testing market conditions in the second half arising from reduced consumer spending and a slowing housing market. In the face of a significant reduction in housing transactions the Group's performance over the winter months was satisfactory, with the mature stores holding their occupancy levels and lease up stores making reasonable progress. Trading in the final quarter was in line with our expectations, but April has been weaker. Whilst annualised revenue advanced in April, occupancy was flat, which we attribute to this more cautious consumer environment.

## Financial Results

Turnover for the year was £33.4 million (2004: £23.8 million) an increase of 40%. Underlying revenue on an annualised basis increased at the year end to £36.5 million (2004: £27.8 million), up 31% compared to the previous year.

The Group made a pre-tax profit for the year of £4.1 million compared with a profit of £1.2 million in 2004. Basic earnings per share were 2.52p (2004: 0.66p).

Packing materials, insurance and other sales were £4.1 million, representing 14.2% of storage income (March 2004: £3.1 million, 15.0%), and at the year end the number of customers had risen to 24,600 from 20,400 at 31 March 2004, an increase of 21%.

The Group continues to increase its cash generation, making an operating cash surplus of £8.5 million after operating costs, central overhead and interest costs but before depreciation, amortisation and tax (2004: £5.1 million) (see note 5).

Annualised revenue over the fourth quarter rose by 4% to £36.5 million from £35.0 million at the end of the third quarter to the 31 December 2004. Turnover for the fourth quarter rose to £9.0 million from £8.8 million in the third quarter. Pre-tax profit for the fourth quarter was £1.28 million, up from £1.07 million in the third quarter.

## Dividend

The Board has reviewed its dividend policy and concluded that in addition to the maiden interim dividend of 0.5p, the final dividend be increased, reflecting confidence in the Group's cashflow.

The Board is therefore recommending a final dividend of 1.5p per ordinary share (2004: 1.05p), which together with the interim dividend of 0.5p (2004: nil), takes the total dividend for the year to 2.0p (2004: 1.05p). The ex-dividend date will be 1 June 2005; the record date 3 June 2005; with an intended payment date of 1 July 2005.

## Placing

In February 2005, 28.15 million shares controlled or managed by Pramerica Real Estate Investors were successfully placed into the market, spread across some 44 investors, many of whom were new to the Company.

This has doubled the free float and significantly enhanced liquidity in the Company's shares, a benefit to all shareholders and the Company.

I would like to thank Pramerica Real Estate Investors and, in particular, Jonathan Short and his colleagues for their support and guidance since the original pre-flotation investment in September 1999. I am also delighted that Jonathan Short has agreed to remain on the Board as a Non-Executive Director.

## Stores and the Market

In the year we increased occupancy by 202,000 sq ft, with total occupancy at 31 March 2005 of 1.47 million sq ft representing a 77% occupancy rate across all trading stores. Occupancy levels on those stores that have been open for more than two years have held steady at 86% over the winter period.

We have included as usual a table summarising the trading performance of all our stores over the year, this can be found on page 14. The 19 stores open for more than two years made trading profits before interest, tax, depreciation and amortisation ("EBITDA") of £13.1 million in the year on turnover of £21.6 million, giving a total EBITDA margin of 61% (2004: 57%). This comprises 66% for freeholds (2004: 66%) and 51% for leaseholds (2004: 49%). Same store turnover for these 19 stores increased 18% year on year, of which 10% is a result of yield improvement and the balance occupancy growth.

Recently, the self storage market in the UK has witnessed some consolidation with the merging of two of our competitors. The supply of new stores in our core area remains limited due to the relatively high barriers of site acquisition and the difficulty of obtaining planning permission.

Demand for self storage appears to be more muted than in previous years, a reaction we believe to be the result of a slowing housing market and a more cautious consumer.

## Management

Management throughout the Group has remained stable during the year both at Head Office and within the Stores. As with all businesses like ours very little can be achieved without the goodwill and hard work of the people involved and I should like therefore to express my continued thanks for all their endeavours which I believe provides the Group with such a strong competitive edge.

## Property

We now have 44 stores open or committed having acquired six sites in the year including five freeholds at Fulham, Gloucester, South Bristol, Tunbridge Wells, Leeds and a long leasehold site in Central Bristol.

33 stores are trading, with Beckenham having opened since the year end. The proposed Fulham store, subject to Planning approval, is expected to provide in excess of 125,000 sq ft of net lettable storage space, equivalent to two standard stores.

Of the 11 committed but unopened stores we have planning permissions on five and are negotiating for planning permission on the remainder. When fully developed, these stores will provide an additional 700,000 sq ft of net lettable self storage, taking the total for all stores to 2.7 million sq ft. Of the 44 stores or sites, 24 are located in Greater London with net lettable capacity of 1.6 million sq ft (59%).

The property strategy remains to acquire six to eight sites per year for the foreseeable future. As indicated at the interim results we intend to expand into certain key towns in the Midlands and the North and to that end we are seeking suitable properties in those areas. We are pleased to have acquired our first store in Leeds, which is due to open in the early summer of this year.

Although we have succeeded in acquiring 13 development sites in the last two years, the acquisition of high profile, quality sites, which meet our criteria and obtaining Planning Consents remains challenging and the key barrier to growth.

<b>Financial Highlights</b>	<b>4th quarter ended 31 Mar 05</b>	<b>3rd quarter ended 31 Dec 04</b>	<b>%</b>	<b>Year ended 31 Mar 05</b>	<b>Year ended 31 Mar 04</b>	<b>%</b>
Annualised revenue	<b>£36.5m</b>	£35.0m	+4	<b>£36.5m</b>	£27.8m	+31
Turnover	<b>£9.0m</b>	£8.8m	+2	<b>£33.4m</b>	£23.8m	+40
EBDAT (see note 5)	<b>£2.5m</b>	£2.3m	+9	<b>£8.5m</b>	£5.1m	+67
Profit before tax	<b>£1.28m</b>	£1.07m	+20	<b>£4.1m</b>	£1.2m	+242
Earnings per share				<b>2.52p</b>	0.66p	
Dividend – final						
– total				<b>1.50p</b>	1.05p	
				<b>2.00p</b>	1.05p	
Adjusted net assets per share (see note 21)				<b>186p</b>	N/A	
Number of customers	<b>24,600</b>	23,600	+4	<b>24,600</b>	20,400	+21
Occupied space	<b>1,470k sq ft</b>	1,418k sq ft	+4	<b>1,470k sq ft</b>	1,268k sq ft	+16

We are primarily focused on acquiring freehold properties in all but very exceptional circumstances and, when they come available, acquiring the freehold of our leasehold stores. Indeed, in October 2004 we completed the acquisition of the freehold investment building, part occupied by our Wandsworth store. The Group now owns 34 of its stores and sites freehold, one long leasehold and 9 short leasehold.

During the year, the Group sold surplus land at three of its stores for £7.35 million at pro-rata book value which has been recycled into funding capital expenditure.

#### Valuation and Net Asset Value

Following the transfer to the Real Estate sector and first valuation disclosed in our Interim statement, we have commissioned a further valuation of the Group's property at 31 March 2005 (see Note 22).

The total value of the group's properties is £314.2 million comprising £223.8 million (71%) for freehold trading stores £51.5 million (17%) for leasehold trading stores and £38.9 million (12%) for sites held for development. The properties held for development have not been valued and have been included at cost. The valuation translates into an adjusted net asset value per share of 186p after the dilutive effect of outstanding share options.

In future years an external valuation will be carried out every six months using the same valuation model. The Group has not changed its accounting policy, and assets are held at historical cost less depreciation.

#### Outlook

We believe that in the short term trading conditions will continue to be more testing than they have been in previous years as the consumer becomes more cautious in a slowing housing market.

However, we continue to believe that the Group's strong branding, focus on customer service and strength of operational management will give it resilience, but not complete immunity to any adverse market conditions. Further, the Group is well financed with strong cashflow, significant available bank facilities, underpinned by its quality store portfolio, 80% of which is owned freehold. We cautiously look forward to our busier summer period and the continued expansion of our portfolio through the opening of existing committed stores and further site acquisitions.



**Nick Vetch**  
Chairman  
9 May 2005

- > **Pre-tax profit of £4.1 million**  
(2004: £1.2 million) up 242%
- > **Annualised revenue of £36.5 million**  
(2004: £27.8 million) up 31%
- > **Earnings for the year before depreciation, amortisation and tax of £8.5 million** (2004: £5.1 million) up 67%, (see note 5)
- > **Final dividend proposed of 1.50p per ordinary share** (2004: 1.05p)
- > **Adjusted Net Assets per share of 186p as at 31 March 2005**  
(see note 21) (175p as at 30 September 2004)
- > **33 stores currently open with a further 11 stores committed, providing 2.7 million sq ft of self storage space when completed**
- > **The number of customers continues to increase to 24,600**  
(2004: 20,400 customers) up 21%
- > **Turnover for stores open more than two years at 1 April 2004 up 18% year on year, of which 10% is yield improvement, with the balance representing occupancy growth**
- > **Packing materials, insurance and other sales were £4.1 million in the year** (2004: £3.1 million)
- > **Facility with Royal Bank of Scotland, Bank of Ireland and Barclays Bank increased to £150 million from £80 million in April 2005**



# OPERATING REVIEW



Nick  
*Senior Store Manager*



## Stores

During the year, we opened stores in Swindon, Watford and Tolworth and after the year end, Beckenham, bringing the number of stores now trading to 33. These provide a total 2.0 million sq ft of net lettable space. 30 of the stores are now trading profitably at the pre-tax level and all but the two most recently opened stores have positive operating cashflow.

The maturity profile across the stores open at the end of the year is set out in the trading summary and shows a blended occupancy for the portfolio of 77% (1.47 million sq ft), with the 19 stores more than two years old at an average occupancy of 86%. There are a further 11 stores in the pipeline which, when fully developed, will increase the total capacity of the portfolio to 2.7 million sq ft.

Customer move-ins per store averaged 97 per month over the year, down slightly from the 100 per month last year, reflecting a more mature store portfolio and a more difficult trading environment in the second half of the year.

The continued drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. During the year our development of store managers has included increasing their ownership and accountability. There has been additional effort devoted to selling standards and customer service and this has been backed up by more streamlined and effective mystery shop and ex-customer surveys managed from head office.

This has been the first year of running a revised bonus scheme for all the store management team with quarterly targets based on profit rather than revenue. We implemented this in the quarter to June to reflect the increasing proportion of mature stores in the business. The result has been an improved understanding of sales lines and control of store costs. Staff have found the build up of performance and bonus more visible with monthly reporting, and bonus payouts have been less seasonal, which was one of the key objectives.

The Company manages the construction and fit-out of its stores in-house as we believe it provides better control and we have an excellent record of building stores on time and within budget. We continue to review our specifications and building methods to comply with building regulations and operational demands.

Some of our earlier stores are now over five years old and to maintain the quality of our estate and customer offering we continue to invest in a rolling programme of store makeovers, preventative maintenance, store cleaning and the repair and replacement of essential equipment.

In January 2005 the Company became regulated by the FSA and authorised to sell customer insurance under new legislation. This decision was taken after consultation with the UK Self Storage Association who had discussions with the Treasury and FSA, and after taking our own legal advice. It also signed a new Binding Agreement with its Lloyd's Underwriter. We have reviewed all our selling procedures and, where necessary, revised our storage agreement and insurance agreement with notification of changes to all customers.



*“Personal storage at Big Yellow – the quick and easy way to break the housing chain or to free up valuable living space.”*

*“Our network of stores allow businesses, from home office workers to major corporates, to expand or contract their storage requirements as circumstances dictate.”*

## Security

The safety and security of our customers and stores remains a key priority. To achieve this we invest in state of the art access control systems, individual room alarms, digital CCTV systems, intruder and fire alarm systems and the remote monitoring of our stores out of hours.

We have implemented security procedures in relation to customers in line with advice from the Metropolitan Police. We continue to work with the regulatory authorities on issues of security and review our operational procedures regularly. The importance of security and the need for vigilance is communicated to all store staff and reinforced through regular training.

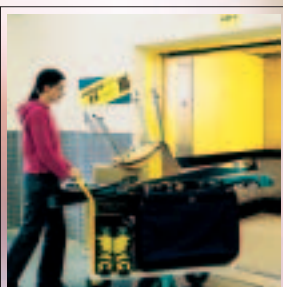
## Marketing

During the year the Company spent approximately £1.35 million, 4% of turnover, on above the line marketing, in line with the previous year.

We ran a successful TV campaign on Carlton/London Weekend Television and a radio campaign on Heart FM and selected local radio stations. Both campaigns were run over our peak trading period last summer and followed by further radio campaigns in the autumn. This was our second year of significant TV and radio investment which we believe has contributed to the achievement of Big Yellow as the leading brand in our area of operation.

To build on this success and reinforce Big Yellow's brand position we have recently launched further TV and radio advertising campaigns, timed to coincide with our busier summer trading period and with a focus on Greater London and surrounding towns, benefiting 25 of our stores.

