

**Big Yellow Group PLC**  
Annual Report & Accounts  
2007

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# Our Values

**The customer is at the heart  
of our business and drives  
everything we do.**

We are the innovative leaders in the UK self storage industry, providing individuals and businesses with an unrivalled product – the best locations, the best quality facilities and the strongest Brand.

We have great people who deliver the best customer service. We achieve this because we encourage a culture of partnership within the business and reward our people for their contribution.

We also view our customers as partners. By understanding their needs, we will become a 'space partner' they will stick with and trust.

By doing this, we will fulfil our promise to help every customer to get some space in their lives.

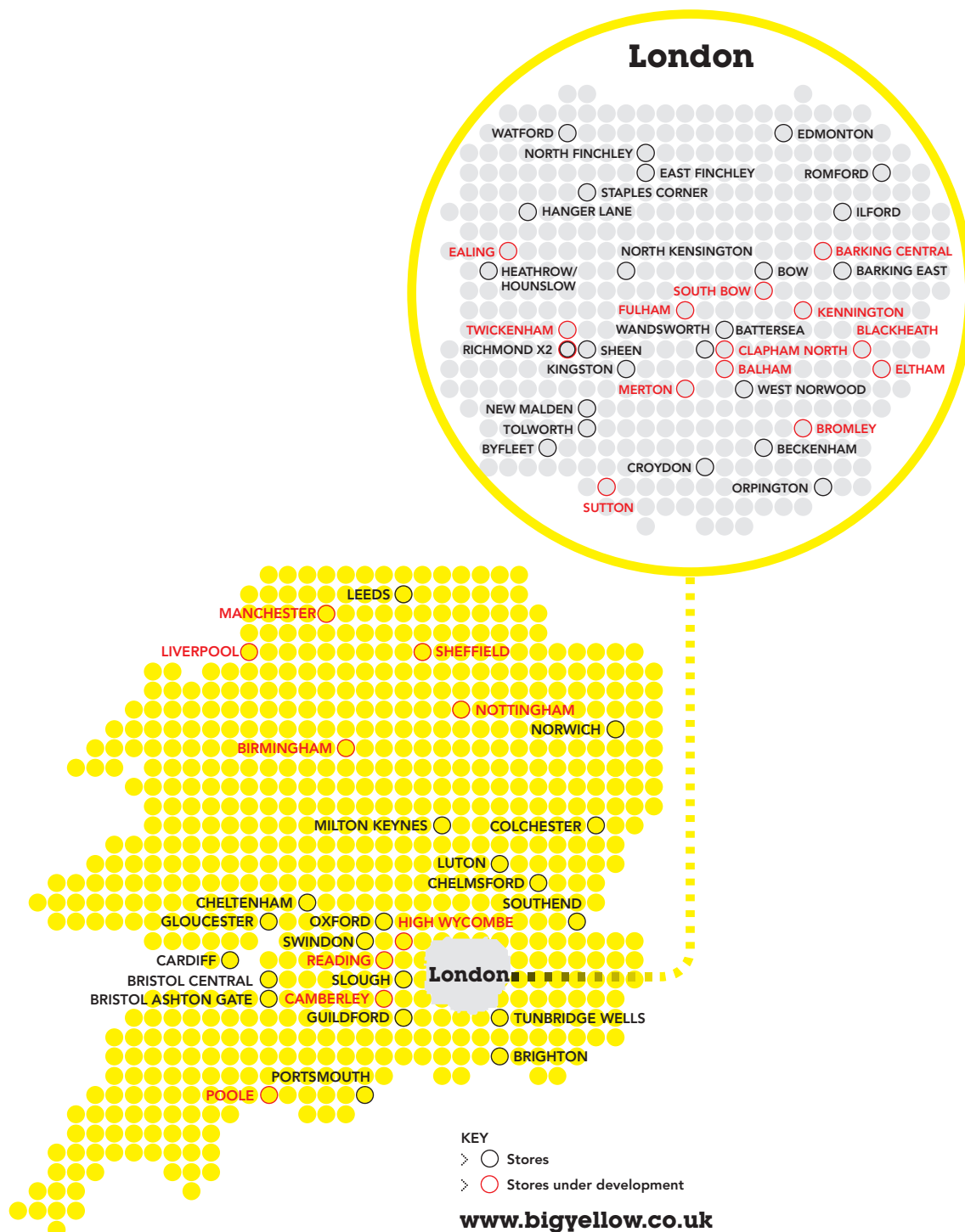
### The concept...

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, secure, conveniently located stores.

# 43 stores open

## 23 stores under development







Tolworth



Beckenham



Tunbridge Wells



Orpington



Leeds



Romford



Ilford



Hounslow



Bristol Central



East Finchley



North Kensington



Swindon



Byfleet



Colchester



Cardiff



Norwich



Gloucester



Bristol Ashton Gate



Kingston



Edmonton

38 OF OUR STORES AND SITES ARE LOCATED WITHIN LONDON AND 56 ARE OWNED FREEHOLD.

When fully built out our portfolio will provide 4.1m sq ft of flexible, secure storage space.

### Our people...

We had 224 employees in the business at 31 March, and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow.

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.

# Measuring our progress...

## and what that means

> Revenue increase of 22% in the year

**£51.2m**

> Strong growth in basic and adjusted pre-tax profit and basic and adjusted earnings per share

**10.01p**

> Adjusted net assets per share up significantly to 437.8p

**437.8p**

> 43 stores open at 31 March 2007 providing 2.6 million sq ft of self storage space

**2.6m sq ft**

## Highlights

	4th quarter ended 31 Mar 2007	3rd quarter ended 31 Dec 2006	%	Year ended 31 Mar 2007	Year ended 31 Mar 2006	%
Revenue	£13.9m	£12.9m	+8	£51.2m	£41.9m	+22
Profit before tax				£152.8m	£118.5m	+29
Adjusted profit before tax <sup>(1)</sup>				£14.2m	£12.6m	+13
Basic earnings per share				192.97p	82.10p	+135
Adjusted earnings per share <sup>(2)</sup>				10.01p	8.86p	+13
Dividend – final				5.5p	3.0p	+83
– total				9.0p	5.0p	+80
Adjusted NAV per share <sup>(3)</sup>				437.8p	297.0p	+47
Cash flow from operations				£30.2m	£24.4m	+24
Occupied Space	1,835k sq ft	1,748k sq ft	+5	1,835k sq ft	1,672k sq ft	+10

<sup>(1)</sup> See note 10<sup>(2)</sup> See note 12<sup>(3)</sup> See notes 12 and 14

> Cash flow from operations continues to improve with maturing store portfolio

**£30.2m**

> Full year dividend increased by 80% to 9.0p

**9.0p**

> Pipeline of 23 sites to provide an additional 1.5m sq ft at an estimated total cost of £221 million, 64% by capacity in London

**1.5m sq ft**

> Six planning consents obtained in the second half and nine freehold sites acquired during the year, five in London, plus sites in Sheffield, Poole, High Wycombe and Nottingham

**66 stores & sites**

### The future...

We're changing the way we communicate with our customers in order to develop long term relationships.

We provide domestic and business users with exceptional customer service from a network of high profile, conveniently located stores.

# Chairman's Statement

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), is pleased to announce results for the year and for the fourth quarter ended 31 March 2007.

Overall, we are satisfied with the Group's trading performance over the year. A good summer was followed by a modest December quarter. Activity levels saw a significant pick up early in the New Year resulting in a strong fourth quarter to the end of March. This is a seasonal business and we expect to see the usual build up in occupancy and hence revenue over the forthcoming summer months.

We were pleased to receive approval by HMRC for conversion to a Real Estate Investment Trust ("REIT"), backdated to 15 January 2007. This is an important part of the Group's strategy and was the culmination of several months of hard work.

### Financial Results

Revenue for the fourth quarter has shown a significant 8% rise to £13.9 million from £12.9 million for the third quarter ended 31 December 2006. Revenue for the year was £51.2 million (2006: £41.9 million), an increase of 22%.

Profit before tax for the year was £152.8 million up from £118.5 million last year. After adjusting for the gain on the revaluation of investment properties and other matters (see note 10) the Group made an adjusted profit before tax in the period of £14.2 million, up 13% from £12.6 million in 2006.

The basic earnings per share for the year was 192.97 pence (2006: 82.10 pence) and the fully diluted earnings per share was 190.31 pence (2006: 80.47 pence). A significant proportion of this improvement is due to the release of deferred taxation following the Group's conversion to a REIT (see note 9). Adjusted earnings per share based on adjusted profit after tax was 10.01 pence (2006: 8.86 pence) (see note 12).

Cash generated from operations rose to £30.2 million in the year (2006: £24.4 million), an increase of 24%.

Net bank debt of £187.9 million at 31 March 2007 (2006: £142.1 million) represents approximately 27% (2006: 30%) of the Group's investment property and development property assets totalling £686.5 million (2006: £468.5 million) and 38% (2006: 44%) of the adjusted net assets of £491.2 million (2006: £322.3 million).

We are therefore conservatively geared, with significant balance sheet capacity on which to secure future borrowings. We have credit approval for an increase of £50 million in our bank facilities to £275 million. This will result in facilities available for drawdown of £85 million on completion.

### Dividend

The Board has proposed a final dividend of 5.5 pence per share, which brings the total declared dividend in respect of the results of the financial year to 9.0 pence per share (2006: 5.0 pence per share). For further information on the dividend, see the Financial Review.

### Valuation and Net Asset Value

The value of the investment property portfolio at the 31 March 2007 was £590.1 million, up £179.6 million from £410.5 million at 31 March 2006. The increase in valuation in the same store portfolio is £92.9 million, representing a 22.6% total uplift, of which we estimate 11.5% is a function of capital growth, and 11.1% operational performance. The balance of £86.7 million is a valuation of new stores open in the period comprising capital expenditure of £39.1 million and a revaluation uplift of £47.6 million.

The net yield on the portfolio based on the net operating income at store level in the first year after the projected stabilisation of each store is 6.80% (March 2006: 7.49%).

Whilst we believe there is unlikely to be any further significant yield contraction for UK Real Estate assets, it is arguable that there is still significant potential for yield compression for these types of self storage assets, due to a number of drivers:

- > the yields compare favourably with more conventional Real Estate assets, as the March UK All Property IPD yield stands at 5.39% (March 2006: 5.84%);



"We were pleased to receive approval by HMRC for conversion to a Real Estate Investment Trust ("REIT"), backdated to 15 January 2007. This is an important part of the Group's strategy and was the culmination of several months of hard work."

- > the yields on the Group's portfolio are post administration costs against IPD yields which are pre administration;
- > the Group's self storage assets have enjoyed 4.6% average annual net storage rent increases over the last five years and over the same period, same store NOI margins (post allocation of administration costs) have increased from 48% to 58%;
- > this is an institutional asset class in North America and Australia, and is growing globally and will benefit from increasing institutional interest in the UK particularly for purpose built, well located modern facilities.

The increase in value of the Group's investment properties, together with an adjustment to the valuation assumptions results in a 140.8p increase in the adjusted fully diluted net asset value per share over the year. The valuation of these assets is a business asset valuation, assuming an acquisition of not just the property, but also the operating cash flow. This by definition requires the sale of the operational contracts (customer, employment and maintenance etc) attached to the property which is difficult to achieve except in a corporate structure. Accordingly the adjusted net asset per share this year reflects the assumption that the assets are valued in accordance with the RICS Red Book assuming a sale in a corporate structure. The assets are still held in the Group balance sheet on the basis of the prior year RICS Red Book valuation assuming a direct property sale. A full disclosure of the rationale and impact is contained in the Financial Review on page 17 and in note 14.

90% by value of the Group's 43 open stores and sites held for development are freehold (including one long leasehold).

The freehold proportion will increase as we open stores in the development pipeline, all of which are freehold. We strongly believe that these assets will materially outperform our short leasehold assets due to the wasting nature of the latter. This is illustrated by the fact that the freeholds within the same store portfolio showed a valuation uplift in the year of 24%, compared to an uplift of 12% in respect of the nine short leasehold stores.

### Real Estate Investment Trusts

The Group has succeeded in converting to a REIT, effective from 15 January 2007. In essence, a REIT will exempt qualifying companies from paying corporation tax on their qualifying earnings in return for distributing 90% of qualifying profits to shareholders. Certain rules apply to a REIT limiting the amount of development, debt gearing and non-qualifying trading activities.

The cost of conversion represents 2% of gross property assets, which based on the value of the Group's properties at 15 January this year totalling £599.9 million, would represent a liability of £12.0 million. The final charge will be subject to agreement with the tax authorities. This sum will be paid in July 2007.

Conversion to a REIT represents a significant step forward for the Group, largely eliminating the Group's corporation tax liability going forward and completely eliminating an estimated £95 million of contingent capital gains tax liability as at 15 January 2007.

Furthermore, Big Yellow has a significant development pipeline of self storage assets, within the REIT ringfence and the development gains arising will generally be tax-free.

### Stores and the Market

Self storage, we believe, will become increasingly mainstream as a sector, which will inevitably mean increased financial and human capital availability, resulting in increased competition over a period of time. Supply of self storage, however, will remain largely constrained by the availability of land, planning consents and competition from other uses, particularly in London and the larger provincial cities and towns.

At the period end, occupied space represented 1,835,000 sq ft, up 10% from 1,672,000 sq ft at the same time last year. This represents 71% occupancy rate across all 43 stores open at the period end.

We have included, as usual, a table summarising the performance of all our stores over the year, this can be found on page 20.

## Chairman's Statement (continued)

The portfolio of 30 stores that were open for more than two years at the beginning of the period was 85% occupied at the end of the year, with an average occupancy during the year of 85%. In addition these 30 stores achieved EBITDA margins of 64% (2006: 62%) and, after an allocation of central overhead, net operating income margins of 58% (2006: 56%). The 21 freehold stores within this 30 achieved EBITDA margins of 71% in the year.

Same store revenue for these 30 stores increased 8% year on year, 6% as a result of increases in average prices and yield management; 1% average occupancy growth and the balance improved packing material and insurance sales. In addition from May 2007, we have successfully put through our target annual storage price rise of approximately 4.2% across the whole 43 store portfolio.

### Property

We acquired nine freehold sites in the year, five in London and four outside London at Sheffield, Nottingham, Poole and High Wycombe.

Since the year end, we have acquired a further three sites in Reading, Birmingham, and Camberley.

As part of our expansion strategy, we continue to seek sites in the Midlands and the North and have recently acquired sites in Birmingham (since the year end) and Nottingham to add to our existing sites in Manchester, Liverpool and Sheffield.

After a frustrating first six months we secured six planning consents in the second half of the year. Importantly all six were in London, where the process is at its most complex. These, together, with our site in Fulham result in seven stores being constructed at present or with planning. The government has imposed a target timescale of 13 weeks for Local Authorities to resolve applications. This has proved untenable in our experience, and accordingly a substantial amount of pre-application consultation is necessary before submission. This process in general is taking longer than the application process itself.

We now have five further sites with applications submitted, with five more close to being submitted following extensive consultations. One site is subject to an appeal to the Secretary of State for further determination and the balance have more recently been acquired and are in the feasibility phase.

We now have 23 stores in the pipeline (including one extension site at our Richmond store), which when fully developed, will represent an additional 1.5 million sq ft and when open will provide the Group with a total of 66 stores and 4.1 million sq ft. The result is an estimated development programme of £221 million. The build up in the pipeline should ensure a faster opening schedule in future years. 61% of our total stores and sites are located within the M25 and 57 are freehold or long leasehold. In the year we have opened six stores – three in London, and one each in Tunbridge Wells, Bristol Ashton Gate and Gloucester.

At 31 March 2007, there was surplus land held in the balance sheet of £29.7 million, and since the year end, we have sold land at our development site in Merton for £7.7 million. Further surplus land will be disposed of in due course.

### International Franchise

I am pleased to announce that in October 2006 we signed our first International Franchise Agreement for the United Arab Emirates with Big Yellow FZ LLC, a privately backed business set up to exploit the opportunities for development of a network of Big Yellow stores in the Gulf Cooperation Council states. The site for the first store in Dubai has been acquired and has now started construction to develop a 280,000 sq ft Big Yellow Self Storage centre, which is expected to open in spring 2008. Furthermore, since the year end we have signed a Franchise Agreement with the same partner for the Kingdom of Bahrain.

As is typical of franchise structures, we are not investing capital in this business but are providing operating know-how and the licensing of the Big Yellow brand for an upfront fee and a share of future revenues.

“We believe that the three value drivers of our business, development, occupancy growth and rental growth, fuelled by the location of our stores, branding, marketing and management will continue to deliver strong returns to shareholders.”

We are now reviewing other opportunities to expand the business internationally using this franchise model and have taken steps to protect the trademark in selected territories.

#### **Our People**

As we have consistently reported on over the last seven years, the Big Yellow team has remained largely stable, both at Head Office and within the stores. Never complacent on this issue however, we are constantly investing in our people, which we believe is reflected in the very high customer satisfaction responses that we receive. 97% of our customers would recommend using Big Yellow to a friend.

For some four years, James Gibson has combined the roles of Chief Executive Officer and Finance Director of the Group, but as the Group becomes larger and more complex, we have resolved to split these functions. Accordingly, John Trotman has been appointed as Chief Financial Officer and will be joining the Company on 25 June this year. It is the Board's intention to promote John to the Board in due course. John is a Chartered Accountant and former Senior Manager at Deloitte & Touche LLP, where he specialised in the real estate sector and self storage. Since leaving Deloitte in 2005, John has been working for a subsidiary of the Kajima Corporation involved in the large Silvertown Quays regeneration project.

Additionally, as reported above, we are intending to expand our international franchise operations and have appointed Tom Wilcockson as International Franchise Director and we expect him to join the Group in July of this year. Tom previously held the same position at Early Learning Centre, where he was largely responsible for the implementation of that Group's international franchise expansion.

I would like to take the opportunity of thanking all the people who work at Big Yellow for their continued efforts, loyalty and hard work which, at the risk of repetition, really does make the difference between success and failure in our business.

The last word goes to Philip Burks, a co-founder of the Group and its Property Director for the last seven years who has surrendered his executive role to become a non-executive. Through his contacts, experience and expertise, Philip has played a critical role over the years in the expansion and success of Big Yellow and on behalf of the Board, I would like to thank him for his contribution. Furthermore I remain grateful that he will remain close to Big Yellow and I am pleased to say he will be available as and when we need his advice or access to his connections.

#### **Outlook**

We are currently enjoying good trading conditions and we expect this to continue into the summer. We have secured six planning consents in the second half of the year, two since we last reported in January. Planning remains a significant obstacle, but with a pipeline of 23 sites, of which 14 are in London, we hope that this will deliver a steady stream of freehold store openings over the coming years. In the meantime we intend to continue adding sites to the pipeline.

We believe that the three value drivers of our business, development, occupancy growth and rental growth, fuelled by the location of our stores, branding, marketing and management will continue to deliver strong returns to shareholders.



**Nicholas Vetch**  
Chairman



Reserve online ►►

# **Some people might not think they need storage.**

**But everyone wants space.**

Some people think of self storage as large, damp, cold buildings in the middle of nowhere. They have no idea of the clean, secure, welcoming customer experience that Big Yellow offers.

They think that self storage is only needed by businesses. Yes, we do provide a solution for businesses, both big and small. But self storage can also be invaluable to the general public, for all kinds of different reasons, throughout their lives.



People's lives change. The things they need and don't need change. And the demands on the space they have change.

At Big Yellow, we don't just provide people with space for the belongings they're currently not using. We help them create more space for themselves. We are their space partner at different stages in their lives.

Whatever people's reasons for needing space in their lives, we offer them flexible storage solutions to suit their specific circumstances. Whether they only need a room big enough for a few bits and pieces, or one big enough for a house full of things, we can provide it.

When it's time for a partner to move in,  
but not all of their belongings.



Get some space in your life.



When they want to re-decorate their house,  
without re-decorating their furniture.



Get some space in your life.



**When the kids go back to school  
and it's time to turn the playground  
back into the garden.**



**Get some space in your life.**



**When they decide to turn their  
three-bedroom house back into  
a three-bedroom house.**



**Get some space in your life.**





When moving out of the old and  
into the new don't match up.



Get some space in your life.

**When students go home during the  
summer break, but don't want to take  
everything back with them.**



**Get some space in your life.**

**When their spare room  
is no longer spare.**



**Get some space in your life.**

**When the fax is under  
the laptop under the papers  
under the desk.**



**Get some space in your life.**

Whatever stage people are at in their lives, Big Yellow is the cleanest, most welcoming, flexible and secure place for them to store the belongings they don't need, and create the space they do.





[Business Review >>](#)

# Business Review

"Big Yellow has achieved substantial total returns for its shareholders in the year under review..."