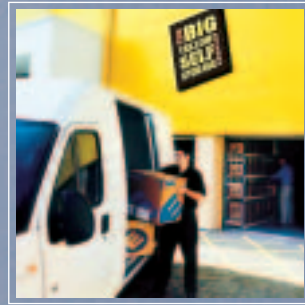
Local marketing, selling standards and customer service at store level are also critical to building the brand and achieving store performance. This effort at the stores along with our central marketing initiatives is now focused on the lease up on stores between one and two years old with current occupancies of 60% and over.







Dominic  
*Finchley Store*

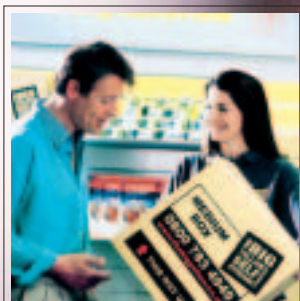
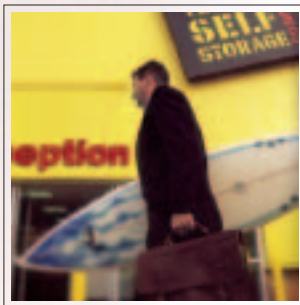






Marie  
*Customer Services*





## People

At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing the commitment to customer service and standards of performance.

As the business has grown it has been necessary to formalise the means by which ideas and policy changes are communicated and discussed with employees. There are regular consultation meetings held with employees, both formally and informally, with directors and senior management spending significant time in the stores and being accessible to employees at all levels.

We encourage a partnership culture within the business and believe in staff participating in corporate performance through share incentives. Many employees have benefited or continue to benefit from share options granted in previous years. In August 2004 we introduced a new Sharesave Scheme which provides an opportunity to invest in the future success of Big Yellow linked over a three year savings period.

In addition, a new stakeholder pension scheme managed by Friends Provident was put in place last summer to provide more effective pension provision within the Group, as we are committed to encouraging our employees to save for their future. Currently over 60% of our employees are members of the scheme.

We had 166 employees in the business at 31 March, and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow. We promote the individual development of staff through training and regular performance appraisals and have a policy on flexible working to meet individual needs where possible, without compromising corporate objectives.

## Systems

From day one the Board has always considered investment in the development of IT systems as critical to achieving the Group's strategic and operational goals. This process has continued in the last year with further development of our centralised operating system. This is the first centralised off the shelf package available from a UK supplier capable of managing a large portfolio and was rolled out into our stores in 2003/2004. In the last year we have successfully achieved efficiencies in day to day operations and improved the quality of management information and hence financial and operational controls.

An example of the efficiency gains has been the implementation of changes to customer letters, promotions and storage rents all of which can now be changed on the whole portfolio within a matter of hours. Furthermore the processing of the current year price increase to approximately 25,000 existing customers was achieved within a 24 hour period. Under the previous decentralised store based PC system this would have taken significantly longer.

This centralisation of operating systems necessitated investment in new head office infrastructure in tandem with an updated IT disaster recovery plan. All current systems have been selected and implemented to support the projected growth of the business.

*“We sell everything our customers need for hassle free storage including boxes, packing tape, bubble wrap and contents insurance.”*

# FINANCIAL REVIEW

Annualised revenue, the measure of store revenue being billed (net of all discounts) at the end of the year, increased to £36.5 million, up from £27.8 million last year, an increase of 31%. Turnover for the year was £33.4 million, up 40% from the £23.8 million for 2004.

## Profit and Loss Account

Other sales, comprising the selling of packaging materials, insurance and storage related charges represented 14% of storage income for the year (2004: 15%). Although down slightly in percentage terms this was £4.1 million for the year up from £3.1 million in 2004. The Group made a pre-tax profit in the year of £4.1 million, up significantly from the £1.2 million in the prior year.

The Group sold surplus land at three of its store development sites for net proceeds of £7.35 million making a net profit of £2,000 (see note 5).

The basic earnings per share for the year were 2.52p (2004: earnings per share 0.66p) and the fully diluted earnings per share were 2.48p (2004: earnings per share 0.64p).

The Group's cash earnings continue to grow as reflected by the increase in EBDAT for the year to £8.5 million (see note 5) from £5.1 million last year. The current year result is after payment to Directors and senior management of a four year cash bonus totalling £1.4 million, including employers National Insurance contributions. This scheme was set up to reward senior management through the early growth phase of the business and has not been renewed.

**Administration expenses** including the cost of construction management were £5.4 million (2004: £3.6 million) for the year. The current year expense includes the Long Term bonus mentioned above of £1.4 million, including employers' national insurance contributions and £0.3 million in relation to corporate costs principally related to the Group restructuring and new share incentive plans introduced in the first half. The balance is annual inflationary increases.

**Net interest expense** for the year increased to £5.6million up from £3.5 million in 2004 reflecting the increase in net borrowing over the period. The average cost of borrowing including margin at 31 March is set out below:

	2005	2004
Average interest rate on fixed rate debt	6.5%	6.6%
Average interest rate on variable rate debt	6.0%	5.8%
Overall weighted average interest rate	6.3%	6.4%

**Depreciation** and goodwill amortisation for the year increased to £4.4 million (2004: £3.8 million) in line with increased capital expenditure on new store openings.

## Group Restructuring

On 13 September 2004 the Group announced the restructuring of its business with the transfer of trading operations into a new operating company separate from its property owning companies and the reclassification to the Real Estate sector. This restructuring was completed on 30 September and became effective on 1 October 2004.

The Board was advised that as part of this restructuring the VAT election on all but one of its trading stores would automatically be dis-applied on completion of the restructuring. For those stores affected, storage charges from 1 October 2004 are now exempt from VAT. However the Group is now unable to recover VAT on the majority of its capital and operating expenditure. In addition a proportion of the VAT incurred and previously

recovered on its historical capital expenditure will be repaid under the Capital Goods Scheme over a period of 10 years (see Note 16). The Board believes this action improves the Group's competitive position, sales and profitability, and provides flexibility for the future.

## Balance Sheet and Cash Flow

The Group's property fixed assets are held in the balance sheet at historical cost net of depreciation.

During the year the Company incurred capital expenditure of £42.8 million (2004: £36 million), the majority on the acquisition of sites and construction of stores. In addition, £16 million of VAT previously recovered but now repayable under the Capital Goods Scheme (see note 16) has been capitalised, of which £1.9 million was paid in February 2005.

The increase in the net book value of tangible fixed assets in the year from £130.6 million to £177.8 million at 31 March 2005 is set out below:

	£ million
1 April 2004	130.6
Additions	42.8
Disposals	(7.3)
Capital Goods Scheme Adjustment	16.0
Depreciation	(4.3)
<b>31 March 2005</b>	<b>177.8</b>

Following the reclassification to the Real Estate sector in September 2004 we commissioned a valuation of all the Group's trading stores as at 30 September and reported an adjusted net asset per share figure for the first time as part of our Interim Results. We intend to value our properties externally at the half year and full year in future, and have therefore had the portfolio of trading stores valued as at 31 March 2005. The results of this valuation are shown in note 22. These valuations have not been booked in the accounts. The properties held for development totalling £38.9 million at 31 March 2005 have not been re-valued and are held at cost (2004: £21.2 million).

The historical cost net assets of the Group at 31 March 2005 were £58.7 million (2004: £58.4 million), the movement comprising a profit after tax of £2.5 million, new share issues on exercise of options £0.6 million, less dividend of £2.0 million and purchase of shares into a Employee Benefit Trust of £0.8 million.

The Group had net current assets of £0.3 million at 31 March 2005 (2004: net current liabilities of £5.1 million). The Group is strongly cash generative and draws down from its longer term committed facilities as required to meet obligations. The cash inflow from operating activities for the year was £14.8 million compared with an inflow of £9.1 million in 2004, an increase of 63%.

## Financing and Treasury

Over the years we have cultivated strong relationships with leading banks and other financial institutions. These relationships are key to the continued financing of the Group's growth, as although we will increasingly be able to fund our expansion internally from cashflow, there will continue to be a need for further bank debt in the medium term.



The Group enjoys a strong financial position with interest cover in excess of 2.5 times with a relatively conservative debt structure secured principally against its freehold estate. The Group was comfortably in compliance with its bank covenants at 31 March 2005.

At the end of the year, the Group had net borrowings of £102.5 million, an increase of £34.1 million over last year following £45.7 million of capital expenditure, £5.1 million of net interest paid, dividend payments of £1.5 million, net cashflows from changes in share capital of £0.2 million, offset by operating cash flow of £14.7 million, and land disposal proceeds of £3.7 million.

Subsequent to the year end, the Group has increased its bank facility with the Royal Bank of Scotland, Bank of Ireland and more recently Barclays to £150 million. We are delighted to welcome Barclays to the syndicate of banks. This facility is secured on a portfolio of freehold and leasehold assets, and will increase total bank facilities to £183 million. Net debt at the end of March was £102.5 million, and this will leave significant available facilities to fund expansion together with the Group's growing operational cashflow.

Treasury continues to be closely monitored and its policy approved by the Board. We maintain a close 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. At 31 March 2005, the Group had total borrowings of £109 million of which £53 million is fixed at maturities expiring in 2007 and 2010. We will continue to review policy in relation to future interest rate exposure based on assessment of prevailing market conditions.

The Group has entered into a number of swaps to fix the interest payable on a proportion of the external borrowings. Bank loans totalling £52.9 million are fixed or are subject to interest rate swaps which expire between 2007 and 2010.

Cash deposits are only placed with approved financial institutions in accordance with Group policy.

### Share Capital

The share capital of the Company totalled £10.1 million at 31 March 2005 (2004: £9.9 million), consisting of 100,725,537 ordinary shares of 10p each (2004: 99,400,216 shares).

During the year the Group purchased 615,000 shares into Treasury at an average price of 132p, which were subsequently transferred into an Employee Benefit Trust ("EBT"). These shares are shown as a debit in reserves and are not included in calculating earnings and net asset value per share.

Shares issued for the exercise of options during the period amounted to 1,325,321 at an average exercise price of 43p.

	2005	2004
Opening shares	99,400,216	99,400,616
Buy-backs in the market for cancellation	–	(150,000)
Shares issued for the exercise of options	1,325,321	149,600
Closing shares in issue	100,725,537	99,400,216
Shares held in EBT	(615,000)	–
Closing shares for NAV purposes	100,110,537	99,400,216

67,465,613 million shares were traded in the market during the year ended 31 March 2005 (2004: 22,700,673). The average mid market price of shares traded during the year was 161p with a high of 217p and a low of 122p.

At 31 March 2005 there were 7,658,295 shares subject to share option awards to employees of the Group at an average strike price of 93p. In addition there are 146,000 nil paid options granted under the Group's LTIP scheme and 206,034 share options granted under the Group's SAYE scheme at an average strike price of 112p.

### Dividend

A final dividend of 1.5p per share is proposed, increased from the 1.05p final dividend for 2004 and together with the interim dividend of 0.5p (2004: Nil) takes the total dividend for the year to 2.0p (2004: 1.05p).

### Taxation

The current year tax charge for the Group of £1.5 million (2004: £0.6 million) relates to a movement in deferred tax of £1.5 million and corporation tax payable of £0.03 million.

The deferred tax asset brought forward of £1.2 million, which arose principally as a result of historic trading losses, has been fully reversed in the current year, and has been replaced by a deferred tax liability of £0.3 million.

The Group has an effective tax rate for the year of 38% reduced from 47.6% in 2004. This effective tax rate is higher than 30% because the Group does not receive full tax relief for the cost of acquiring or redeveloping its property fixed assets, primarily in relation to its buildings which the Company depreciates. As a result, a significant proportion of the capital expenditure of the Group's property fixed assets does not create a deductible expense for tax purposes. As the Group grows and if the level of profits increases we would expect to see a further reduction in the effective tax rate. However the effective tax rate will always continue to be higher than the standard corporation tax rate whilst the Group continues to depreciate its property fixed assets and a proportion of its capital expenditure on property fixed assets, primarily in relation to buildings, continues to not qualify for tax relief (see note 8).

### International Financial Reporting Standards ("IFRS")

The first full financial statements that the Group will report under IFRS will be for the year ended 31 March 2006. Our Interim results for the period to 30 September 2005 will be presented under IFRS. The move to IFRS will not change the underlying performance and cashflow of the business but will impact the way in which results are presented. Based on our review to date, we consider that the changes that will most affect Big Yellow are as follows:

- > We believe that all our operating leases will remain as operating leases under IFRS.
- > Awards made under our share option and long term incentive plans since 7 November 2002 will be fair valued.
- > The goodwill in our balance sheet will not be subject to amortisation, but instead will be subject to an annual impairment review.
- > The 2005 final dividend will not be included in the closing balance sheet, but accounted for on a cash basis.
- > The swap arrangements in place fixing interest rates on part of our bank debt will be marked to market.

We will present our restated results under IFRS for the year ended 31 March 2005 to the market in September 2005 prior to the announcement of our interim results. In our quarterly results for the 3 months to June 2005, announced in July, we will not present a pre-tax profit figure as we will not have completed our IFRS restatement exercise by then.