In recent years, Big Yellow has established itself as the leading self storage brand in the UK." (Ipsos Mori research, July 2006)

## Introduction

Big Yellow has achieved substantial total returns for its shareholders in the year under review, which arise from a combination of factors including:

- > a prime portfolio of self storage properties
- > successful acquisition and development of new stores
- > the strength of operational management
- > occupancy and revenue growth
- > improving cash flow and margins
- > flexible and conservative financing

## Business Objectives

In recent years, Big Yellow has established itself as the leading self storage brand in the UK (Ipsos Mori research, July 2006), a key objective set at flotation. The Group's strategy is to continue to invest in quality assets at the premium end of the self storage market and to build on our brand leadership nationally. We intend to measure our progress by commissioning quantitative research each year. We opened our first store outside our core area, in Leeds in 2005 and now have sites in development in Manchester, Liverpool and Sheffield, and have recently acquired further sites in Nottingham and Birmingham.

The main elements of our strategy remain:

- > the roll-out of new stores in major urban conurbations throughout the UK, in addition to retaining a focus on London;
- > conservative financing using flexible bank borrowings secured against a prime freehold portfolio;
- > locating stores in visible, convenient and accessible locations;
- > an unwavering focus on customer service;
- > excellent operational and financial management generating strong cash-flow growth;
- > innovative and creative marketing;
- > an entrepreneurial and passionate culture, with accessible senior management encouraging innovation and dialogue throughout the business;
- > recruiting and retaining quality people into the business.

## Financing Objectives

Big Yellow's financing policy is to fund its current needs through a mix of debt and equity in building out the existing portfolio and strategic growth objectives, which we believe improves returns for shareholders.

We aim to ensure that there are sufficient medium term facilities in place to finance our committed development program, secured against the freehold portfolio with debt serviced by our growing strong operational cashflows.

The business is financed by a mixture of debt and equity which improves returns to shareholders. The level of bank debt in the business is closely monitored against the Board's policy guidelines, which currently require that the ratio of net debt to gross property assets is no greater than 50% and interest cover not less than 2.25 times based on Group net operating income, comfortably ahead of its banking covenants. However, it is acknowledged that there may be limited periods where income cover temporarily falls slightly below 2.25 as a result of known factors, for example a number of new store openings, as new freehold stores make a loss for the first three to six months before breaking even at the net operating income level.

## Risk Management

The management of risk is a fundamental part of how we have controlled the development of Big Yellow since its formation in September 1998.

### Self Storage Market Risk

Economic growth in the UK returned to trend in 2006, and the economy has continued to grow satisfactorily in 2007, with consumer spending remaining strong. This is in spite of the recent increases in interest rates and increased taxes and other costs, which may in due course have an impact on the consumer and the housing market.

Approximately 50% of our customers are in some way linked to the housing market, for example with customers renting storage space between house moves or whilst moving within the rental sector. We estimate that 15% of customers rent storage space as a spare room for lifestyle purposes and approximately 20% of customers use the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited furniture, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 15% of our customers are businesses ranging from start ups and market traders to retailers and larger multinationals storing stock, documents, equipment, or promotional materials all requiring a convenient flexible solution to their storage either to get started or to free up more expensive space.

Self storage is an immature market with further opportunity for significant growth. Awareness of self storage and how it can be used by domestic and business customers is relatively low throughout the UK, although higher in London. The rate of growth in branded self storage on main roads in good locations continues to be limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent.

Big Yellow only invests in prime locations, developing high quality self storage centres in the large urban conurbations where the drivers in the self storage market and the barriers to competition are at their strongest.

We have a large current storage customer base of over 30,000 spread across the portfolio of open stores and many thousands more have used Big Yellow over the years. In any month customers move in and out at the margin but the solidity of the occupancy of our stores when they lease up to maturity can be seen from the Portfolio Summary on page 20.

### **Property Risk**

The acquisition of eight to ten sites a year for development into self storage is a key strategic objective of the business. We continue to face significant competition for sites for these quality main road locations from other uses such as residential, hotel, car showroom and offices. In addition we are seeing increasing competition from our main self storage competitors for sites.

The planning process remains difficult with planning taking approximately nine to twelve months to achieve on average. In this competitive environment, we do take planning risk as it is necessary for us to acquire sites unconditionally, with planning and other property due diligence carried out under tight timescales.

Big Yellow's management has significant experience in the property industry generated over many years and in particular in acquiring property on main roads in high profile locations and obtaining planning consents.

In the year under review we were successful in acquiring 9 sites, five in London and sites in Sheffield, Nottingham, High Wycombe and Poole, and we have acquired a further three sites since year end, in Camberley, Reading and Birmingham. We now have a portfolio of 66 stores and sites (including one extension site) of which 43 are currently open and a further seven have planning consents.

We manage the construction of our properties very tightly. The building of each site is handled through a design and build contract, with the fit out project managed in-house using an established professional team of external advisors and sub-contractors who have worked with us for many years to our Big Yellow specification.

### **Treasury Risk**

The Group borrows in sterling at floating rates of interest and uses swaps to hedge its interest rate exposure. The Group has derivatives in place to ensure at least 35-40% of bank borrowings are hedged, the balance is left floating paying margin over rolling 3 month LIBOR.

Our portfolio is relatively high yielding and we believe this flexible approach to our hedging is appropriate for our strategic aims, given the conservative levels of interest cover and gearing.

### **Interest Cover and Balance Sheet Risk**

The Group reviews the current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis assuming movements in interest rates on gearing and interest cover.

### **Credit Risk**

Our customers are required to pay a deposit when they start to rent a self storage unit and are also required to pay in advance for their four-weekly storage charges. The Group is therefore not exposed to a significant credit risk.

### **Taxation Risk**

The Group is exposed to changes in the tax regime affecting the cost of corporation tax, VAT and Stamp Duty Land Tax ("SDLT"). We regularly monitor proposed and actual changes in legislation with the help of our professional advisors and through trade bodies to understand and, if possible, mitigate or benefit from their impact.

### **REIT Risk**

The Group converted to a REIT with effect from 15 January 2007. The Group is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation. The Group has internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with.

### **Human Resources Risk**

At Big Yellow we have developed a professional, lively, enjoyable and fun working environment and believe our success stems from attracting and retaining the right people. We encourage all our staff to build on their skills, through appropriate training and regular performance reviews. We believe in an accessible and open culture and everyone at all levels is encouraged to review and challenge accepted norms, so as to contribute to the performance of the Group.

### **Reputational Risk**

Big Yellow's reputation with all its stakeholders is something we value highly and will always look to protect and enhance. We aim to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen to and take account of their views. The Big Yellow's Intranet and Website ([www.bigyellow.co.uk](http://www.bigyellow.co.uk)) are important avenues of communication for both employees and shareholders.

We signed our first international franchise in October 2006 in respect of the United Arab Emirates, with expansion rights for the remaining GCC states. We carried out due diligence on our local partners and were advised on the Development Agreement by Eversheds Franchise Team. The Development Agreement provides the requisite controls typical of arrangements of this nature to protect our reputation and brand. We have appointed an experienced International Franchise Director with over 20 years experience in franchising, who will be responsible for growing this aspect of our business.

### **Corporate and Social Responsibility**

Big Yellow develops stores in environments in which people live and work. We build storage centres for our customers who live or work within a three to five mile radius providing a storage solution for businesses and households. 85% of our customers are householders renting storage rooms primarily for household contents, 15% of our customers occupying 30% of the net lettable space are businesses requiring flexible storage space to operate and expand, thus contributing to job creation and generating wealth for the local economy.

We survey all customers at moveout to assess their views on a number of issues and seek to respond to all feedback and views in order to improve our performance and meet our customers' changing needs.

We work closely with our suppliers to ensure they understand our aims and objectives and can share in the Big Yellow vision of reinforcing our position as the leading brand in the UK self storage market.

As a Board we are committed to ensuring that our development activities do not place an unnecessary burden on future generations. Big Yellow is well aware of its corporate social responsibility and

recognises the positive contribution it can make to address environmental concerns and sustainability issues. A more detailed explanation of our approach to managing and minimising the impact of our development on the environment is set out below.

Big Yellow has a committed and skilled staff of 208 people. We have a responsibility to provide an attractive and safe working environment, equal opportunities, training to improve skills and, where practicable for a business of this size, career progression. Remuneration is linked to performance and assessed against relevant markets at all levels.

Our shareholders and bankers are our providers of capital and we aim through our reporting, our Investor Relations website and announcements to keep them informed about the progress of the business. Furthermore we have a responsibility through the successful performance and growth of the business to provide our shareholders with an attractive total return on their investment through dividends and share price growth.

The success of Big Yellow has allowed us to put something back into the local communities in which we operate through the support of local causes and into society generally through donations to charities.

For the first time, Big Yellow has appointed a Charity of the Year, which in 2007 is Cancer Research. Employees have carried out a number of events to raise money for the charity, and the Group has matched all amounts raised by staff. Additionally, we are liaising with representatives from Cancer Research with regards to the collection of household items which could be donated at stores by customers and then sold at their charity shops.

### **Environmental Policy**

Maintaining and improving the quality of the built environment in which we live is an important concern for the Group, its staff, customers, suppliers and the communities in which we operate. Big Yellow endeavours to balance the triple bottom line of financial, social and environmental concerns.

The Directors of Big Yellow are committed to ensuring its development and operational activities do not place an unnecessary burden on future generations. Big Yellow is well aware of its corporate social responsibility and the company recognises the positive contribution it can make to address environmental concerns and sustainability issues. James Gibson, CEO, has responsibility to the Board on all matters of environmental policy.

In recognition of the UK regulatory objectives and growing environmental awareness of consumers, Big Yellow has initiated simple, straightforward alterations to its behaviour to reduce its carbon footprint. Furthermore the Group are investing over £1.0 million in renewable energy technologies in new developments at Barking, Balham, Fulham and Kennington. This investment forms a key part of a detailed study into the building design to quantify the energy, material and waste usage and benefits of the new technologies in use and to consider where improvements could be introduced within the existing and new stores portfolio.

Big Yellow will endeavour to use less energy, use energy from renewable sources and supply energy efficiently where practicable. To demonstrate our commitment to the environment we are recruiting a full time environmental manager to increase the pace of change within the company.