**James Gibson**  
Chief Executive

# TRADING SUMMARY

Years since opening at 1 April 2004	Greater than 2 years		Between 1 and 2 years		Less than 1 year	Total
Number of stores	19		8		5	32
Total capacity (sq ft)	1,086,000		549,000		277,000	1,912,000
Occupied space (sq ft)	929,000		412,000		129,000	1,470,000
Percentage occupied	86%		75%		47%	77%
	Freehold	Leasehold	Freehold	Leasehold <sup>(5)</sup>	Freehold	Total
Number of stores	13	6	5	3	5	32
Total capacity (sq ft)	741,000	345,000	360,000	189,000	277,000	1,912,000
	£'000	£'000	£'000	£'000	£'000	£'000
Annualised revenue	14,757	8,087	6,727	3,677	3,226	36,474
For the year						
Self storage sales	12,218	6,825	5,174	3,053	1,929	29,199
Other income <sup>(1)</sup>	1,748	851	760	436	355	4,150
Bulk storage sales	–	–	–	–	26	26
Total turnover	13,966	7,676	5,934	3,489	2,310	33,375
Direct store operating costs (excluding depreciation)	(4,698)	(3,800)	(2,056)	(2,106)	(1,350)	(14,010)
Store EBITDA <sup>(2)</sup>	9,268	3,876	3,878	1,383	960	19,365
EBITDA margin	66%	51%	65%	40%	42%	58%
Store depreciation	(1,629)	(794)	(897)	(458)	(466)	(4,244)
Store EBIT <sup>(3)</sup>	7,639	3,082	2,981	925	494	15,121
Administration expenses						(5,436)
Operating profit						9,685
Profit on sale of assets						2
Net interest						(5,634)
Profit before tax						4,053
Store capital expenditure at 31 March 2005	£m	£m	£m	£m	£m	£m
Pre capital goods scheme	60.6	12.4	32.2	7.2	25.8	138.2
Capital goods scheme repayment <sup>(4)</sup>	4.7	1.2	4.0	0.9	2.7	13.5
Cost to complete	0.0	0.0	0.0	0.0	1.6	1.6
Total cost	65.3	13.6	36.2	8.1	30.1	153.3

<sup>(1)</sup> Packing materials, insurance and other storage related fees

<sup>(2)</sup> Earnings before interest, tax, depreciation and amortisation

<sup>(3)</sup> Earnings before interest and tax

<sup>(4)</sup> Capital goods scheme adjustment was made on 30 September 2004 at the Interim stage (see note 16)

<sup>(5)</sup> Our Chelmsford store which opened in April 2003 has been included in leasehold stores trading between 1 and 2 years at 1 April 2004



# REPORT ON CORPORATE GOVERNANCE

## Introduction

The Company is required to comply with "The Combined Code on Corporate Governance" ("the Code") which came into effect for reporting years on or after 1 November 2003. This report describes how the Company complies with the provisions of the Code.

## Compliance Statement

The Company is committed to high standards of corporate governance and throughout the year ended 31 March 2005, the Company has been in compliance with the Provisions set out in Section 1 of the Code, except as noted in the audit committee section below.

## The Board and its Principal Committees

The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership with a framework of sound controls. The Board is responsible for setting the Group's strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals.

The Board consists of eight Directors: five Executives and three Non-Executives. The Board considers two of the Non-Executive Directors, David White and David Ross, to be independent and free from any business or other relationship which could materially interfere with the exercise of their judgement throughout the year. David White is the Senior Independent Non-Executive Director.

Jonathan Short was not deemed independent by the Board, because he represented two large shareholders controlling together 28.1% of the Company. On 4 February 2005 the shareholders that he represented disposed of their shareholding in the Company. Jonathan Short is now deemed independent by the Board.

Given the size of the Company, and its ownership structure, we believe the proportion of independent Non-Executives to be appropriate.

All the Non-Executive Directors bring independent judgement and considerable knowledge and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non-pensionable. The biographical details of the Directors of the Group are set out on page 25.

## Chairman and Chief Executive

The division of responsibilities between the Chairman and the Chief Executive has been agreed by the Board and encompasses the following parameters:

- > the Executive Chairman's role is to provide continuity, experience, governance and strategic advice, while the Chief Executive provides leadership, drives the day-to-day operations of the business, and works with the Chairman on overall strategy;
- > the Chairman, working with the Senior Independent Non-Executive Director, is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders;
- > the Board believes that the Chairman and the Chief Executive work effectively together to provide effective and complimentary stewardship;
- > the Chairman must:
  - > take overall responsibility for the composition and capability of the Board; and
  - > consult regularly with the Chief Executive and be available on a flexible basis for providing advice, counsel and support to the Chief Executive.
- > the Chief Executive must:
  - > manage the Executive Directors and the Group's day-to-day activities;
  - > prepare and present to the Board strategic options for growth in shareholder value;
  - > set the operating plans and budgets required to deliver agreed strategy; and
  - > ensure that the Group has in place appropriate risk management and control mechanisms.

## Board of Directors

Details of the Board and its principal committees are set out below. Attendance at meetings of individual Directors is shown next to the Director's name. All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure where appropriate the attendance of external advisers at its meetings and to seek information required from any employee of the Company in order to perform its duties. The current full terms of reference of the committees are available on the Company's website at [www.bigyellow.co.uk](http://www.bigyellow.co.uk).

Nick Vetch	{ Executive Chairman } { ? }
David White	{ Non-Executive Deputy Chairman, Senior Independent Director } { ? }
David Ross	{ Non-Executive Director } { ? }
Jonathan Short	{ Non-Executive Director } { ? }
James Gibson	{ Chief Executive Officer and Finance Director } { ? }
Adrian Lee	{ Operations Director } { ? }
Philip Burks	{ Property Director } { ? }
Stephen Homer	{ Marketing Director } { ? }

Company Secretary: Michael Cole

Number of meetings during the year: Seven.

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

The Board meets on a regular basis approximately once every two months to discuss a whole range of significant matters including strategic decisions, major acquisitions and performance. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

There is a formal schedule of matters reserved for the Board's attention including the approval of Group strategy and policies; major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the normal course of business.

At each Board meeting the latest available financial information is produced which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the Executive Directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new Director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

A performance evaluation of the board and its individual members took place during the year. The Chairman evaluated the performance of the Executive Directors, and the performance of the Chairman was evaluated by the Senior Independent Non-Executive Director. It was considered that the individuals and the Board as a whole were operating effectively. Training is available for new Directors and other Directors as necessary. Jonathan Short is being proposed for re-election at the Annual General Meeting. Following the performance evaluation above, the committee has determined that his performance continues to be effective, and he has demonstrated commitment to the role.

### **Audit Committee**

David White (Chairman) (3)

David Ross (3)

Jonathan Short (3)

Number of meetings during the year: Three

Mr Short is a member of the audit committee, and as for a portion of the year he was not considered to be wholly independent, this does not comply with the Code. The Board considered that as Mr Short represented two large shareholders, controlling together 28.1% of the Company, he had a major interest in ensuring the audit process and risk management in the business is robust.

### *The Work of the Audit Committee*

The Committee meets at least three times a year and receives papers for consideration in advance of the meeting. The papers reflect the agenda prepared by the Company Secretary in conjunction with the Committee Chairman. There are a number of standing items considered during the year such as consideration of the external audit reports, review of the preliminary and interim announcements, and review of the Annual Report and Accounts. Other items that have been considered during the year include, a review of risk management processes, consideration of major risks identified by this process, and consideration of the external auditors' fees. At the invitation of the Committee, and as appropriate to the matters under discussion, meetings may be attended by certain Executive Directors and the external auditors. Full minutes are kept by the Secretary of the matters considered and decisions taken by the Committee. Outside of the meeting process the Committee Chairman has regular contact with the Executive Directors, other committee members and the auditors on a variety of topics.

The Audit Committee assesses and reviews on a regular basis the independence of the external auditors. In forming their opinion on the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within Deloitte & Touche LLP.

The Audit Committee considers on a case by case basis whether or not the external audit firm should be permitted to carry out other services for the Company. The two key principles applied are: firstly, whether the provision by the auditors of that service would compromise their independence in any material way; and secondly whether it would otherwise be inappropriate for them to be engaged, for example in relation to any material accounting irregularities or significant fraud that had previously not been detected during an audit carried out by that firm. Additionally, the external auditors are specifically prevented from providing accounting, internal audit and valuation services to the Group.

Regard is paid to the nature of, and remuneration received, for other services provided by Deloitte & Touche LLP to the Group and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit.

In respect of the year ended 31 March 2005, the auditors' remuneration comprised £110,000 for audit work and £164,000 for other work, principally relating to the group restructuring in September 2004 and advice in respect of the LTIP and Sharesave schemes. The level of non-audit work carried out by the auditors was higher than in previous years, however the committee gave careful consideration to the services provided by the auditors, and concluded that the advice that they gave would not compromise their independence, and did not lead to a threat of self review.

The Audit Committee has reviewed the briefing paper on effective communication between audit committees and external auditors issued in September 2002 by the Auditing Practices Board and, having considered the recommendations of the briefing paper with the external auditors, has concluded that the relationship between the Audit Committee and Deloitte & Touche LLP is in accordance with the objectives contained in the briefing paper.

The Committee reviewed the arrangements for "whistleblowing" by employees to ensure that there is a consistent policy in the Group to enable employees to voice concerns particularly in respect of possible financial reporting improprieties. A whistleblowing policy is included in the employee handbook.



# REPORT ON CORPORATE GOVERNANCE (CONTINUED)

## Remuneration Committee

David White (Chairman) (3)

David Ross (3)

Jonathan Short (1)

Number of meetings during the year: Three

Jonathan Short was appointed to the Remuneration Committee on 9 February 2005, subsequent to the date that he was deemed wholly independent by the Board.

The Committee is responsible for determining broad policy for the remuneration of the Executive Directors and the Company Secretary. Within the terms of the agreed policy the Committee will determine the total individual remuneration package of each Executive Director, including, where appropriate, bonuses, incentive payments, pension arrangements and share options. The Committee will select, appoint and set the terms of reference for any remuneration consultants who advise the Committee. The Committee will ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is, where appropriate, fully recognised.

The fees of the Non-Executive Directors are reviewed by the Board at regular intervals. The statement of remuneration policy and details of each Director's remuneration is set out in the Directors' Remuneration Report.

## Nominations Committee

David White (Chairman) (2)

David Ross (2)

Jonathan Short (2)

Number of meetings during the year: Two

The Nominations Committee is responsible for regularly reviewing the structure, size and composition required of the Board and giving consideration to succession planning for Directors and other senior executives. Where changes are required, it is also responsible for the identification, selection and proposal to the Board for approval of persons suitable for appointment or reappointment to the Board, whether as Executive or Non-Executive Directors and to seek approval from the Remuneration Committee to the remuneration and terms and conditions of service of any proposed Executive Director appointment. The Chairman of the committee presents reports to the Board as appropriate to enable the Board as a whole to agree the appointments of new Directors. The committee meets at least once a year and otherwise as required and as determined by its members.

## Shareholder Relations

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Board aims to achieve clear reporting of financial performance to all shareholders. The Board acknowledges the importance of an open dialogue by both Executive and Non-Executive Directors with its institutional shareholders and communicates regularly with them throughout the year through both formal and informal meetings. The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the Annual General Meeting is an ideal forum at which to communicate with investors and the Board encourages their participation.

Any queries raised by a shareholder, either verbally or in writing, are answered immediately by whoever is best placed on the Board to do so. Directors are introduced to shareholders at the AGM, including the identification of Non-Executive Directors and Committee Chairmen. The number of proxy votes cast in the resolution is announced at the AGM.

## Internal control and risk management

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness, in accordance with the Turnbull guidance. The system of internal control was in place throughout the financial year and to the date of this report. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a rigorous system of internal control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. This system has been in place throughout the year. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

A formal risk identification and assessment exercise has been carried out resulting in a risk framework document summarising the key risks, potential impact and the mitigating factors or controls in place. The Executive have a stated policy of reviewing this risk framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

## REPORT ON CORPORATE GOVERNANCE (CONTINUED)

During the reviews, the Executive Directors:

- > challenged the framework to ensure that the list of significant risks to business objectives is still valid and complete;
- > considered new and emerging risks to business objectives and included them in the framework if significant;
- > ensured that any changes in the impact or likelihood of the risks are reflected in the risk framework; and
- > ensured that there are appropriate action plans in place to address unacceptable risks.

The results of the exercise have been communicated to the Board and the Audit Committee. This was in the form of a summary report which included:

- > a prioritised summary of the key risks and their significance;
- > any changes in the list of significant risks or their impact and likelihood since the last assessment;
- > new or emerging risks that may become significant objectives in the future;
- > progress on action plans to address significant risks; and
- > any actual or potential control failures/weaknesses during the period (including "near misses").

The Group does not currently have an internal audit function because the board has concluded that the internal controls systems discussed above are sufficient for the Group at this time.

### Going Concern

The Directors report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on the going concern basis.

### Statement of Directors' Responsibilities

The Directors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent; and
- > state whether applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

**Michael Cole**

Secretary  
9 May 2005



# DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2005.

## Principal Activity

The principal activity of the Company and its subsidiaries is the provision of self storage and related services.