There are many ways in which Big Yellow currently achieves its 'environmental' objectives, the main examples of which are set out below:

- > We clean up previously contaminated 'brown' field sites as part of the redevelopment; we do not build on green field sites or previously undeveloped land.
- > Access for each site is a key criteria and is therefore highly sustainable given its close proximity to the road network and public transport, stores benefit from good pedestrian and cycle routes.
- > Big Yellow are respectful of local communities and all new Construction Sites are registered with the Considerate Contractors scheme.
- > We recycle demolition materials and endeavour to minimise construction waste. Store Operations generate minimum quantities of waste although facilities are provided for recycling.
- > We are designing new stores with products that are more sustainable. We select building materials responsibly with low embodied energy, with easy reuse and from sustainable sources. The buildings are in the main part constructed of steel, a material which could be recycled in the future. The mezzanine floors offers flexibility such that the building can be used for different purposes.
- > Big Yellow is not a high user of energy, nonetheless we meet building regulations which require high insulation standards to the building envelope even though large areas of the building are unheated. We only heat or cool our reception areas which on a standard store occupy approximately 3% of the gross floor area.
- > We are investing in renewable energy sources where practicable and financially viable at our stores in Barking, Balham, Fulham and Kennington. The benefits will be monitored and form the basis of a model concept for future new eco stores.
- > We are encouraging and improving bio diversity by replacing previously lost habitat with green walls/green roofs and the reintroduction of landscaping.
- > We now install low energy lighting throughout our newer stores and plan to upgrade existing stores over a period of time. Big Yellow obtains its electricity supplies from a services provider with a green energy policy which generates electricity from a renewable source or with a company policy of investing in research into renewable capacity.
- > On our recent stores we have moved from hydraulic lifts to more energy efficient 'traction' lifts.
- > We are now providing facilities on our new stores to encourage the use of public transport and cycling by store staff, a requirement of planning.
- > We conserve water resources by minimising the number of sanitary fittings and include flow control systems within the staff kitchen and store facilities.
- > Sustainable Urban Drainage Systems (SUDS) and rainwater harvesting are being installed at stores under construction to meet Environment Agency requirements for surface water attenuation and irrigation.
- > We are raising environmental awareness and encouraging suppliers, staff and customers to change their behaviour and encourage sustainable solutions.



## Stores

During the year we opened six stores, three in London (at East Finchley, Kingston & Edmonton), one at Tunbridge Wells, a second store at Bristol Ashton Gate, and one at Gloucester. These store openings bring the number now trading to 43. The available net lettable space increased by 360,000 sq ft over the year to 2.6 million sq ft with the opening of these six stores.

The maturity profile across the 43 stores open at the end of the year is set out in the Portfolio Summary on page 20 and shows a blended occupancy for the portfolio of 71% (1.84 million sq ft occupied), with the 30 stores more than two years old at an average occupancy of 85%.

There are a further 23 freehold sites (including an extension site at Richmond) at various stages of planning and construction which, when fully developed, will increase the total capacity of the portfolio to 4.1 million sq ft.

14 of the 23 stores in the development pipeline (including the extension site to our first Richmond store) are located in Greater London, which we believe will continue to improve the quality of our store portfolio. Our store in Leeds continues to perform ahead of budget. We have therefore also continued with our stated intention to acquire sites in key Northern Cities and have recently bought sites in Birmingham and Nottingham to add to our existing acquisitions in Manchester, Liverpool and Sheffield. We continue to work on obtaining planning consents for these future stores. We expect to open seven stores in the current financial year.

We have received planning permission in the year to demolish our existing 25,000 sq ft storage facility in Sheen and replace this with a new 60,000 sq ft facility. We expect to start work on this in July, with opening of the new store planned for early 2008.

During the year we moved in over 42,000 customers taking 2.5 million sq ft compared to 38,400 customers taking 2.3 million sq ft last year. This resulted in the stores increasing occupancy by 163,000 sq ft (202,000 sq ft last year). Customer move-ins per store averaged 86 per month over the year, down from the 92 per month last year, reflecting a larger and more mature store portfolio, with less availability, and hence less potential activity. Of the 43 stores open at year end 41 are now trading profitably with the other two being the most recent to open.

The Big Yellow store model is now well established. The "typical" store contains 60,000 sq ft of net lettable space, and takes some 2.5 years to achieve 85% occupancy, leasing up at an average rate of 1,700 sq ft per month. The average room size is some 60 sq ft and the average rental achieved last year across the 43 stores was £23.79 per sq ft per annum (the average rent in London is higher at £27.36 per sq ft per annum). The store is initially run by three staff – adding a part timer once the store occupancy justifies the need for the extra administrative and sales workload. Given that the operating costs of these assets are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Excellent customer service is at the heart of our business objectives, as a satisfied customer is our best marketing tool. From our surveys 97% amount of customers would recommend Big Yellow to a friend. We measure customer service standards through a programme of mystery shoppers and ex-customer surveys. We now have in place

a team of Area Managers (who between them have a total of 40 years experience in self storage) to develop and support the stores and to continue to drive the growth of the business.

The store bonus structure rewards sales growth and cost control through setting quarterly targets based on store profitability, including the contribution from ancillary sales of insurance and packing materials. Information on bonus build up is circulated monthly and stores are involved in preparing their own targets and budgets, leading to improved visibility, a better understanding of sales lines and control of operating costs.

The Group 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. The total construction spend in the year was £30 million and is expected to be approximately £45 million in 2007/8. We currently have seven new stores on site, all of which are new stores under construction.

We believe that as a customer facing real estate business it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in a rolling programme of store makeovers, preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as internal and external gates.

## Sales and Marketing

During the year we conducted a strategic review of our Marketing programme. This was driven by comprehensive customer research, using both quantitative and qualitative techniques. Highlights of the research include:

- > Big Yellow has achieved brand awareness of 35 to 40% in our target customer groups in London and the South;
- > Our Brand awareness is more than double that of our nearest competitor;
- > London and the South East have the highest regional awareness of self storage at 25-30%;
- > Across the UK, 77% of the public are either unaware of self storage, or have heard of it but know nothing about it;
- > 80% of our customers fall within the top three ACORN customer categories (Wealthy Achievers, Urban Prosperity and Comfortably Off, with Urban Prosperity being the largest).

The findings of this research confirm the success of our previous marketing activity, and justify our Brand positioning at the quality end of the market. The high standards of our stores, our people and our locations have successfully attracted customers who are looking for quality and value. Our customers are particularly attracted by our modern, purpose built stores, our state of the art security systems and convenient locations.

The customer research helped to set the direction for our marketing strategy. Following the research we appointed CHI & Partners as our advertising agency, with a brief to overhaul all of our marketing communications materials, and launch a new advertising campaign. This campaign was launched in April 2007, and has been led by an intensive TV campaign on Channel 4 and linked satellite channels, supported by additional advertising in national press, online and through direct marketing. The campaign is already achieving good awareness after a short period of time, and is due to last throughout the summer.



“The high standards of our stores, our people and our locations have successfully attracted customers who are looking for quality and value. Our customers are particularly attracted by our modern, purpose built stores, our state of the art security systems and convenient locations.”

We continually monitor local market conditions and review our promotions monthly. Our policy is to offer targeted promotions to ensure we are offering the best value available to our customers. Our embedded discount varies by store maturity: stores with 85% occupancy and over have discount levels of 7%, 60-85% have 9% and new stores have 12%. The average across the Group is 8%. The success of this strategy is confirmed by the high occupancy achieved by our mature store portfolio – 85% over the year for stores with an average size of 60,000 sq ft of net lettable space, which is significantly higher than most of our competitors.

We see the internet as an increasing source of prospects and customers and continue to invest in developing our e-commerce platform. We have recently launched a ground breaking online reservation service, and we will continue to stay at the forefront of innovations in this area.

Local marketing, selling standards and customer service at store level are also critical to building the brand and achieving customer loyalty and recommendations. We invest significantly in training and have a reward structure and performance monitoring systems which focus specifically on achieving sales and customer service objectives.

During the year the Group spent approximately £2 million (4% of our turnover) on above the line marketing, in line with the previous year. It is our intention to continue to invest this proportion of our turnover to increase awareness of Big Yellow in existing and new markets, particularly as we expand into the new cities in the country that we have not previously had a presence in.

The quantitative research was carried out by Ipsos Mori in July 2006.

### **People**

At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing our commitment to the best 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. We hold regular consultation meetings with employees, both formally and informally, and our directors and senior management spend significant time in the stores and are accessible to employees at all levels. An annual Employee Attitude Survey provides the management with key feedback and guidance as to where to focus its resources in each year.

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 and an Inland Revenue approved Sharesave Scheme. This provides an opportunity to invest in the future success of Big Yellow at a discount to the prevailing share price at the date of each invitation.

In addition, a stakeholder pension scheme managed by Friends Provident provides pension provision within the Group and is available to all employees after six months.

We had 226 full, part time and casual employees in the business at the year end (2006: 185 employees), 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 delivered over 500 days training to employees in the last year, equating to an average of approximately 3 days training per employee. We have a policy on flexible working to meet individual needs where possible, without compromising corporate objectives.

### **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 customer security procedures in line with advice from the Metropolitan Police and continue to work with the regulatory authorities on issues of security, reviewing our operational procedures regularly. The importance of security and the need for vigilance is communicated to all store staff and reinforced through training and we have continue to run courses to enhance the awareness and effectiveness of our procedures in relation to security, entitled “You and your customer”.

# Financial Review

"The most significant financial event for the Group in the year was the approval by HMRC of the Group's election to convert to a REIT with effect from 15 January 2007."

## International Financial Reporting Standards ("IFRS")

This report is prepared in accordance with IFRS and includes the Group's IFRS accounting policies together with further details on key performance measures in the notes to the accounts.

## REIT Conversion

The most significant financial event for the Group in the year was the approval by HMRC of the Group's election to convert to a REIT with effect from 15 January 2007. The required changes to the Group's articles commensurate with conversion to a REIT were subsequently approved at an EGM on 4 May 2007. This was the culmination of several months of hard work to achieve this successful outcome for the Group.

The cost of conversion represents 2% of gross property assets, which based on the value of the Group's properties at 15 January this year totalling £599.9 million, would represent a liability of £12.0 million. The final charge will be subject to final agreement with the tax authorities. This sum will be paid in July 2007.

REIT conversion means that the income and capital gains from the Group's eligible UK activities will be tax exempt. Accordingly, the accounts for the year ended 31 March 2007 include the release at 15 January 2007 of £95 million of contingent capital gains tax liability.

Furthermore, Big Yellow has a significant development pipeline of self storage assets, within the REIT ringfence and the future revaluation gains on these developments and its existing open stores will be largely free from capital gains tax.

## Dividends

As stated in our interim accounts to 30 September 2006, the Group's policy in anticipation of conversion to a REIT, was to significantly increase the interim dividend and to pay a total dividend in excess of the minimum property income dividend ("PID") required under the regulations. Dividends will be set based on 90% of qualifying post depreciation earnings, without further deduction for additional shadow capital allowances.

We are recommending a final dividend payment of 5.5p per share. Taken together with the interim dividend of 3.5p, this makes a full year declared dividend of 9.0p per share (2006: 5.0p), which represents an 80% increase.

The Group's dividend now consists of two components; the PID from the REIT qualifying activities and a dividend distribution from our non-qualifying activities (non-PID). The aggregate of these two components will still be known as our total dividend. We are obliged to withhold tax from certain shareholders, currently at a rate of 22% (decreasing to 20% from 6 April 2008), from the PID element of the dividend. Our total dividend is therefore a gross dividend.

Since Big Yellow only became a REIT on 15 January 2007, over three-quarters of this financial year fell outside REIT status. Shareholders will find an explanation of the individual components of the total dividend on the tax voucher sent out with the payment on 18 July 2007.

Of the proposed final dividend of 5.5p, only 0.4p is a PID. This is subject to 22% withholding tax for relevant shareholders. Next year we expect a higher proportion of the total dividend payments to be in the form of a PID.

Subject to approval by shareholders at the Annual General Meeting to be held on 11 July 2007, the final dividend will be paid on 18 July 2007 to shareholders on the Register on 15 June 2007.

Dividend Table	Interim Dividend p	Final Dividend p	Total Dividend p
Property income distribution	-	0.4	0.4
Non-property income distribution	3.5	5.1	8.6
Total	3.5	5.5	9.0

## Financial Results

Annualised revenue, the measure of store related revenue being billed (net of all discounts) at the end of the year, increased to £50.9 million, up from £43.4 million last year, an increase of 17%. Revenue for the year was £51.2 million, up 22% from £41.9 million for 2006. Included in revenue in 2007 is a lease surrender premium received of £1.2 million. This is a one-off non-recurring item.

Other sales (included within the above), comprising the selling of packaging materials, insurance and storage related charges represented 16% of storage income for the year (2006: 14%) and generated revenue of £6.7 million for the year, up from £5.2 million in 2006.

The Group made a profit before tax in the year of £152.8 million, up significantly from the £118.5 million in the prior year. After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below the Group made an adjusted profit before tax in the year of £14.2 million, up 13% from £12.6 million in 2006.

Profit before Tax Analysis	2007 £m	2006 £m
Profit before tax	152.8	118.5
Gain on revaluation of investment properties	(138.3)	(106.2)
Movement in fair value on interest rate derivatives	(0.7)	0.2
Loss on non-current assets	1.1	0.1
Tenant surrender premium	(1.2)	-
REIT conversion costs	0.5	-
Adjusted profit before tax	14.2	12.6

The loss on non-current assets of £1.1 million is a write down to net realisable value of surplus land at one of our development sites. The basic earnings per share for the year was 192.97p (2006: 82.10p) and the fully diluted earnings per share was 190.31p (2006: 80.47p). A significant proportion of this improvement is due to the release of deferred taxation following the Group's conversion to a REIT (see note 9). Adjusted earnings per share based on adjusted profit after tax was 10.01p (2006: 8.86p) (see note 12).

Administration Expenses including the cost of construction management were higher at £5.6 million compared to £4.7 million in 2006. There were additional costs in 2007 relating to the conversion to a REIT of £0.5 million (including irrecoverable VAT), coupled with additional head office staff and inflationary increases.

Net Interest Expense on Bank Borrowings for the year increased to £10.5 million up from £7.4 million in 2006 reflecting the increase in net borrowing over the period, coupled with the rise in interest rates. The average cost of borrowing including margin at 31 March is set out below:

	2007	2006
Average interest rate on fixed rate debt	6.0%	6.1%
Average interest rate on variable rate debt	6.4%	5.6%
Overall weighted average interest rate	6.3%	5.7%

### Balance Sheet

The Group's 43 open stores at 31 March 2007, which are classified as investment properties, have been re-valued by Cushman & Wakefield (C&W) and this has resulted in a gross property asset value of £686.5 million, comprising £521.4 million (76%) for the 34 freehold (including one long leasehold) open stores, £68.7 million (10%) for the nine short leasehold open stores and £96.4 million (14%) for development properties. The properties held for development have not been externally valued and have been included in the balance sheet at a historical cost less provision for impairment.

### Change in Valuation Assumption for Purchaser's Costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of 5.75% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure. We believe therefore that the valuation assumptions should be adjusted to reflect the reality.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. We therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at

31 March 2007 of £615,950,000 (£25,890,000 higher than the value recorded in the financial statements or 21.9 pence per share).

We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

We intend to consult with our industry peers, relevant regulatory bodies on whether this basis of valuation for operational assets of this type should be formally incorporated into the balance sheet.

The revised valuation translates into an adjusted net asset value per share of 437.8 pence (2006: 297.0 pence) after the dilutive effect of outstanding share options (see table below).

Analysis of Net Asset Value	2007	2006
Basic net asset value (£m)	488.0	244.3
Exercise of share options (£m)	3.3	5.8
Diluted net asset value (£m)	491.3	250.1
Adjustments:		
Deferred tax on revaluation (£m)	–	72.1
Deferred tax on fair value of interest rate swaps (£m)	(0.1)	–
Balance sheet adjusted net asset value (£m)	491.2	322.2
Basic net assets per share (pence)	428.3	239.2
Diluted net assets per share (pence)	416.0	230.5
Balance sheet adjusted net assets per share (pence)	415.8	297.0
Diluted shares used for calculation (million)	118.1	108.5
Balance sheet adjusted net asset value (as above) (£m)	491.2	
Valuation methodology assumption (see note 14) (£m)	25.9	
Adjusted net asset value (£m)	517.1	
Adjusted net assets per share (pence)	437.8	*

\* There was no valuation carried out on the basis of a sale in a corporate structure at 31 March 2006.

The recorded book value of the investment property portfolio at 31 March 2007 was £590.1 million up £179.6 million from the £410.5 million at 31 March 2006. £92.9 million is the increase in the valuation of the same store portfolio representing a 22.6% total uplift, of which 11.5% is a function of capital growth and 11.1% operational performance. The balance of £86.7 million is a valuation of new stores open in the period comprising capital expenditure of £39.1 million and a revaluation uplift of £47.6 million.

The anticipated initial yield on the portfolio in the following year, as represented by net operating income at store level, is 5.24%, rising to 6.80% in the year following stabilisation of each store. The reduction in the stabilised yield from 7.49% at 31 March 2006 to 6.80% results in a 11.5% capital value increase. This yield reduction reflects a number of factors, including significant yield compression on other real estate assets in the UK and elsewhere and more specifically, a growing institutionalisation of self storage assets, particularly in the US.

In common with other real estate groups, we have calculated the total return to our equity shareholders based on the increase in fully diluted net assets per share plus dividends paid in the year. As can be seen from the table below Big Yellow achieve total returns to shareholders of 49.6% (147.3 pence per share), or 53.1% (157.6 pence per share) after adding back the REIT conversion charge of £12 million (or 10.4 pence per share).

## Financial Review (continued)

	2007	2006	Increase
NAV per share	<b>428.3p</b>	239.2p	79%
Adjusted diluted NAV per share (see note 12)	<b>437.8p</b>	297.0p	47%
Dividend paid per share	<b>6.5p</b>	3.5p	86%
Total return per share	<b>147.3p</b>	109.4p	35%
Total return	<b>49.6%</b>	57.2%	

### Financing and Treasury

The Group is strongly cash generative operationally and draws down from its longer term committed facilities as required to meet obligations. The Group's cash earnings continue to grow as reflected by the increase in cashflow from operating activities [pre financing costs] for the year to £30.2 million from £24.4 million last year.

A summary of the cashflow for the year is set out in the table below:

	Year ended 31 March	
	2007	2006
	£'000	£'000
Cash flow from operations	<b>30,198</b>	24,412
Finance costs (net)	<b>(13,472)</b>	(9,275)
<b>Free cash flow</b>	<b>16,726</b>	15,137
Capital expenditure	<b>(96,007)</b>	(60,281)
Asset sales	<b>2,165</b>	7,619
Ordinary dividends	<b>(7,051)</b>	(3,541)
Issue of share capital	<b>38,377</b>	1,480
<b>Net funds flow</b>	<b>(45,790)</b>	(39,586)
Increase in borrowings	<b>33,707</b>	47,400
<b>Net cash (outflow)/inflow</b>	<b>(12,083)</b>	7,814
Opening cash and cash equivalents	<b>14,193</b>	6,379
Closing cash and cash equivalents	<b>2,110</b>	14,193

We focus on improving our cashflows and we currently have healthy interest cover of approximately 2.5 times with a relatively conservative debt structure secured principally against the freehold estate. The Group was comfortably in compliance with its bank

covenants at 31 March 2007, and we forecast to be in compliance with our banking covenants in the foreseeable future.

At the end of the year, the Group had net bank borrowings of £187.9 million, an increase of £45.8 million over last year following £96.0 million of capital expenditure, £13.5 million of net interest paid (including finance lease costs), dividend payments of £7.1 million, offset by net cash inflows from changes in share capital of £38.4 million, operating cash flow of £30.2 million, and land disposal proceeds of £2.2 million.

The Group has a syndicated bank facility with the Royal Bank of Scotland, Bank of Ireland and Barclays of £225 million. This facility is secured on a portfolio of 31 freehold and leasehold assets. Net debt at the end of March was £187.9 million, leaving £37.1 million of available facilities to fund expansion with significant balance sheet space given the low level of gearing. Since year end the Group has obtained credit approval to increase this facility by a further £50 million.

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 2007, the Group had total bank borrowings of £190 million of which 37% was hedged in the medium term. £70 million is hedged at maturities expiring between 2007 and 2011. The Group has historically had a relatively high level of variable debt to maintain flexibility and given the low level of gearing with loan to total gross assets of 25% and 12 month rolling interest cover of 2.5 times. Now that we have converted to a REIT, we intend to review the long term financing of the Group, and related hedging.

The Group does not hedge account its interest rate derivatives. Therefore movements in the fair value are taken to the income statement, but as recommended by EPRA (European Public Real Estate Association), these are eliminated from adjusted profit before tax and adjusted earnings per share.

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

“REIT status gives the Group exemption from UK corporation tax on profits and gains from its qualifying portfolio of UK stores. Future revaluation gains on the Group’s existing investment properties and development pipeline will largely be exempt from corporation tax on capital gains.”

### Share Capital

The share capital of the Company totalled £11.5 million at 31 March 2007 (2006: £10.3 million), consisting of 114,559,534 ordinary shares of 10p each (2006: 102,752,607 shares).

On 12 July 2006 the Company placed 9.1 million new ordinary shares of 10p each with institutions, raising approximately £36.4 million before expenses.