## Review of Business

A detailed account of the Group's progress during the year and its future prospects is set out in the Chairman's statement and Operating and Financial Review on pages 4 to 13.

## Changes in Share Capital

During the year the Company issued 1,325,321 shares to satisfy the exercise of share options. The Company purchased 615,000 shares into Treasury during the year, which were then subsequently transferred to an EBT.

Further details are given in note 19 to the financial statements.

## Results and Dividends

The consolidated profit and loss account is set out on page 27 of the financial statements.

The Directors recommend a final dividend of 1.5p per ordinary share (2004: 1.05p per ordinary share) to be paid on 1 July 2005 to shareholders whose name appears on the register at the close of business on 3 June 2005. An interim dividend of 0.5p was paid in the year. (2004: no interim dividend paid).

## Payment of Suppliers

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. Trade creditor days of the Group for the year ended 31 March 2005 were 31 days (2004: 28 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year end, to trade creditors, within one year.

## Directors and their Interests

The Directors of the Company throughout the year were:

Philip Burks  
James Gibson  
Stephen Homer  
Adrian Lee  
David Ross  
Jonathan Short  
Nicholas Vetch  
David White

Details of the interests of the Directors in the shares of the Company are set out in the Report on Directors' Remuneration on pages 21 to 24.

## Annual General Meeting

The notice for the 2005 Annual General Meeting is included on pages 43 to 44. The meeting will be held at 20 Moorgate, London EC2R 6DA on 23 June 2005.

## Substantial Shareholdings

In addition to the interests of the Directors in the shares of the Company, the following substantial shareholdings have been notified to the Company:

	At 1 April 2004 No.	Ordinary shares of 10p each At 31 March 2005 No.	%	At 9 May 2005 No.	%
Thames River Capital <sup>(1)</sup>		11,350,000	11.27	11,350,000	11.27
Fidelity Management & Research Co <sup>(1)</sup>		8,903,864	8.84	8,903,864	8.84
Henderson Global Investors and subsidiary companies	16,974,621	6,165,223	6.12	6,057,366	6.01
Merrill Lynch Investment Managers <sup>(1)</sup>		5,690,666	5.65	5,690,666	5.65
Schroder Investment Management	5,271,407	4,718,462	4.68	4,718,462	4.68

<sup>(1)</sup> prior year holdings were less than 3%

During the year, Pramerica Real Estate Investors disposed of their shareholding in the Company of 28.15 million shares.

## DIRECTORS' REPORT (CONTINUED)

### Environmental Policy

Maintaining and improving the quality of the environment in which we live is an important concern for the Group, its staff, customers, suppliers and the communities in which we operate.

By the nature of our business, we have a low impact on the environment. We are, however, adopting high standards of environmental practices and aim to minimise our impact on the environment wherever this is practicable. In particular, we comply with, and endeavour to exceed, all laws and regulations relating to the environment.

A number of the properties acquired by the Group for development into self storage have been brown land. All our stores are developed to meet environmental standards with pollutants removed where applicable from the soil.

### Employees

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff who are encouraged to address queries to the Executive Directors. The Directors' executive meetings are held in stores fortnightly and in addition Directors and senior management visit the stores on a regular basis. Furthermore, there are regular team briefings at store level to provide employees with information about the performance of and initiatives in their store. A wide range of information is also communicated across the Group's Intranet, including the e-publication of the Group's financial results and all press releases, along with the publication of a quarterly newsletter.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses.

Customer service is a key priority of the Group and this is achieved through recruiting good people and investing in training and development leading to high levels of retention. The Group's recruitment policy is committed to promote equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation, nor political opinion and to treat all stakeholders fairly.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

### Health and Safety

The Board recognises the importance of maintaining high standards of health and safety for everyone who may be affected by our business.

The Group's Health and Safety policy is reviewed on an ongoing basis. It is applied in two distinct areas - construction and operations. The policy states that all employees have a responsibility for health and safety but that managers have special responsibilities. Additional duties are placed on Philip Burks and Adrian Lee to keep the Board advised on health and safety issues, compliance with the policy in respect of construction activity and store operations respectively.

The Group has a Health and Safety Committee, which meets quarterly and comprises these two Executive Directors and appointed managers. They meet to discuss any issues that have been reported from meetings held at head office and the stores, and any construction sites.

In addition, the Group has appointed an external consultant to review policy and perform audits of stores on a rolling programme to ensure the implementation of the Group's Health and Safety policies. Health and Safety audits are also carried out by external consultants on each construction site prior to the opening of a store.

### Donations

Charitable donations totalling £12,000 (2004: £3,000) were made to UK residents in the year.

### Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

### Michael Cole

Secretary  
9 May 2005



# REPORT ON DIRECTORS' REMUNERATION

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and the Listing Rules, and a resolution to approve the report will be proposed at the forthcoming Annual General Meeting.

The Regulations require the auditors' report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for unaudited and audited information.

## Unaudited information

### Remuneration Committee

The Remuneration Committee consists of the Non-Executive Directors: David White (Chairman of the Committee) David Ross and Jonathan Short (from 9 February 2005). The Committee is responsible for determining the level of remuneration of the Executive Directors. None of the Committee has any personal financial interest in the Company (other than as shareholders) and no Director is involved in the determination of his own remuneration.

During 2005, it appointed and received advice on the structuring of the Long Term Incentive Plan from Deloitte & Touche LLP. Deloitte & Touche LLP did not advise on the level of remuneration to be paid to the Executive Directors, which was the decision of the Remuneration Committee. Deloitte & Touche LLP are the Company's auditors and have also provided a range of non-audit services during the year.

### Remuneration Policy

Executive remuneration packages are designed to attract, motivate and retain Directors of the high calibre required and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the full Board.

There are four main elements of the remuneration package for Executive Directors and senior management:

1. Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions.
2. Performance related bonuses are assessed annually and determined by the Remuneration Committee and are based on a combination of individual and corporate performance during the year. The bonuses are capped at 50% of annual basic salary, and are directly linked to the Group's EBDAT and operating cashflow performance. There is no deferrable element of the bonus, and it is non pensionable. This year's annual bonus award represents 20% of basic salary earned in the year.
3. Pension contributions of 10% of basic salary are paid into a personal pension plan for each Director.
4. Share incentives

#### *Share options*

Share options are granted by the Remuneration Committee, and are assessed on an individual basis with a view to motivating and retaining Executive Directors in the longer term.

In accordance with the policy set by the Remuneration Committee immediately prior to the Company's flotation on AIM in May 2000, all Directors' share options granted since flotation are subject to the following performance conditions. In respect of the three year period from the date of grant they will only be exercisable if the aggregate increase in Company total shareholder return exceeds the increase during that period of the FTSE All Share Actuaries Total Return Index by not less than 20% on a straight line basis. For the period subsequent to these three years, but up to a maximum of six years after the date of the grant, the options will only be exercisable if the aggregate increase in Company total shareholder return exceeds 20% plus 6.67% per annum on a straight line basis, over the FTSE All Share Actuaries Index. There have been no grants under the Company's share option plans to Directors since December 2002 and the policy is that any future incentivisation of directors will be under the Long Term Incentive Plan described below.

#### *Long Term Incentive Plan ("LTIP")*

Approval was granted by shareholders at the 2004 Annual General Meeting for a new Long Term Incentive Plan (the "Plan").

The Remuneration Committee has determined that a new incentive plan using an award of nil-priced options is the most appropriate way to provide a competitive and market-related long term equity opportunity.

The principal reasons for the Remuneration Committee favouring the use of nil-priced options are:

- > the greater alignment of executive reward with shareholder interests;
- > the reduced volatility of nil priced options to general share price movements; and
- > minimising the dilutive impact of the LTIP to the Company's shareholders.

Participation in the LTIP is only available to Executive Directors and selected senior management.

The first awards under the LTIP to Directors will be made after the publication of the Company's annual results in May 2005. Initial awards have been designed to incentivise the executive team for the period between 2005 and 2010, although it is intended that awards under the LTIP will be made on an annual basis thereafter.

Individual grants of options to executive Directors for the first three years of the LTIP (2005 – 2007) have been determined by the Committee (see table overleaf) and these were disclosed in the 2004 Remuneration Report and approved by shareholders at the 2004 Annual General Meeting.

## REPORT ON DIRECTORS' REMUNERATION (CONTINUED)

Director	Option grant in May 2005	Option grant in May 2006	Option grant in May 2007
James Gibson	166,666	166,667	166,667
Philip Burks	66,666	66,667	66,667
Adrian Lee	50,000	50,000	50,000
Stephen Homer	50,000	50,000	50,000

In all other cases, it is intended that the maximum annual grant of awards will not exceed 100% of a participant's annual base salary, except where the Committee considers there to be exceptional circumstances which justify an award above this limit.

The number of ordinary shares issuable pursuant to awards granted under this LTIP and all other employee share schemes adopted by the Company may not be more than 10% of the ordinary share capital in any ten year period.

Awards will become exercisable subject to the satisfaction of challenging conditions ("Performance Conditions") which will determine how many (if any) of the awards will vest and become exercisable after the end of the performance period. The period over which performance will be measured shall not be less than three years.

Performance Conditions will be determined at the sole discretion of the Committee at the time of award and will be objective and linked to the underlying financial performance of the Company.

Any award under the LTIP that does not vest at the end of the specified performance period will lapse.

The extent to which awards to be granted under the LTIP in May 2005 will vest and become exercisable will be determined by reference to the Company's total shareholder return (TSR) relative to the FTSE All Share Index and the

Total Shareholder Return Performance Level	Amount of Award Vesting %
Upper Quartile	Full vesting
Median to Upper Quartile	Pro rata vesting on a straight line basis
Median and below	Nil

The Committee has selected the FTSE All Share Index because it enables the Company's performance to be compared to a broad index that reflects the corporate performance of UK companies. As such it provides a comparator which demonstrates the Company's overall performance against the prevailing market conditions across the performance period.

Vesting of awards made in May 2005 under the LTIP will also be subject to the growth in the Company's earnings per share (EPS) exceeding the UK Retail Price Index (RPI) by an average of 3 per cent a year over the performance period commencing with the financial year in which the award is made.

The Committee reserve the right to vary the Performance Condition for future grants provided that in its reasonable judgment the new targets are no less challenging in the light of the Company's business circumstances and its internal forecasts.

### Sharesave Scheme

Approval from shareholders was granted for the introduction of an Inland Revenue approved Sharesave Scheme.

The Scheme is open to all UK employees (including Directors) with a minimum of six months' service and meets UK Inland Revenue approval requirements, thus enabling all eligible employees the opportunity to acquire shares in the Company in a tax efficient manner.

### Long Term Bonus Plan

A long term bonus plan was implemented in June 2001 following approval at the Annual General Meeting. Payments under the plan are entirely at the discretion of the Committee. An assessment was made in the year by the committee with reference to the Group's performance over the period from June 2001 to March 2005. Based on this assessment, the committee approved an aggregate bonus payment of £1.232 million for the five Executive Directors during the year.

This long term bonus plan was put in place to incentivise delivery of the Group's Business Plan and at a time when Directors' salaries were below market benchmarks. The Committee considers that current Directors' salaries are appropriately benchmarked and therefore this plan has not been renewed.

### Directors' Contracts

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Committee is received. All of the service agreements may be terminated by either party giving notice of 12 months. If a contract is terminated at short notice, the Company has not waived any right which it may have at law to require the Executive Director to mitigate his loss although the Company is entitled (at its discretion) to pay the salary to which the Executive Director would otherwise be entitled, in lieu of notice.

The dates of the Executive Directors' agreements are as follows:

Nicholas Vetch	25 September 1998
Philip Burks	25 September 1998
James Gibson	25 September 1998
Adrian Lee	31 March 2000
Stephen Homer	31 March 2000



## REPORT ON DIRECTORS' REMUNERATION (CONTINUED)

The Non-Executive Directors do not have service contracts with the Company. Their appointments are governed by letters of appointment which are available for inspection on request at the Company's registered office and which will be available for inspection at the Company's AGM. Each appointment is for a period of up to three years, usually to the date of the AGM at which a resolution to re-appoint the Director would next be put to shareholders, although the continued appointment of all Directors is considered on an annual basis. In addition, the appointment is terminable by either party giving notice of three months.