Shares issued for the exercise of options during the period amounted to 2,706,927 at an average exercise price of 99p.

During the year there were no purchases of shares by the Group into Treasury. 615,000 shares were purchased in 2005 at an average price of 132p, and 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.

	2007 No.	2006 No.
Opening shares	<b>102,752,607</b>	100,725,537
Shares issued by way of Placing	<b>9,100,000</b>	–
Shares issued for the exercise of options	<b>2,706,927</b>	2,027,070
Closing shares in issue	<b>114,559,534</b>	102,752,607
Shares held in EBT	<b>(615,000)</b>	(615,000)
Closing shares for NAV purposes	<b>113,944,534</b>	102,137,607

144,998,398 million shares were traded in the market during the year ended 31 March 2007 (2006: 72,903,317). The average mid market price of shares traded during the year was 513p with a high of 705p and a low of 362p.

At 31 March 2007 there were 2,880,867 shares subject to share option awards to employees of the Group at an average strike price of 102p. In addition there are 1,052,164 nil paid options, granted under the Group’s LTIP scheme and 234,858 share options granted under the Group’s SAYE scheme at an average strike price of 165p.

### Taxation

The current year tax credit for the Group of £60.4 million (2006: charge of £35.1 million) relates to a deferred tax credit of £75.1 million, a REIT conversion charge of £12.0 million and a corporation tax charge of £2.7 million.

The movement in the deferred tax consists of the write back of the deferred tax provisions in the Group’s Balance Sheet at 31 March 2006, as following our conversion to a REIT, we will no longer be liable to tax on the disposal of the assets.

The REIT conversion charges has been calculated based on 2% of the valuations of our portfolio at the conversion date of 15 January 2007. This charge is payable in July 2007.

The Group’s actual cash tax liability for the year is £0.1 million as the group is entitled to claim a tax deduction in the year of £2.7 million in connection with share options exercised by employees. Under the provisions of IAS 12, however, the benefit of this tax deduction is taken straight to reserves rather than being accounted for through the tax charge for the year.

REIT status gives the Group exemption from UK corporation tax on profits and gains from its qualifying portfolio of UK stores. Future revaluation gains on the Group’s existing investment properties and development pipeline will largely be exempt from corporation tax on capital gains, provided certain criteria are met.



# Portfolio Summary

Years since opening as at 1 April 2006	March 2007 ≥ 2 years	March 2007 < 2 years	March 2007 Total	March 2006 ≥ 2 years	March 2006 < 2 years	March 2006 Total
Number of stores	30	13	43	30	7	37
<b>As at 31 March 2007</b>						
Total capacity (sq ft)	1,788,000	784,000	2,572,000	1,787,000	425,000	2,212,000
Occupied space (sq ft)	1,513,000	322,000	1,835,000	1,513,000	159,000	1,672,000
Percentage occupied	85%	41%	71%	85%	37%	76%
	£'000	£'000	£'000	£'000	£'000	£'000
Annualised revenue	41,607	9,281	50,888	39,263	4,137	43,400
<b>For the year:</b>						
Average occupancy	85%	32%	68%	84%	27%	73%
Average annual rent psf	£23.97	£23.07	£23.79	£22.64	£19.96	£22.46
Self storage sales	36,434	5,788	42,222	33,978	2,290	36,268
Other storage related income <sup>(1)</sup>	5,350	1,391	6,741	4,693	543	5,236
Ancillary store rental income	70	16	86	57	30	87
Total Revenue	41,854	7,195	49,049	38,728	2,863	41,591
Direct store operating costs (excluding depreciation)	(12,943)	(4,274)	(17,217)	(12,471)	(1,946)	(14,417)
Leasehold rent <sup>(2)</sup>	(2,261)	(43)	(2,304)	(2,206)	–	(2,206)
Store EBITDA <sup>(3)</sup>	26,650	2,878	29,528	24,051	917	24,968
EBITDA Margin <sup>(4)</sup>	64%	40%	60%	62%	32%	60%
Central overhead <sup>(5)</sup>	(2,511)	(503)	(3,014)	(2,324)	(420)	(2,744)
Store Net Operating Income	24,139	2,375	26,514	21,727	497	22,224
NOI Margin	58%	33%	54%	56%	17%	53%
<b>Cumulative capital expenditure</b>						
	£m	£m	£m			
to 31 March 2007	140.5	81.9	222.4			
to complete	–	2.6	2.6			
Total cost	140.5	84.5	225.0			

(1) Packing materials, insurance and other storage related fees.

(2) Rent for nine short and one long leasehold property accounted for as investment properties and finance leases under IFRS with total self storage capacity of 595,000 sq ft.

(3) Earnings before interest, tax, depreciation and amortisation.

(4) Of stores open more than 2 years, nine leaseholds achieved a store EBITDA of £6.7 million and EBITDA margin of 50%. 21 freeholds achieved a store EBITDA of £20.0 million and EBITDA margin of 71%.

(5) Allocation of overhead based on 6% of estimated stabilised income.

# Report on Corporate Governance

## Introduction

The Board continues to endorse and apply the principles of good corporate governance reflected in "The Combined Code on Corporate Governance" ["the Code"] as appended to the Listing Rules of the UK Listing Authority. 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 2007 the Company has been in compliance with the Provisions set out in Section 1 of the Code.

## 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 within 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 seven Directors: three executives and four Non-Executives. The Board considers David White, David Ross, and Jonathan Short to be wholly independent and free from any business or other relationship which could materially interfere with the exercise of their judgement throughout the year.

David Ross increased his shareholding in the Company during the year to in excess of 9%. The Board believes that Mr Ross remains independent as his interests are totally aligned with those of external shareholders.

On 30 March 2007 the Group announced that Philip Burks, the Property Director of the Group, was to stand down as an Executive Director and become a Non-Executive Director of the Group. His shareholding in the Group is 7.7%. The Board does not consider that Philip Burks is an independent Non-Executive, given that he was a co-founder of the Group and was an Executive Director from September 1998.

David White is the Senior Independent Non-Executive Director.

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 considerable knowledge, judgement 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 35.

## 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.

# Report on Corporate Governance (continued)

## Board of Directors

Details of the Board and its principal committees are set out below. 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).

Nicholas 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 to 30 March 2007, Non-Executive Director from 30 March 2007]

Company Secretary: Michael Cole

Attendance at meetings of the individual Directors at the Board and its committees is shown in the table below:

Director	Board (7 meetings)	Audit committee (3 meetings)	Remuneration Committee (2 meetings)	Nominations Committee (1 meeting)
Nicholas Vetch	7	–	–	–
David White	7	3	2	1
David Ross	6	2	1	–
Jonathan Short	7	3	2	1
James Gibson	7	–	–	–
Adrian Lee	7	–	–	–
Philip Burks	3	–	–	–

The Board meets on a regular basis approximately once every two months to discuss a whole range of significant matters including strategic decisions, major asset 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. The Board also considers matters of non-financial risk.

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.

Nicholas Vetch, Philip Burks and David White are being proposed for re-election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that their performance continues to be effective, and that they have demonstrated commitment to the role.

# Report on Corporate Governance (continued)

## Training and Development

All Directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditors where appropriate. During the year under review, this has included consideration of Directors' responsibilities, the Listing, Prospectus and Disclosure Rules, the market abuse regime, the Transparency Directive and the Companies Act 2006. The professional development requirements of Executive Directors are identified and progressed as part of each individual's annual appraisal.

Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas they consider to be appropriate for their own professional development. Each year, the programme of senior management meetings is tailored to enable meetings to be held at the Company's properties. During the year, the senior management team made visits to all of the Group's open stores.

## Audit Committee

David White (Chairman)

David Ross

Jonathan Short

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 the conversion to REIT status, 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. Where non-audit services are provided, the fees are based on the work undertaken and are not success related.

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 2007, the auditors' remuneration comprised £138,000 for audit work and £53,000 for other work, principally relating to REIT conversion.

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 have 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.

## Remuneration Committee

David White (Chairman)

David Ross

Jonathan Short

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.

# Report on Corporate Governance (continued)

## Nominations Committee

David White (Chairman)

David Ross

Jonathan Short

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.

## Risk Management and Internal Control

The Directors are responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. 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. 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.

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 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. However, the Group employs a Store Control Manager responsible for reviewing store operational and financial controls. He reports to the Group Financial Controller.

A summary of the principal risks and uncertainties within the business are set out in the Risk Assessment section of the Business Review on page 11.



# Report on Corporate Governance (continued)

## 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 responsible for preparing the annual report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- > properly select and apply accounting policies;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- > provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

**Michael Cole**

Secretary

18 May 2007

# Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2007.

## 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 on pages 6 to 9. A detailed Business Review and Financial Review have been prepared and are set out on pages 11 and 19, and more specifically as follows,

- > the business objectives and strategy is set out on page 11;
- > the financing objectives are set out on page 11;
- > the principal risks and uncertainties within the business are set out in the Risk Management section on page 11; and
- > the key quantitative and qualitative performance indicators are included within the Highlights (see page 4), Portfolio Summary (see page 20) and Financial Review (see page 16).

## Properties

The changes in investment and development property during the year and details of property valuations at 31 March 2007 are shown in note 14 to the financial statements. Further commentary on our investment and development property portfolio is contained in the Business Review and Financial Review.

## Changes in Share Capital

During the year the Company issued 2,706,927 shares to satisfy the exercise of share options. In July 2006, the Group placed 9,100,000 new ordinary 10 pence shares at 400 pence per share to fund expansion and pay for the cost of conversion to a REIT.

The Company did not purchase any shares during the year.

Further details are given in note 21 to the financial statements.

## Results and Dividends

The consolidated income statement is set out on page 37 of the financial statements.

The Directors recommend a final dividend of 5.5p per ordinary share (2006: 3.0p per ordinary share) to be paid on 18 July 2007 to shareholders whose name appears on the register at the close of business on 15 June 2007. An interim dividend of 3.5p was paid in the year (2006: 2.0p).

## 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 2007 were 28 days (2006: 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

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 Remuneration Report on pages 29 to 33.

Biographical details of the Executive and Non-Executive Directors are set out on page 35.

# Directors' Report (continued)

## Reappointment of Directors

The Directors listed above constituted the Board during the year.

Following a performance appraisal process, the Board has concluded that the Directors retiring by rotation are effective, committed to their roles and should continue in office.

Nicholas Vetch, Philip Burks (Non-Executive Director), and David White (Non-Executive Director) offer themselves for re-election in accordance with the articles of association of the Company.

## Directors' and Officers' Liability Insurance

The company purchases liability insurance covering the Directors and officers of the company and its subsidiaries.