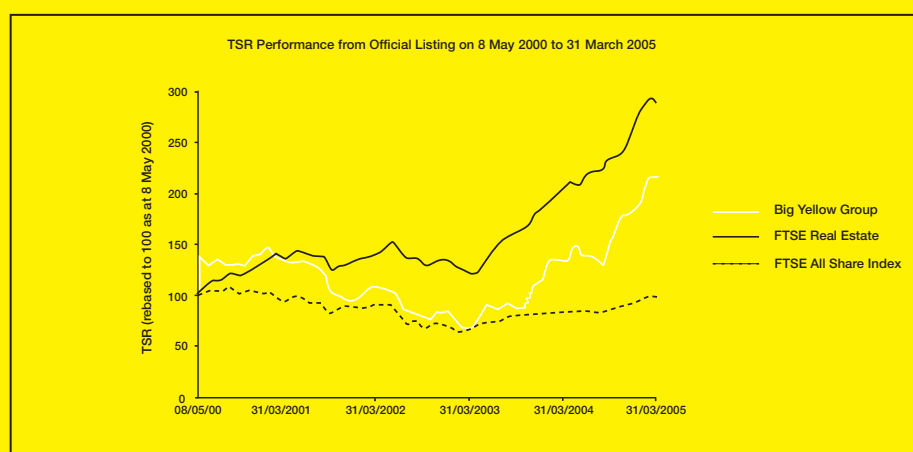
### Non-Executive Directors' Remuneration

The remuneration of the Non-Executive Directors is determined by the Board taking into account current practices in other similar companies. No further fees for work performed for the Group in respect of membership of the Remuneration, Nomination and Audit Committees are paid. Non-Executive Directors cannot participate in any of the Group's share option schemes or Long Term Incentive Plan and are not eligible to join the Group's pension arrangements.

### Performance Graph

The Total Shareholder Return ("TSR") performance graph below sets out the comparison of the Company's TSR against the FTSE All Share Index and FTSE Real Estate Index. In the prior year, we used the median of a comparator group which consisted of Mentmore, Safestore and Lok 'n' Store. Of these companies, only Lok 'n' store is still listed, therefore we have changed our comparator group to the Real Estate Index, in line with the group's change in classification on the Official List.

TSR measures share price growth, with dividends deemed to be reinvested gross on the ex-dividend date, and the TSR is shown as the one month average on each day.



### Audited information

Directors' remuneration

	2005						2004	
	Salary/ Fees £	Annual Bonus £	Long Term Bonus £	Taxable Benefits £	Sub Total £	Pension £	Total £	Total £
Nicholas Vetch	168,000*	30,000	258,522	1,930	458,452	15,000	473,452	161,000
Philip Burks	174,000*	31,200	269,098	2,338	476,636	15,600	492,236	214,761
James Gibson	188,000*	34,000	273,551	2,084	497,635	17,000	514,635	224,459
Adrian Lee	145,000*	26,000	223,950	2,313	397,263	13,000	410,263	180,369
Stephen Homer	140,000*	25,000	206,879	2,618	374,497	12,500	386,997	167,613
David White	25,000	—	—	—	25,000	—	25,000	25,000
David Ross	22,500	—	—	—	22,500	—	22,500	22,500
Jonathan Short **	2,083	—	—	—	2,083	—	2,083	—
	<b>864,583</b>	<b>146,200</b>	<b>1,232,000</b>	<b>11,283</b>	<b>2,254,066</b>	<b>73,100</b>	<b>2,327,166</b>	<b>995,702</b>

\* Includes car allowances

\*\* Jonathan Short's remuneration is paid to Pramerica Real Estate Investors; his employer. His fee commencement date was 1 March 2005.

# REPORT ON DIRECTORS' REMUNERATION (CONTINUED)

## Directors' interests

The interests of the Directors in the ordinary share capital of the Company are shown below:

	At 1 April 2004 No.	At 31 March 2005 No.
Ordinary shares of 10p each		
Nicholas Vetch (including trusts)	12,000,000	<b>11,250,000</b>
Philip Burks (including trusts)	10,628,000	<b>10,128,000</b>
James Gibson (including trusts)	1,836,000	<b>1,836,000</b>
Adrian Lee (including trusts)	791,880	<b>791,880</b>
Stephen Homer (including trusts)	840,000	<b>1,001,500</b>
David White	350,000	<b>350,000</b>
David Ross	3,182,906	<b>5,565,506</b>

None of the Directors had any direct interests in the share capital of any of the subsidiary undertakings of the Company in the year.

## Share option schemes

Options in respect of ordinary shares held by the Directors at 31 March 2005 under the Company's share option schemes are as follows

Name	Date option granted	No of shares under option at 1 April 2004	Exercised during the year	No. of shares under option at 31 March 2005	Exercise price	Market price at date of exercise	Date first exercisable	Date on which the exercise period expires
Nicholas Vetch	5 May 2000	1,000,000	–	1,000,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	300,000	–	300,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	300,000	–	300,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	185,000	–	185,000	81.5p	–	16 Dec 2005	15 Dec 2012
Philip Burks	5 May 2000	1,000,000	–	1,000,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	268,000	–	268,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	268,000	–	268,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	185,000	–	185,000	81.5p	–	16 Dec 2005	15 Dec 2012
James Gibson	24 September 1998	1,000,000	(250,000)	750,000	10p	210p	24 September 2001	23 September 2008
	5 May 2000	100,000	–	100,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	237,000	–	237,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	268,000	–	268,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	220,000	–	220,000	81.5p	–	16 Dec 2005	15 Dec 2012
Stephen Homer	18 January 1999	375,940	(375,940)	–	13.3p	135p	18 January 2002	17 January 2009
	5 May 2000	150,000	(150,000)	–	100p	136p	5 May 2003	4 May 2010
	4 June 2001	206,000	–	206,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	206,000	–	206,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	200,000	–	200,000	81.5p	–	16 Dec 2005	15 Dec 2012
Adrian Lee	18 January 1999	275,940	(250,000)	25,940	13.3p	210p	18 January 2002	17 January 2009
	5 March 1999	125,000	–	125,000	25p	–	5 March 2002	4 March 2009
	5 May 2000	100,000	–	100,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	221,000	–	221,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	221,000	–	221,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	200,000	–	200,000	81.5p	–	16 Dec 2005	15 Dec 2012

Options granted up to June 2001 have all been assessed by the Committee. The Committee has confirmed that these options have met the performance conditions, and may therefore be exercised.

The market price of the Company's shares at 31 March 2005 was 201p per share. The highest market price during the year was 217p per share, the lowest market price during the year was 122p, and the average price during the year was 161p. Pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, it should be noted that past performance of the Company's share price cannot be relied on as a guide to future performance.

## Approval

This report was approved by the Board of Directors and signed on its behalf by:

### David White

Committee Chairman  
2005

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## Non-Executive Directors

**David White**, aged 62, Non-Executive Deputy Chairman, spent 18 years of his career at Cater Allen Holdings PLC where he was from 1985 Deputy Chairman and Managing Director and from which he retired in 1997. He was Non-Executive Chairman of Edge Properties plc until its sale in 1998 and is currently Non-Executive Director of Church House Trust plc.

**David Ross**, aged 39, Non-Executive Director, is the Deputy Chairman and a co-founder of Carphone Warehouse Group plc. He was closely involved with the development of the Group into its present position as Europe's leading mobile communications retailer. His previous roles at Carphone Warehouse included Chief Operating Officer and Group Finance Director. Prior to Carphone Warehouse he qualified as a chartered accountant with Arthur Andersen & Co. He is also Non-Executive Chairman of National Express Group plc, a Non-Executive Director of Cosalt plc, executive of a council member of Sport England, Non-Executive Director of Wembley National Stadium Limited, and a Non-Executive Director of Trinity Mirror Group plc.

**Jonathan Short**, aged 43, Non-Executive Director, is the Chief Executive - Europe of Pramerica Real Estate Investors Limited, which he joined in 2000. He previously headed the European real estate mergers and acquisitions practice at Lazard Brothers & Co. His early City career was spent at SG Warburg & Company Limited which was followed by a period at ING Barings & Co.

## Executive Directors

**Nicholas Vetch**, aged 43, Executive Chairman, is a co-founder of Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc, which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

**James Gibson**, aged 44, Chief Executive Officer and Finance Director, is a co-founder of Big Yellow in September 1998. He is a chartered accountant having trained with Arthur Andersen & Co. where he specialised in the property and construction sectors, before leaving in 1989. He was Finance Director of Heron Property Corporation Limited and then Edge Properties plc which he joined in 1994. Edge Properties was listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

**Philip Burks**, aged 46, Property Director, is a co-founder of Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

**Adrian Lee**, aged 39, Operations Director, was previously a senior Executive at Edge Properties plc, which he joined in 1996. Prior to that he was a corporate financier at Lazard Brothers for five years, having previously qualified as a surveyor at Knight Frank Rutley.

**Stephen Homer**, aged 38, Marketing Director, was a senior Executive at Edge Properties plc which he joined in 1996. Prior to that he was a property acquisitions manager at Dixons Stores Group Ltd., being specifically responsible for the acquisition of out of town retail stores.

## Senior Management Biographies

**Mike Cole**, aged 39, Financial Controller and Company Secretary, joined Big Yellow in May 1999. Prior to that he was Finance Director at Pulse Train Technology, a market research software specialist whom he joined in 1988 and qualified with CIMA in 1992.

**Nigel Hartley**, aged 41, Construction Manager, joined Big Yellow in January 2000. He is a chartered surveyor with over 16 years experience in the construction industry, both overseas and in the UK, principally in the retail and industrial sectors.

**Nicola Jordan**, aged 38, Retail Operations Manager, joined Big Yellow in March 2003, having previously been employed as an Area Manager with Superdrug for 5 years. Prior to this she has held operational roles with Little Chef & Travelodge and Victoria Wine.

**Andrew Watson**, aged 36, Acquisitions and Development Manager, joined Big Yellow in October 2000 having previously worked as a property acquisition surveyor for McDonald's Restaurants. Prior to that he was an acquisitions surveyor for Victoria Wine, having previously qualified as a chartered surveyor at Herring Baker Harris.

**Cheryl Hathaway**, aged 39, Human Resources Controller, joined Big Yellow in March 2000, having previously been employed as a Human Resources Manager within the Harrods Group. Prior to this she worked for Debenhams in a variety of human resources roles, both within head offices and stores.

**David Knight**, aged 41, Estates and Facilities Manager, was previously an Estates Manager at Whitbread which he joined in 1997. Prior to this he was Group Facilities Manager at Central Transport Rental Group Plc (formerly Tiphook Plc) having previously qualified as a surveyor at Edwin Hill.

**Chris Herbert**, aged 50, Construction Manager, joined Big Yellow in September 1999, having previously worked for Leslie Clark, a Construction Consultancy, for 10 years. Prior to that he spent 10 years as a contracts/project manager with John Lelliot Building Contractors.

**Stuart Grinnall**, aged 30, IT Manager, joined Big Yellow in July 2000. He is a systems engineer with several years experience developing IT solutions for growth companies and NHS Hospital Trusts



# INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF BIG YELLOW GROUP PLC

We have audited the financial statements of Big Yellow Group PLC for the year ended 31 March 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to the movement in net debt, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

## Opinion

In our opinion:

- > the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of the profit of the group for the year then ended; and
- > the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.



## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
London  
9 May 2005

**Notes:** An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2005

	Note	2005 £'000	2004 £,000
<b>TURNOVER</b>	2	<b>33,375</b>	23,830
Cost of sales		<b>(18,254)</b>	(15,470)
<b>GROSS PROFIT</b>		<b>15,121</b>	8,360
Administrative expenses	3	<b>(5,436)</b>	(3,641)
<b>OPERATING PROFIT</b>	4	<b>9,685</b>	4,719
Gains and losses on fixed assets	5	<b>2</b>	25
Other interest receivable and similar income		<b>142</b>	187
Interest payable and similar charges	6	<b>(5,776)</b>	(3,688)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,053</b>	1,243
Taxation	8, 18	<b>(1,531)</b>	(592)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	20	<b>2,522</b>	651
Dividends	9, 20	<b>(2,012)</b>	(1,044)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>510</b>	(393)
<b>BASIC EARNINGS PER SHARE</b>	10	<b>2.52p</b>	0.66p
<b>DILUTED EARNINGS PER SHARE</b>	10	<b>2.48p</b>	0.64p

All results derive from continuing activities.

There are no recognised gains or losses other than the profit or loss for the financial period and, accordingly, no statement of total recognised gains and losses is shown.

# CONSOLIDATED BALANCE SHEET

31 March 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	1,335	1,432
Tangible assets	12	177,824	130,692
		179,159	132,124
<b>CURRENT ASSETS</b>			
Stocks - goods held for resale		254	288
Debtors	14	8,896	5,822
Cash at bank and in hand		6,379	756
		15,529	6,866
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(15,224)	(12,017)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		305	(5,151)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		179,464	126,973
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(120,486)	(68,582)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	(299)	–
<b>NET ASSETS</b>		58,679	58,391
<b>Capital and reserves</b>			
Called up share capital	19	10,073	9,940
Capital redemption reserve	20	1,653	1,653
Share premium account	20	2,390	1,959
Other distributable reserve	20	49,059	51,045
Own shares	20	(812)	–
Profit and loss account	20	(3,684)	(6,206)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		58,679	58,391

These financial statements were approved by the Board of Directors on 9 May 2005.

Signed on behalf of the Board of Directors

**James Gibson**

Director



## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 2005

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
<b>Group</b>				
Profit for the financial year	2,522	34	651	7
Dividends	(2,012)	(2,012)	(1,044)	(1,044)
	510	(1,978)	(393)	(1,037)
Issue of shares (net of issue costs)	564	564	51	51
LTIP credit	26	26	–	–
Own shares	(812)	(812)	–	–
Repurchase and cancellation of ordinary shares	–	–	(218)	(218)
Net addition to/(deduction) from shareholders' funds	288	(2,200)	(560)	(1,204)
Opening shareholders' funds	58,391	64,716	58,951	65,920
Closing shareholders' funds	58,679	62,516	58,391	64,716

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Cash inflow from operating activities</b>	25		14,787		9,107
<b>Returns on investments and servicing of finance</b>	26(a)		(5,123)		(3,346)
<b>Capital expenditure and financial investment</b>	26(a)		(41,981)		(32,671)
<b>Equity dividends paid</b>			(1,545)		(994)
<b>Cash outflow before financing</b>			(33,862)		(27,904)
<b>Financing</b>					
Issue of ordinary share capital (net of expenses)	26(a)	564		51	
Repurchase and cancellation of ordinary shares	26(a)	–		(218)	
Own shares		(812)		–	
Increase in debt	26(a)	40,000		26,293	
			39,752		26,126
Increase/(decrease) in cash in the year	26(b)		5,890		(1,778)

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Increase/(decrease) in cash in the year		5,890		(1,778)	
Cash inflow from increase in debt financing	26(b)	(40,000)		(26,293)	
Change in net debt resulting from cash flows			(34,110)		(28,071)
<b>Movement in net debt in the year</b>	26(b)		(34,110)		(28,071)
Net debt at start of year			(68,404)		(40,333)
<b>Net debt at end of year</b>	26 (b)		(102,514)		(68,404)

# COMPANY BALANCE SHEET

Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Tangible assets	12	399	402
Investments	13	2,029	2,029
		<b>2,428</b>	2,431
<b>Current assets</b>			
Debtors	14	137,666	80,151
Cash at bank and in hand		4,293	–
		<b>141,959</b>	80,151
<b>Creditors: amounts falling due within one year</b>	15	<b>(6,187)</b>	(1,970)
<b>Net current assets</b>		<b>135,772</b>	78,181
<b>Total assets less current liabilities</b>		<b>138,200</b>	80,612
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(75,600)</b>	(15,896)
<b>Provisions for liabilities and charges</b>	18	<b>(84)</b>	–
<b>Net assets</b>		<b>62,516</b>	64,716
<b>Capital and reserves</b>			
Called up share capital	19	10,073	9,940
Capital redemption reserve	20	1,653	1,653
Share premium account	20	2,390	1,959
Other distributable reserve	20	49,059	51,045
Own shares	20	(812)	–
Profit and loss account	20	153	119
<b>Equity shareholders' funds</b>		<b>62,516</b>	<b>64,716</b>

These financial statements were approved by the Board of Directors on 9 May 2005.

Signed on behalf of the Board of Directors

**James Gibson**

Director

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are described below. They have all been applied consistently throughout the current and preceding year.

### Accounting Convention

The financial statements are prepared under the historical cost convention.

### Basis of Consolidation

The Group accounts consolidate the accounts of Big Yellow Group PLC and all its subsidiaries at the year end using acquisition accounting principles.

### Goodwill

Purchased goodwill is capitalised in the year in which it arises and amortised over 20 years. The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets.

### Tangible Fixed Assets

Tangible fixed assets are carried at historical cost less depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. No depreciation is provided on land and assets in the course of construction. Interest, overhead and pre-opening launch costs are not capitalised.

The useful economic lives of the assets are as follows:

Freehold property	50 years
Mezzanine flooring and staircases	25 years
Leasehold improvements	Over period of the lease
Plant and machinery	10 years
Motor vehicles	4 years
Fixtures and fittings	5 years
Computer equipment	3 years

Mezzanine flooring and staircases are disclosed in note 12 under freehold property or short leasehold improvements as appropriate.

### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

### Stocks

Stocks represent goods held for resale and are held at the lower of cost and net realisable value.

### Pension Costs

Pension costs represent contributions payable to defined contribution schemes, the assets of which are held separately from those of the Group.

### Current Tax

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

### Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

### Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

### Loan arrangement costs

Costs relating to the raising of general corporate loan facilities are amortised over the estimated life of the loan and charged to the profit and loss account as part of the interest expense. The bank loans are disclosed net of unamortised loan issue costs.



# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 1. ACCOUNTING POLICIES (continued)

### Turnover

Turnover represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Storage income is recognised over the period for which the storage unit is occupied by the customer. Insurance commissions are recognised over the period to which they relate.

### Own Shares

In accordance with UITF 38 "Accounting for ESOP trusts", own shares held by the Group are shown as a deduction from shareholders' funds and included in other reserves. The cost of own shares is transferred from other reserves to the profit and loss reserve systematically over the LTIP performance period.

## 2. SEGMENTAL INFORMATION

The Group's net assets, turnover and profit before tax are attributable to one activity, the provision of self storage and related services. All the Group's net assets, turnover and profit before tax arise in the United Kingdom.

## 3. INFORMATION REGARDING EMPLOYEES

Employees	2005 £'000	2004 £'000
Wages and salaries (including Directors)	5,731	4,285
Social security costs	642	467
Other pension costs	168	132
	<b>6,541</b>	4,884
The average number of employees (including Directors) employed by the Group during the year:		
	No.	No.
Sales	130	112
Administration	30	28
	<b>160</b>	140

Employee costs include a charge including National Insurance of £1,356,000 (2004: £225,000) in respect of the long term bonus scheme which relates to the period from 2001 to 2005.

Details of Directors' remuneration and interests are shown in the section of the Report on Directors' Remuneration described as audited on pages 23 and 24.

## 4. OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Depreciation	4,347	3,737
Amortisation of goodwill	97	97
Auditors' remuneration		
– Group audit fees	110	102
– non-audit services	164	29
Operating leases – other	2,453	2,342

Included in Group audit fees are £11,000 (2004: £10,000) in respect of the Company.

The non-audit services provided during the year were £130,000 in relation to advice on the tax implications of the Group restructuring in September 2004, and £34,000 for advice on the establishment of the LTIP and Sharesave Scheme.

## 5. PROFIT BEFORE DEPRECIATION, AMORTISATION, TAX AND EXCEPTIONAL ITEMS ("EBDAT")

	2005 £'000	2004 £'000
Profit before tax	4,053	1,243
Add back/(deduct):		
Exceptional items	(2)	(25)
Depreciation	4,347	3,737
Amortisation	97	97
Profit before depreciation, amortisation and exceptional items	<b>8,495</b>	5,052

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 5. PROFIT BEFORE DEPRECIATION, AMORTISATION, TAX AND EXCEPTIONAL ITEMS ("EBDAT") (continued)

### Exceptional items

	2005 £'000	2004 £'000
Profit on disposal of fixed assets	2	675
Provision against fixed asset development site	–	(650)
	2	25

During the year, the Group sold land held within fixed assets for £7.35 million net proceeds, giving rise to an exceptional profit of £2,000 (2004:£675,000).

In 2004 the Group booked an exceptional provision of £650,000 against a development site, which was the subject of a planning appeal. Significant costs have been incurred in the planning process which is still unresolved and under negotiation. The provision has therefore been retained to reflect the net realisable value of the site.

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Bank loans	5,747	3,625
Bank overdraft and other borrowings	29	63
	5,776	3,688

## 7. PROFIT OF PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these accounts. The consolidated profit for the financial year includes a profit of £34,000 (2004: profit of £7,000), which is dealt within the accounts of the parent Company.

## 8. TAXATION

	2005 £'000	2004 £'000
Current tax – UK corporation tax at 30%	32	–
Deferred tax (see note 18)	1,499	592
	1,531	592

A reconciliation of the current tax charge is shown below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	4,053	1,243
Tax (charge) at 30% thereon	(1,216)	(373)
Effects of:		
Expenses not deductible for tax purposes	(525)	(551)
Capital allowances in excess of depreciation	1,292	533
Utilisation of tax losses	581	511
Chargeable gains	(164)	(120)
	32	–

The Group had unrelieved tax losses at 31 March 2004 for which a deferred tax asset was recognised (see note 18).

An analysis of the deferred tax charge for the year is shown below:

	2005 £'000	2004 £'000
Origination and reversal of timing differences	(1,873)	(1,017)
Adjustments in respect of prior years	374	425
Deferred tax charge for the year	(1,499)	(592)

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 9. DIVIDENDS

	2005 £'000	2004 £'000
Final equity dividend proposed - 1.5p per ordinary share (2004: 1.05p)	1,512	1,044
Interim equity dividend paid 0.5p (2004: nil)	500	–
	2,012	1,044

The ex-dividend date will be 1 June 2005; the record date 3 June 2005; with an intended payment date of 1 July 2005.

## 10. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share has been calculated on the profit for the financial year of £2,522,000 (2004: £651,000) and on the weighted average number of shares in issue during the year of 99,971,791 (2004: 99,379,569).

Diluted earnings per ordinary share have been calculated after allowing for the exercise of share options which have met the required exercise conditions. The weighted average number of shares is 101,497,703 (2004: 100,973,605), and the relevant profit is £2,522,000 (2004: £651,000).

## 11. INTANGIBLE FIXED ASSETS

	Goodwill £'000
<b>Cost</b>	
At 1 April 2004 and 31 March 2005	1,940
<b>Amortisation</b>	
At 1 April 2004	508
Charge for the year	97
At 31 March 2005	605
<b>Net book value</b>	
At 31 March 2005	1,335
At 31 March 2004	1,432

## 12. TANGIBLE FIXED ASSETS

Group	Freehold Property £'000	Short Leasehold improvements £'000	Assets under construction £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
<b>Cost</b>							
At 1 April 2004	85,564	14,502	21,202	15,952	19	2,421	139,660
Additions	22,959	2,160	30,644	2,649	–	415	58,827
Reclassifications	6,596	(1,007)	(5,589)	–	–	–	–
Disposals	(4)	–	(7,343)	–	–	(2)	(7,349)
<b>At 31 March 2005</b>	<b>115,115</b>	<b>15,655</b>	<b>38,914</b>	<b>18,601</b>	<b>19</b>	<b>2,834</b>	<b>191,138</b>
<b>Accumulated depreciation</b>							
At 1 April 2004	(2,841)	(1,721)	–	(3,173)	(11)	(1,222)	(8,968)
Charge for the year	(1,370)	(618)	–	(1,760)	(3)	(596)	(4,347)
Reclassifications	(214)	214	–	–	–	–	–
Disposals	–	–	–	–	–	1	1
<b>At 31 March 2005</b>	<b>(4,425)</b>	<b>(2,125)</b>	<b>–</b>	<b>(4,933)</b>	<b>(14)</b>	<b>(1,817)</b>	<b>(13,314)</b>
<b>Net book value</b>							
<b>At 31 March 2005</b>	<b>110,690</b>	<b>13,530</b>	<b>38,914</b>	<b>13,668</b>	<b>5</b>	<b>1,017</b>	<b>177,824</b>
At 31 March 2004	82,723	12,781	21,202	12,779	8	1,199	130,692

A net profit on disposal of fixed assets of £2,000 (2004: £25,000) arose during the year.



# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 12. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold Property £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2004	37	14	14	731	796
Additions	–	–	–	201	201
Disposals	–	(2)	–	(2)	(4)
<b>At 31 March 2005</b>	<b>37</b>	<b>12</b>	<b>14</b>	<b>930</b>	<b>993</b>
<b>Accumulated depreciation</b>					
At 1 April 2004	(7)	(1)	(7)	(379)	(394)
Charge for the year	(7)	(2)	(4)	(189)	(202)
Disposals	–	–	–	2	2
<b>At 31 March 2005</b>	<b>(14)</b>	<b>(3)</b>	<b>(11)</b>	<b>(566)</b>	<b>(594)</b>
<b>Net book value</b>					
<b>At 31 March 2005</b>	<b>23</b>	<b>9</b>	<b>3</b>	<b>364</b>	<b>399</b>
At 31 March 2004	30	13	7	352	402

## 13. INVESTMENTS HELD AS FIXED ASSETS

Company	Investment in subsidiary undertakings
<b>Cost</b>	
<b>At 1 April 2004 and 31 March 2005</b>	<b>2,029</b>

The investments relate to the 100% ownership of the ordinary share capital of the Group's subsidiaries. All of the Group's subsidiaries are incorporated in Great Britain and registered at the same address as the Company. Details of the Group's principal subsidiaries are shown below:

### Principal activity – provision of self storage

.Big Yellow Self Storage Company Limited  
 Big Yellow Self Storage Company 1 Limited  
 Big Yellow Self Storage Company 2 Limited  
 Big Yellow Self Storage Company 3 Limited  
 Big Yellow Self Storage Company 4 Limited  
 Big Yellow Self Storage Company 5 Limited  
 Big Yellow Self Storage Company 6 Limited  
 Big Yellow Self Storage Company 7 Limited  
 BYSSCo Limited

### Principal activity – construction

Big Yellow Construction Company Limited

## 14. DEBTORS

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Trade debtors	756	–	357	–
Amounts owed by Group undertakings	–	137,655	–	80,097
Other debtors	3,986	4	587	4
Deferred tax (see note 18)	–	–	1,200	–
Prepayments and accrued income	4,154	7	3,678	50
	<b>8,896</b>	<b>137,666</b>	<b>5,822</b>	<b>80,151</b>

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Bank overdraft	–	–	267	267
Trade creditors	<b>3,623</b>	<b>3,623</b>	3,985	72
Taxation and social security	–	–	117	56
Other creditors	<b>1,914</b>	<b>15</b>	1,518	6
Corporation tax	<b>32</b>	–	–	–
Proposed dividend	<b>1,511</b>	<b>1,511</b>	1,044	1,044
Accruals and deferred income	<b>6,258</b>	<b>1,038</b>	5,086	525
VAT payable under Capital Goods scheme	<b>1,886</b>	–	–	–
	<b>15,224</b>	<b>6,187</b>	12,017	1,970

## 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Bank loans	<b>108,893</b>	<b>76,000</b>	68,893	16,000
Unamortised loan arrangement costs	<b>(545)</b>	<b>(400)</b>	(311)	(104)
VAT Payable under Capital Goods scheme	<b>12,138</b>	–	–	–
	<b>120,486</b>	<b>75,600</b>	68,582	15,896

The bank loans are secured on certain of the Group's properties. Details of the maturity of the loans and the interest rates they bear are given in note 17.