## Annual General Meeting

The notice for the 2007 Annual General Meeting is included on pages 65 to 68. The meeting will be held at 20 Moorgate, London EC2R 6DA on 11 July 2007.

## Financial Instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liquidity and cash flow risk are set out in the Business Review on page 11, and notes 2 and 17 to the financial statements.

## Substantial Shareholdings

The following substantial shareholdings have been notified to the Company:

	At 1 April 2006		Ordinary shares of 10p each At 31 March 2007		At 17 May 2007	
	No.	%	No.	%	No.	%
Directors	32,694,580	31.82	33,061,720	28.86	33,061,720	28.86
JP Morgan Asset Management	–	–	9,114,092	7.96	8,710,467	7.60
Thames River Capital	9,000,000	8.76	6,614,086	5.77	6,564,086	5.73
Henderson Global Investors and subsidiary companies	6,414,288	6.24	6,252,168	5.46	6,437,152	5.62
Barclays Global Investors	–	–	5,649,598	4.93	4,560,334	3.98
Merrill Lynch Investment Managers	4,074,337	3.97	–	–	–	–
Schroder Investment Management	4,035,731	3.93	4,010,713	3.50	3,941,278	3.44
UBS AG (MMH)	–	–	–	–	3,592,256	3.14

## Environmental Policy

The Group's environmental policy is covered in the Business Review.

## Employees

Adrian Lee, Operations Director has responsibility to the Board for all employee matters.

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.

# Directors' Report (continued)

## 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 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 Adrian Lee 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 £20,000 (2006: £24,000) were made to UK residents in the year.

## Auditors

In respect of each Director of the Company, at the date when this report was approved, to the best of their knowledge and belief:

- > so far as the Director is aware, there is no relevant audit information of which the auditors are unaware; and
- > he has taken all the steps that he might have reasonably been expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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  
18 May 2007

# Remuneration Report

## Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Act requires the auditors to report to the company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

## Unaudited information Remuneration Committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee during the year were David Ross and Jonathan Short who are all independent Non-Executive Directors and the Committee is chaired by Mr David White.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

In determining the Directors' remuneration, the Committee consulted the Executive Chairman Nicholas Vetch about his proposals. The Committee also appointed Deloitte & Touche LLP to provide benchmarking advice on structuring and salary levels of the Directors' remuneration packages. Deloitte & Touche LLP are also the Group's auditors.

## 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 profit and operating cash flow performance. There is no deferrable element of the bonus, and it is non pensionable. This year's annual bonus award represents 15% 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 no 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.



# Remuneration Report (continued)

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

The first awards under the LTIP to Directors were made on 6 June 2005 when the market price was 195.5p. 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 below) and these were disclosed in the 2004 Remuneration Report and approved by shareholders at the 2004 Annual General Meeting.

Director	Option grant 2005	Option grant 2006	Options to be granted 2007
James Gibson	166,666	166,667	166,667
Philip Burks	66,666	66,667	–
Adrian Lee	50,000	50,000	50,000

Philip Burks has stepped down to the role of non-executive Director from 30 March 2007, and will not be awarded any further options under the LTIP scheme.

The awards for James Gibson and Adrian Lee remain as previously approved by shareholders in 2004 and the Annual General Meetings of 2005 and 2006.

Additionally, the Committee considered the incentive package of Nicholas Vetch, the Executive Chairman. Nicholas has taken on direct responsibility at Board level for the real estate strategy and the execution of the critical driver of the growth in the business. The Committee considered that 133,333 options should be awarded to Nicholas Vetch, the first such award to him under the LTIP scheme.

In all other grants to Directors beyond those set out above, 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 following targets will apply.

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

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.

## 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.

# Remuneration Report (continued)

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

Nicholas Vetch	25 September 1998
Philip Burks	25 September 1998 (until 30 March 2007)
James Gibson	25 September 1998
Adrian Lee	31 March 2000

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.

## External Appointments

With approval from the Board, Executive Directors may accept an external appointment as a Non-Executive Director role elsewhere, and retain any related fees. Mr Vetch is a Non-Executive Director of Blue Self Storage S.L, a Spanish self storage business, and the Local Shopping REIT plc, a UK listed property business. Mr Gibson is a Non-Executive Director of AnyJunk Limited. Mr Vetch receives a Non-Executive fee of €20,000 per annum from Blue Self Storage S.L and £30,000 per annum from Local Shopping REIT plc. Mr Gibson does not receive any fees for his services.

Philip Burks, Nicholas Vetch, James Gibson and Adrian Lee are partners in Football Fever LLP, from which they do not receive any fees.

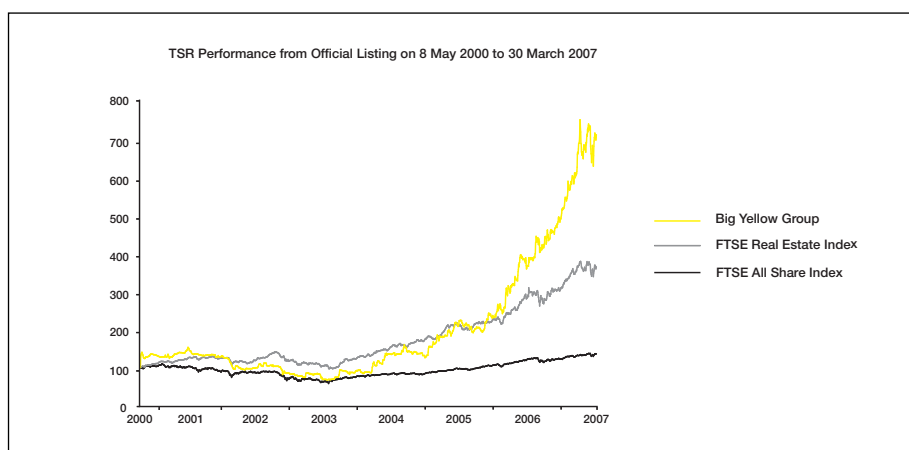
## Non-Executive Directors' Remuneration

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.

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

### Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

	2007 £	2006 £
Emoluments	897,396	1,038,292
Compensation for loss of office	—	229,000
Gains on exercise of share options	8,684,050	3,469,112
Money purchase pension contributions	66,338	75,043
	<b>9,647,784</b>	<b>4,811,447</b>

# Remuneration Report (continued)

## Directors' remuneration

			2007			2007	2006
	Salary/fees £	Annual Bonus £	Taxable benefits £	Sub total £	Pension £	Total £	Total £
Nicholas Vetch	195,200*	26,505	2,446	224,151	17,670	241,821	230,053
Philip Burks	147,492*	–	3,011	150,503	13,398	163,901	238,238
James Gibson	218,500*	30,000	3,189	251,689	20,000	271,689	257,533
Adrian Lee	168,200*	22,905	2,448	193,553	15,270	208,823	198,724
Stephen Homer(1)	–	–	–	–	–	–	340,287
David White	27,500	–	–	27,500	–	27,500	27,500
David Ross	25,000	–	–	25,000	–	25,000	25,000
Jonathan Short	25,000	–	–	25,000	–	25,000	25,000
	806,892	79,410	11,094	897,396	66,338	963,734	1,342,335

\* Includes car allowances

(1) Resigned 30 November 2005

## Directors interests

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

	At 1 April 2006 No.	At 31 March 2007 No.
<b>Ordinary shares of 10p each</b>		
David Ross	7,000,000	11,354,140
Nicholas Vetch (including trusts)	11,425,000	9,417,000
Philip Burks (including trusts)	10,396,000	8,767,000
James Gibson (including trusts)	2,613,000	2,363,000
Adrian Lee (including trusts)	818,880	818,880
David White	350,000	250,000
Jonathan Short	91,700	91,700

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

## Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options exercised during the year are as follows:

Name of Director	Date	Number of options	Exercise price	Market price at exercise date	Gains on exercise £
Nicholas Vetch	22/09/06	542,381	100p	479p	2,055,624
	26/09/06	214,619	100p	483p	821,991
James Gibson	22/09/06	157,619	81.5p	479p	627,324
	26/09/06	62,381	81.5p	483p	250,460
Adrian Lee	07/09/06	25,940	13.3p	460p	115,874
	07/02/07	35,940	25p	671p	232,172
Philip Burks	12/07/06	1,000,000	100p	400p	3,000,000
	07/09/06	268,000	131.5p	460p	880,380
	07/09/06	185,000	81.5p	460p	700,225
					8,684,050

In 2006, gains of £3,469,112 were made on the exercise of share options by the above directors, and also Steve Homer, who resigned as a Director during the year ended 31 March 2006.

# Remuneration Report (continued)

Options in respect of ordinary shares for Directors who served during the year are as follows:

Name	Date option granted	No of shares under option at 31 March 2006*	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares under option at 31 March 2007**	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
<b>Nicholas Vetch</b>	5 May 2000	1,000,000	–	757,000	–	243,000	100p	479p/483p	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
<b>Philip Burks</b>	5 May 2000	1,000,000	–	1,000,000	–	–	100p	400p	5 May 2003	4 May 2010
	4 June 2001	268,000	–	268,000	–	–	131.5p	460p	4 June 2004	3 June 2011
	16 Dec 2002	185,000	–	185,000	–	–	81.5p	460p	16 Dec 2005	15 Dec 2012
	6 June 2005	66,666	–	–	–	66,666	–	–	6 June 2008	6 June 2012
	9 June 2006	–	66,666	–	–	66,666	–	–	9 June 2009	9 June 2013
<b>James Gibson</b>	15 May 2002	3,411	–	–	–	3,411	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	220,000	–	220,000	–	–	81.5p	479p/483p	16 Dec 2005	15 Dec 2012
	6 June 2005	166,666	–	–	–	166,666	–	–	6 June 2008	6 June 2012
	9 June 2006	–	166,666	–	–	166,666	–	–	9 June 2009	9 June 2013
<b>Adrian Lee</b>	18 Jan 1999	25,940	–	25,940	–	–	13.3p	460p	18 Jan 2002	17 Jan 2009
	5 March 1999	125,000	–	35,940	–	89,060	25p	671p	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	194,000	–	–	–	194,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	200,000	–	–	–	200,000	81.5p	–	16 Dec 2005	15 Dec 2012
	6 June 2005	50,000	–	–	–	50,000	–	–	6 June 2008	6 June 2012
	9 June 2006	–	50,000	–	–	50,000	–	–	9 June 2009	9 June 2013

\* or date of appointment, if later.

\*\* or date of cessation of appointment, if earlier.