The Group has VAT repayable under the Capital Goods Scheme which is estimated at £14.0 million. The projected annual repayment schedule is set out below:

	Total £'000
Year ended 31 March 2006	1,886
Years ended 31 March 2007 to 31 March 2011 (5 years)	9,193
Years ended 31 March 2012 to 31 March 2015 (4 years)	2,945
<b>Total</b>	<b>14,024</b>

## 17. FINANCIAL INSTRUMENTS

The Group's only financial instruments as at 31 March 2005 are bank loans of £108,893,000 (2004: £68,893,000), cash of £6,379,000 (2004: £756,000), bank overdraft of £ nil (2004: £267,000) and trade debtors and creditors, which arise directly from its operations. Other than as noted below short term debtors and creditors have been omitted from all disclosures below.

The Group does not trade in financial instruments.

### Maturity profile of financial assets and liabilities

	2005 Financial Assets £'000	2005 Financial Liabilities £'000	2004 Financial Assets £'000	2004 Financial Liabilities £'000
Within one year or on demand	<b>6,379</b>	–	756	(267)
Between two and five years	–	<b>108,893</b>	–	(68,893)
Gross financial liabilities	<b>6,379</b>	<b>108,893</b>	756	(69,160)

The Group has £4,000,000 in undrawn borrowing facilities at 31 March 2005 which expire after two but before five years (2004: £9,000,000).

In April 2005, the main facility was increased from £80 million to £150 million.

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 17. FINANCIAL INSTRUMENTS (continued)

### Interest rate profile of financial assets and liabilities

	Total £'000	Floating rate £'000	Fixed rate £'000	Weighted average fixed interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2005						
Gross financial liabilities	108,893	56,000	52,893	6.3%	4.5 years	3.1 years
At 31 March 2004						
Gross financial liabilities	69,160	26,267	42,893	6.4%	4.4 years	3.2 years
At 31 March 2005						
Gross financial assets	6,379	–	6,379	4.6%	0.1 years	0.0 years
At 31 March 2004						
Gross financial assets	756	–	756	4.2%	0.6 years	0.3 years

The floating rate at 31 March 2005 was 1.2% above LIBOR.

### Currency profile of financial assets and liabilities

	2005 £'000	2004 £'000
<b>Financial assets</b>		
Sterling	6,370	734
Euro	9	22
	<b>6,379</b>	<b>756</b>
<b>Financial liabilities</b>		
Sterling	<b>108,893</b>	69,160

All monetary assets and liabilities, including short term debtors and creditors are denominated in sterling, other than the £9,000 Euro cash balance shown above.

### Fair Values of Financial Assets and Liabilities

The group had a number of interest rate swaps in place at the year end. These are shown below:

	Loan amount £'000	Swap rate	Year of expiry	Fair Value £'000
	16,600	5.65%	2007	(231)
	10,000	4.952%	2008	12
	16,293	4.76%	2009	125
	10,000	5.105%	2010	(59)
<b>Total</b>	<b>52,893</b>			<b>(153)</b>

The fair values of the financial assets and liabilities are shown below:

	2005 Carrying amount £'000	2005 Estimated fair value £'000	2004 Carrying amount £'000	2004 Estimated fair value £'000
Cash at bank, in hand, and other liquid investments	6,379	6,379	756	756
Bank overdraft	–	–	267	267
Bank borrowings	108,893	109,046	68,893	69,113
VAT payable under capital goods scheme	12,138	9,357	–	–

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

Narrative disclosures on the group's policy for financial instruments are included within the Operating and Financial review.

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

### Deferred taxation

	2005 Provided Group £'000	2005 Provided Company £'000	2004 Provided Group £'000	2004 Provided Company £'000
<b>The amounts provided in the accounts are:</b>				
Capital allowances in advance of depreciation	785	84	(330)	–
Short term timing differences	(194)	–	–	–
Less trading losses carried forward	(292)	–	(870)	–
Deferred tax provision/(asset)	299	84	(1,200)	–

There is no unprovided deferred tax at 31 March 2005 and 31 March 2004.

The movement in deferred tax from the prior year relates to the charge in the profit and loss account of £1,499,000 (2004: charge of £592,000) [see note 8].

## 19. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
<b>Authorised:</b>		
200,000,000 (2004: 200,000,000) ordinary shares of 10p each	20,000	20,000
<b>Allotted, called up and fully paid:</b>		
100,725,537 (2004: 99,400,216) ordinary shares of 10p each	10,073	9,940

Movements in issued share capital during the year were as follows:

	No.	£'000
At 1 April 2004		
Ordinary shares of 10p each	99,400,216	9,940
Issue of new shares	1,325,321	133
<b>At 31 March 2005</b>	<b>100,725,537</b>	<b>10,073</b>

Details of Directors' share options are given in the Report on Directors' Remuneration. At 31 March 2005 there were options in issue to other employees of the Group for a further 1,424,389 ordinary shares (2004: 1,432,495). Details of these options are as follows:

Date option granted	Option price per ordinary share	Date first exercisable	Date on which the exercise period expires	Number of ordinary shares
16 November 1999	62.5p	16 November 2002	15 November 2009	4,600
5 May 2000	100p	5 May 2003	4 May 2010	18,400
30 November 2000	137.5p	30 November 2003	29 November 2010	22,250
1 June 2001	125.5p	1 June 2004	31 May 2011	233,500
8 November 2001	98p	8 November 2004	7 November 2011	237,725
15 May 2002	102p	15 May 2005	14 May 2012	66,900
16 December 2002	81.5p	16 December 2005	15 December 2012	165,680
2 July 2003	82.5p	2 July 2006	1 July 2013	222,650
11 November 2003	96p	11 November 2006	10 November 2013	100,650
3 September 2004	107p*	3 September 2007	2 September 2014	173,421
27 September 2004	nil p**	27 September 2007	26 September 2014	146,000
22 December 2004	140p*	22 December 2007	27 December 2014	32,613

Options to acquire 299,381 ordinary shares were exercised in the year and options to acquire 70,960 shares lapsed in the year.

\* Options awarded to employees under the SAYE scheme.

\*\* These nil paid share options have been awarded to senior management under the LTIP scheme.



# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 20. STATEMENT OF MOVEMENTS ON RESERVES

### Group

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Other distributable reserves £'000	Own Shares £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2004	9,940	1,653	1,959	51,045	–	(6,206)	58,391
Profit for the financial year	–	–	–	–	–	2,522	2,522
Dividends	–	–	–	–	–	(2,012)	(2,012)
Appropriation	–	–	–	(2,012)	–	2,012	–
Issue of shares	133	–	431	–	–	–	564
LTIP	–	–	–	26	–	–	26
Purchase of own shares	–	–	–	–	(812)	–	(812)
<b>Balance at 31 March 2005</b>	<b>10,073</b>	<b>1,653</b>	<b>2,390</b>	<b>49,059</b>	<b>(812)</b>	<b>(3,684)</b>	<b>58,679</b>

### Company

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Other distributable reserves £'000	Own Shares £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2004	9,940	1,653	1,959	51,045	–	119	64,716
Profit for the financial year	–	–	–	–	–	34	34
Dividends	–	–	–	–	–	(2,012)	(2,012)
Appropriation	–	–	–	(2,012)	–	2,012	–
Issue of shares	133	–	431	–	–	–	564
LTIP	–	–	–	26	–	–	26
Purchase of own shares	–	–	–	–	(812)	–	(812)
<b>Balance at 31 March 2005</b>	<b>10,073</b>	<b>1,653</b>	<b>2,390</b>	<b>49,059</b>	<b>(812)</b>	<b>153</b>	<b>62,516</b>

During the year Group purchased 615,000 shares into Treasury at an average price of 132p, which were subsequently transferred into an Employee Benefit Trust for no consideration.

## 21. ADJUSTED NET ASSETS PER SHARE

	Net assets £'000	At 31 March 2005 Number of shares £'000	Net assets per share £'000
As per the balance sheet	58,679	100,725,537	–
Own shares held	–	(615,000)	–
FRS 13 adjustment	58,679 (154)	100,110,537	58.6p
Exercise of share options	7,331	8,010,329	–
Revaluation uplift on freehold properties	102,373	–	–
Revaluation uplift on leasehold properties	32,610	–	–
<b>Adjusted net assets per share</b>	<b>200,839</b>	<b>108,120,866</b>	<b>185.8p</b>

Net assets per share are shareholders' funds divided by the number of shareholders at the year end. The shares held by the Group's employee benefits trust (own shares held) 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;
- > the fair value adjustment on the Group's external debt; and
- > the revaluation surplus that would be included in the Group's accounts, were the Group to follow the revaluation rather than historical cost model of FRS 15.

Comparative data has not been provided as the Group did not carry out full valuations of the Group's property portfolio at 31 March 2004.

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 22. VALUATIONS

31 March 2005

	Historical cost	Accumulated depreciation	Net book value	Valuation	Revaluation on net book value
Freehold trading properties	130,551	(9,164)	121,387	223,760	102,373
Leasehold trading properties	23,616	(4,755)	18,860	51,470	32,610
<b>Total</b>	<b>154,167</b>	<b>(13,919)</b>	<b>140,247</b>	<b>275,230</b>	<b>134,983</b>

Leasehold trading properties above includes the cost and amortisation of goodwill as set out in note 11. The goodwill arose on the purchase of The Big Yellow Self Storage Company Limited in January 1999, whose sole trading asset was a short leasehold store at Staples Corner.

The freehold and leasehold trading properties have been valued as at 31 March 2005 by External Valuers, Cushman & Wakefield Healey & Baker, Real Estate Consultants ["C&W/H&B"]. The valuation has been carried out in accordance with the RICS Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors ["the Red Book"]. The valuation of each of the trading properties has been prepared on the basis of Existing Use Value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W/H&B have confirmed that:

- The members of the RICS who have been the signatories to the valuations provided to the Company for the same purposes as this valuation have done so since September 2004.
- C&W/H&B have continuously been carrying out this valuation for the same purposes as this valuation on behalf of the Company since September 2004.
- C&W/H&B do not provide other significant professional or agency services to the Company.
- In relation to the preceding financial year of C&W/H&B, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%.

### Valuation Methodology

#### Background

The USA has approximately 38,000 self storage assets trading in a highly fragmented market with the largest 5 operators accounting for only approximately 16% of market share based on net rentable square footage. The vast majority of centres are owned and managed singly or in small portfolios. These properties have a well established track record of being trading and are therefore considered as liquid property assets.

Many valuations of this asset class are undertaken by appraisers in the USA and the accepted valuation approach is to value the properties having regard to trading potential, on the basis of market value/existing use. This approach is recognised in the RICS Appraisal & Valuation Standards ["the Red Book"] published by The Royal Institution of Chartered Surveyors and is adopted for other categories of property that are normally bought and sold on the basis of their trading potential. Examples include hotels, bars, restaurants, marinas and petrol stations.

The UK self storage sector differs from the USA in that the five larger groups control 45-50% of the market and this proportion is likely to increase. The scope for active trading of these property assets is therefore likely to be less, however there is now some evidence that there will be liquidity, with the first store of reasonable quality having recently been acquired by a competitor in West London.

C&W/H&B believe that the valuation methodology adopted in the USA is the most appropriate for the UK market.

### Methodology

C&W/H&B have adopted different methodologies for the valuation of the leasehold and freehold assets as follows:

#### Freehold

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

#### Assumptions

- Net operating income is based on actual revenue received less actual operating costs together with a central administration charge representing 6% of the estimated annual revenue. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 32 stores (both freeholds and leaseholds) averages 85.64%. The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
- Capitalisation rates of existing and future net cashflow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, ten year money rates and inflation. On average, for all 32 stores, the yield (net of purchaser's costs) arising from the first year of the projected cashflow is 7.26%. This rises to 8.83% based on the projected cashflow for the first year following estimated stabilisation in respect of each property.
- The notional sale of the freeholds in the tenth year has been assumed at a weighted average yield of 8.51%.
- The future net cashflow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.57%.
- Purchaser's costs of 5.75% have been assumed initially and sale and purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

#### Leasehold

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the group's leaseholds is 20.8 years.

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 23. FINANCIAL COMMITMENTS

The Group has non-cancellable operating lease commitments payable within the next year, expiring as follows:

	2005 Group Land and buildings £'000	2005 Company Land and buildings £'000	2004 Group Land and buildings £'000	2004 Company Land and buildings £'000
Within one year	–	–	–	–
Within two to five years	125	75	125	75
After five years	2,374	–	2,217	–
	<b>2,499</b>	<b>75</b>	<b>2,342</b>	<b>75</b>

## 24. CAPITAL COMMITMENTS

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Amounts contracted but not provided in respect of the Group's properties	<b>5,718</b>	–	7,897	–

## 25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Operating profit	<b>9,685</b>	4,719
Depreciation	<b>4,347</b>	3,737
Amortisation of goodwill	<b>97</b>	97
Increase/(decrease) in stock	<b>34</b>	(36)
Increase in debtors	<b>(561)</b>	(428)
Increase in creditors	<b>1,185</b>	1,018
Net cash inflow from operating activities	<b>14,787</b>	9,107

## 26. (a) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Returns on investments and servicing of finance</b>				
Interest received	<b>129</b>		189	
Interest paid	<b>(4,837)</b>		(3,353)	
Loan arrangement fees	<b>(415)</b>		(182)	
		<b>(5,123)</b>		(3,346)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	<b>(45,710)</b>		(35,921)	
Sale of tangible fixed assets	<b>3,729</b>		3,250	
		<b>(41,981)</b>		(32,671)
<b>Financing</b>				
Issue of ordinary share capital (net of expenses)	<b>564</b>		51	
Repurchase of ordinary shares	<b>–</b>		(218)	
EBT shares	<b>(812)</b>			
		<b>(248)</b>		(167)
<b>Debt due after more than one year:</b>				
Loans repaid	<b>–</b>		–	
New loans acquired	<b>40,000</b>		26,293	
		<b>40,000</b>		26,293
Net cash inflow from financing		<b>39,752</b>		26,126

# NOTES TO THE ACCOUNTS

Year ended 31 March 2005

## 26. (b) ANALYSIS OF NET DEBT

	At 1 April 2004 £'000	Cash £'000	At 31 March 2005 £'000
Cash at bank and in hand	756	5,623	<b>6,379</b>
Bank overdraft	(267)	267	<b>–</b>
	489	5,890	<b>6,379</b>
Debt due after one year	(68,893)	(40,000)	<b>(108,893)</b>
Total net debt	(68,404)	(34,110)	<b>(102,514)</b>

## 27. RELATED PARTY TRANSACTIONS

In preparing these financial statements the directors have taken advantage of the exemptions available under paragraph 3(c) of Financial Reporting Standard 8 – Related Party Disclosures. No other related party transactions took place during the years ended 31 March 2005 and 31 March 2004.

## 28. POST BALANCE SHEET EVENT

On 18 April 2005, the group increased its syndicated loan facility with Royal Bank of Scotland, Bank of Ireland and Barclays Bank to £150 million from £80 million.

# FIVE YEAR RECORD

Year ended 31 March 2005

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Turnover	<b>33,375</b>	23,830	15,579	8,408	4,174
Operating profit/(loss)	<b>9,685</b>	4,719	(449)	(2,776)	(2,909)
Profit/(loss) before tax	<b>4,053</b>	1,243	(2,294)	(2,306)	(1,836)
Depreciation and amortisation	<b>(4,444)</b>	(3,834)	(2,643)	(1,702)	(947)
Earnings before depreciation, amortisation and tax	<b>8,497</b>	5,077	349	(604)	(889)
<b>As at 31 March:</b>	<b>No.</b>	No.	No.	No.	No.
Number of stores open	<b>32</b>	29	26	19	12
Square footage occupied	<b>1,470,000</b>	1,268,000	875,000	550,000	262,000
Number of customers	<b>24,600</b>	20,400	13,800	8,100	3,900
Average number of employees during the year	<b>160</b>	140	116	79	56



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the Members of the Company will be held at 20 Moorgate, London EC2R 6DA on 4 July 2005 at 9.00 a.m. to transact the following business:

1. To receive the Directors' Report and Accounts and the Auditors' Report thereon for the year ended 31 March 2005.
2. To approve the Directors' remuneration report for the year ended 31 March 2005.
3. Upon the recommendation of the Directors, to declare a dividend of 1.5p per Ordinary Share to be payable to shareholders on the register of members at the close of business on 3 June 2005.
4. To re-elect Stephen Homer as a Director of the Company, who retires by rotation under the articles of association of the Company.
5. To re-elect Jonathan Short as a Director of the Company, who retires by rotation under the articles of association of the Company.
6. To re-elect Adrian Lee as a Director of the Company, who retires by rotation under the articles of association of the Company.
7. To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to agree their remuneration.

To consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

8. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Article 53 of the Company's Articles of Association and for the purposes of Section 166 of the Companies Act 1985 (the "Act"), to make one or more market purchases (within the meaning of Section 163(3) of the Act) of its own ordinary shares of 10p each in the capital of the Company on such terms and provided that:
  - (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 10,072,554 representing approximately 10 per cent of the Company's issued ordinary share capital;
  - (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than 5 per cent above the average of the market values for an ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased and the minimum price which may be paid for such ordinary shares is 10p per ordinary share (exclusive of expenses);
  - (c) unless previously revoked or varied, the authority hereby conferred shall expire on the date falling 15 months after the date of the passing of this resolution, or if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2006 save that the Company may make a purchase of ordinary shares after the expiry of such authority in execution of contract of purchase that was made under and before the expiry of such authority.
9. THAT articles 158 and 159 of the Company's Articles of Association be deleted and the following new articles 158 and 159 be inserted:

## 158. Indemnity and provision of funds

Subject to, and to the extent not avoided by, the Statutes, but without prejudice to any indemnity to which he may otherwise be entitled:

- 158.1 every Director, Secretary or other officer of the Company other than the Auditors may be indemnified out of the assets of the Company to whatever extent the Board may determine against any costs, charges, expenses, losses and liabilities sustained or incurred by him in the actual or purported execution of his duties or in the exercise or purported exercise of his powers or otherwise in connection with his office, whether or not such liability attaches to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company;
- 158.2 the Board shall have power to provide funds to meet any expenditure incurred or to be incurred by any Director, Secretary or other officer of the Company other than the Auditors in defending any criminal or civil proceeding in which he is involved by reason of his office, or in connection with any application under the Act, or in order to enable him to avoid incurring such expenditure; and

## 159. Power to insure

Subject to the Statutes, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a Director or other officer or employee of the Company or of any subsidiary undertaking of the Company or in which the Company has an interest (whether direct or indirect) or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such subsidiary undertaking is or has been interested, indemnifying such person against any liability which may attach to him (including any such liability as is referred to in section 309A(1) of the Act) or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a Director, officer, employee or trustee.

Registered Office:                      By Order of the Board  
Unit 2 The Deans                      M Cole  
Bridge Road                              Company Secretary  
Bagshot  
Surrey GU19 5AT  
9 May 2005

## NOTES

- (i) Any member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed for use by shareholders and, to be effective, must be deposited at the Company's registrars, Computershare Services PLC of PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not less than 48 hours before the time of the meeting. Appointment of a proxy will not preclude a shareholder from attending the meeting and voting in person.
- (ii) The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the Register of Members of the Company at 6 p.m. on 2 July 2005 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.

# NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

## NOTES (continued)

- (iii) The Register of Directors' Interests will be available for inspection for at least 15 minutes prior to and during the Annual General Meeting.
- (iv) Copies of all Directors' service contracts and the letters of appointment of the Non-Executive Directors will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the conclusion of the meeting and at the Annual General Meeting, during and for 15 minutes prior to such meeting.

## EXPLANATORY NOTES ON THE RESOLUTIONS

### RESOLUTION 1: Report and Accounts

The Directors must present to shareholders at the Annual General Meeting the Directors' Report and Accounts and the Auditors' Report for the year ended 31 March 2005.

### RESOLUTION 2: Directors' Remuneration

The Directors are required to compile a remuneration report for the financial year under review (which is set out in the Annual Report & Accounts) and to put to members at the Annual General Meeting a resolution to approve this report.

### RESOLUTION 3: Declaration of Dividend

Payments of dividends are permitted under the Companies Act 1985 where profits are available for that purpose. The Company's articles of association permit the payment of final dividends by ordinary resolution.

### RESOLUTIONS 4, 5 and 6: Re-appointment of Directors

The Company's Articles of Association require that:

- (a) one third of the Directors (or if their number is not a multiple of three, the number nearest to, but not greater than, one third of the Directors) shall retire from office by rotation; and
- (b) the Directors to retire by rotation shall be first, any Director who wishes to retire and not offer himself for re-election and secondly, those who have been longest in office since their last appointment or reappointment and in addition any Director who has not been re-appointed as a Director at either of the two previous annual general meetings of the Company must retire;

Accordingly, Stephen Homer, Adrian Lee and Jonathan Short are retiring by rotation and are offering themselves for re-appointment by the shareholders. Short biographies of each of the Directors offering themselves for re-appointment are contained on page 25 of the Directors' Report and Accounts.

### RESOLUTION 7: Re-appointment of Auditors

The Auditors of the Company must be re-appointed at each General Meeting at which Accounts are presented. The Directors propose to re-appoint Deloitte & Touche as Auditors of the Company.

### RESOLUTION 8: Authority as to Purchase Own Shares

The special resolution proposed Resolution 8 will authorise the Company to purchase its own shares subject to the constraints set out in the resolution. The Directors will resolve that the Company make purchases under this authority only if satisfied that it was in the interests of the shareholders as a whole to do so and that it was likely to result in an increase in earnings per share.

Shares purchased out of distributable profits by the Company pursuant to Resolution 8, may be held "in treasury" for later sale, cancellation or, providing Listing Rules requirements are met, transfer to an Employee Benefit Trust, instead of being cancelled immediately, providing that certain statutory requirements are met and that such shares held in treasury do not exceed 10% of the Company's issued share capital. Shares held in treasury can be held indefinitely pending, for example, a suitable time to place them back on the market. This will enable the Company to sell shares held in treasury to take advantage of capital growth in its own shares. Sales of treasury shares must be for cash and are subject to statutory pre-emption rights (which are subject to limited disapplication in accordance with a special resolution passed at the 2003 AGM and due to expire in 2008).

### RESOLUTION 9: New Articles 158 and 159 of the Company's Articles of Association

Resolution 9 proposes changes to the provisions dealing with indemnification of directors and other officers, following recent amendments to the Companies Act 1985. Broadly, the proposed new Articles 158.1 and 158.2 would allow the Company to indemnify any of its directors (or any director of an associated company) against liabilities in a civil action by a person other than the Company (or an associated company), and against his defence costs as the action proceeded, but in the case of actions by the Company (or an associated company) an indemnity could only cover the defence costs, and only if judgment was not given against the director. The indemnity could cover the costs of defending criminal proceedings or of making certain applications for relief – although not if the director was convicted or denied relief - or of defending regulatory actions. The Company would also be able to advance monies to fund any director's defence expenditure in civil or criminal proceedings, but only on terms that the Company must be reimbursed immediately if his defence failed.

The Company also proposes a new Article 159 which restates, to reflect the changes to the Companies Act 1985, the previous power of the Company to purchase insurance cover for its directors, officers, employees and certain others from potential liability arising from their positions.

These new Articles 158 and 159 would replace the existing provisions which reflect the previous law.

# OFFICERS AND PROFESSIONAL ADVISERS

## Directors

Nicholas Vetch  
David White  
David Ross  
Jonathan Short  
James Gibson  
Philip Burks  
Adrian Lee  
Stephen Homer

## Secretary

Michael Cole

## Registered office

2 The Deans  
Bridge Road  
Bagshot  
Surrey  
GU19 5AT

## Bankers

The Royal Bank of Scotland plc  
8<sup>th</sup> Floor  
280 Bishopsgate  
London  
EC2M 4RB

Barclays Bank plc  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

Bank of Ireland  
Eastcheap Court  
11 Philpot Lane  
London  
EC3M 8BA

Morgan Stanley and Co. International Limited  
8th Floor  
25 Cabot Square  
Canary Wharf  
London  
E14 4QA

## Solicitors

CMS Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

## Financial advisers and stockbrokers

Cazenove & Co. Ltd  
12 Tokenhouse Yard  
London  
EC2R 7AN

## Auditors

Deloitte & Touche LLP  
Chartered Accountants  
Hill House  
1 Little New Street  
London  
EC4A 3TR



**Big Yellow Group PLC**  
2 The Deans, Bridge Road,  
Bagshot, Surrey GU19 5AT

Tel: 01276 470190  
Fax: 01276 470191  
e-mail: [info@bigyellow.co.uk](mailto:info@bigyellow.co.uk)  
[www.bigyellow.co.uk](http://www.bigyellow.co.uk)