Options granted up to and including 16 December 2002 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 2007 was 669p. The highest market price during the year was 705p per share, the lowest market price during the year was 362p, and the average price during the year was 513p. 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 on 18 May 2007 and signed on its behalf by:

**David White**

Committee Chairman

18 May 2007

# Officers and Professional Advisers

## **Directors**

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

## **Secretary**

Michael Cole

## **Registered office**

2 The Deans  
Bridge Road  
Bagshot  
Surrey  
GU19 5AT

## **Bankers**

The Royal Bank of Scotland plc  
8th Floor  
280 Bishopsgate  
London  
EC2M 4RB

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

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

## **Solicitors**

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

## **Financial advisors and stockbrokers**

J P Morgan Cazenove  
20 Moorgate  
London  
EC2R 6DA

## **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London



# Biographies of Directors and Senior Management

## Non-Executive Directors

**Philip Burks**, aged 48, Non-Executive 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. Philip was the Group's Property Director until 30 March 2007, at which date he stepped down to become a Non-Executive Director.

**David White**, aged 64, 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 42, Non-Executive Director, qualified as a chartered accountant with Arthur Andersen & Co. He co-founded and is currently Deputy Chairman of Carphone Warehouse Group plc, Europe's leading mobile communication retailer. He is Chairman of National Express Group plc and a Non-Executive Director at Wembley National Stadium Limited and Cosalt plc. In 2006 he was appointed Trustee of the National Portrait Gallery.

**Jonathan Short**, aged 45, Non-Executive Director, has 23 years of investment banking and principal finance experience and is former CEO of Pramerica Real Estate Investors Limited, which he joined in 2000. Prior to this he headed the European real estate mergers and acquisitions practice at Lazard Brothers & Co. He also sits on the Board of Great Portland Estates plc and is the Chairman of the Urban Land Institute London District Council.

## Executive Directors

**Nicholas Vetch**, aged 46, 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. Mr Vetch is also Non-Executive Director of Blue Self Storage S.L. – a self storage operation in Spain.

**James Gibson**, aged 46, 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.

**Adrian Lee**, aged 41, 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.

## Senior Management Biographies

**Michael Cole**, aged 41, 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.

**Stuart Grinnall**, aged 32, 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.

**Nigel Hartley**, aged 43, Construction Director, 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.

**Cheryl Hathaway**, aged 41, 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.

**Chris Herbert**, aged 52, 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.

**Nicola Jordan**, aged 40, 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.

**David Knight**, aged 43, 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.

**Rob Strachan**, aged 37, Head of Sales & Marketing, joined Big Yellow in February 2006, having previously been employed as International Marketing Manager for Upper Crust. Prior to this he was Marketing Manager for Caffè Ritazza, and is qualified with the Chartered Institute of Marketing.

**Andrew Watson**, aged 38, Property Director, 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.

# Independent Auditors' Report to the Members of Big Yellow Group PLC

We have audited the group financial statements of Big Yellow Group PLC for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt, and the related notes 1 to 26. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Big Yellow Group PLC for the year ended 31 March 2007.

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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the Review of Business section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## Basis of audit opinion

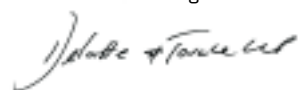
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, 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 group financial statements and the part of the Directors' Remuneration Report to be 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 group financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- > the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- > the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- > the information given in the Directors' Report is consistent with the group financial statements.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

18 May 2007

# Consolidated Income Statement

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
<b>Revenue</b>	3	<b>51,248</b>	41,889
Cost of sales		<b>(18,536)</b>	(15,519)
<b>Gross profit</b>		<b>32,712</b>	26,370
Administrative expenses		<b>(5,645)</b>	(4,725)
<b>Operating profit before gains and losses on property assets</b>	5	<b>27,067</b>	21,645
Gain on the revaluation of investment properties	13a	<b>138,349</b>	106,218
Losses on non-current assets	10	<b>(1,078)</b>	(52)
<b>Operating profit</b>		<b>164,338</b>	127,811
Investment income	7	<b>1,250</b>	135
Finance costs	8	<b>(12,751)</b>	(9,399)
<b>Profit before taxation</b>		<b>152,837</b>	118,547
Taxation	9	<b>60,391</b>	(35,112)
<b>Profit for the year (attributable to equity shareholders)</b>		<b>213,228</b>	83,435
<b>Basic earnings per share</b>	12	<b>192.97p</b>	82.10p
<b>Diluted earnings per share</b>	12	<b>190.31p</b>	80.47p

Adjusted earnings per share are shown in Note 12.

All items in the income statement relate to continuing operations.

# Consolidated Balance Sheet

31 March 2007

	Note	2007 £'000	2006 £'000
<b>Non-current assets</b>			
Investment property	13a	590,060	410,470
Development property	13a	96,393	57,988
Interests in leasehold properties	13a	27,038	26,647
Plant, equipment and owner-occupied property	13b	3,170	3,036
Goodwill	13c	1,433	1,433
		<b>718,094</b>	499,574
<b>Current assets</b>			
Inventories		437	338
Trade and other receivables	15	6,982	6,009
Deferred tax asset	19	650	–
Cash and cash equivalents		2,110	14,193
Derivative financial instruments	17	512	–
Non-current assets classified as held for sale	13d	18,227	6,300
		<b>28,918</b>	26,840
<b>Total assets</b>		<b>747,012</b>	526,414
<b>Current liabilities</b>			
Trade and other payables	16	(25,586)	(20,122)
Derivative financial instruments	17	–	(142)
Obligations under finance leases	20	(2,306)	(2,268)
Current tax liabilities – REIT conversion charge	9	(11,997)	–
– Corporation tax liability		(71)	–
		<b>(39,960)</b>	(22,532)
<b>Non-current liabilities</b>			
Bank borrowings	18	(189,225)	(155,608)
Deferred tax liabilities	19	–	(70,580)
Obligations under finance leases	20	(24,732)	(24,379)
Other payables	16	(5,116)	(8,996)
		<b>(219,073)</b>	(259,563)
<b>Total liabilities</b>		<b>(259,033)</b>	(282,095)
<b>Net assets</b>		<b>487,979</b>	244,319
<b>Equity</b>			
Called up share capital	21	11,456	10,275
Share premium account	22	40,864	3,668
Reserves	22	435,659	230,376
<b>Equity shareholders' funds</b>		<b>487,979</b>	244,319

The financial statements were approved by the board of directors and authorised for issue on 18 May 2007. They were signed on its behalf by:

**James Gibson**  
Director

# Consolidated Statement of Recognised Income and Expense

Year ended 31 March 2007

	2007 £'000	2006 £'000
Current and deferred tax recognised in equity	(1,230)	3,557
Net (expense)/income recognised directly in equity for the year	(1,230)	3,557
Profit for the year	213,228	83,435
Total recognised income and expense for the period attributable to equity shareholders	211,998	86,992

# Consolidated Cash Flow Statement

Year ended 31 March 2007

	2007 £'000	2006 £'000 (restated)
Operating profit	164,338	127,811
Gain on the revaluation of investment properties	(138,349)	(106,218)
Losses on non-current assets	1,078	52
Depreciation	1,349	1,288
Employee share options	336	220
Increase in inventories	(99)	(84)
Increase in receivables	(978)	(825)
Increase in payables	2,523	2,168
<b>Cash generated from operations</b>	<b>30,198</b>	<b>24,412</b>
Interest paid	(14,073)	(9,422)
Interest received	601	147
<b>Cash flows from operating activities</b>	<b>16,726</b>	<b>15,137</b>
<b>Investing activities</b>		
Sale of non-current assets	2,165	7,619
Purchase of non-current assets	(96,007)	(60,281)
<b>Cash flows from investing activities</b>	<b>(93,842)</b>	<b>(52,662)</b>
<b>Financing activities</b>		
Issue of share capital	38,377	1,480
Equity dividends paid	(7,051)	(3,541)
Increase in borrowings	33,707	47,400
<b>Cash flows from financing activities</b>	<b>65,033</b>	<b>45,339</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(12,083)</b>	<b>7,814</b>
<b>Opening cash and cash equivalents</b>	<b>14,193</b>	<b>6,379</b>
<b>Closing cash and cash equivalents</b>	<b>2,110</b>	<b>14,193</b>

The prior year cash flow statement has been restated to reflect a revised treatment of finance lease payments. The effect of this restatement is to reduce the prior year increase in payables and reduce the purchase of non-current assets by £988,000.

## Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2007

	2007 £'000	2006 £'000
Net (decrease)/increase in cash and cash equivalents in the year	(12,083)	7,814
Cash inflow from increase in debt financing	(33,707)	(47,400)
Change in net debt resulting from cash flows	(45,790)	(39,586)
<b>Movement in net debt in the year</b>	<b>(45,790)</b>	<b>(39,586)</b>
Net debt at the start of the year	(142,100)	(102,514)
Net debt at the end of the year	(187,890)	(142,100)



# Notes to the Financial Statements

Year ended 31 March 2007

## 1. GENERAL INFORMATION

Big Yellow Group PLC is a company incorporated in the Great Britain under the Companies Act 1985. The address of the registered office is given on page 34. The nature of the Group's operations and its principal activities are set out in note 4 and in the business review on pages 11 to 15.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on or after 1 April 2006. IFRS 7 Financial Instruments: Disclosure and IFRS 8 Operating Segments were in issue at the date of authorisation of the financial statements but not yet effective. IFRS 7 and IFRS 8 affect only disclosures and therefore have no material impact of the financial statements of the Group.

The financial statements have been prepared on the historic cost basis except that investment properties and derivative financial instruments are stated at fair value. The principal accounting policies adopted are set out below.

### Basis of consolidation

The principal accounting policies have been applied consistently, to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements in the current and preceding year.

The Group accounts consolidate the accounts of Big Yellow Group PLC and all its subsidiaries at the year end using acquisition accounting principles. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

### Revenue recognition

Revenue represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Income is recognised over the period for which the storage unit is occupied by the customer.

### Operating profit

Operating profit is stated after gains on revaluation of investment properties and before gains and losses on non-current assets, investment income and finance costs.

### Finance costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

### Taxation

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

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

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

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

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

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment property

Investment properties are properties owned or leased by the Group which are held for rental income and for capital appreciation. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS40, investment property held leasehold is stated gross of the recognised finance lease liability.

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

### Development property

Properties and land under development are recognised at historic cost less any provision for impairment. The assets are transferred to investment properties once the store has opened to customers.

### Plant, equipment & owner occupied property

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

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets.

The useful economic lives of the assets are as follows:

Freehold property	50 years
Freehold improvements	20 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

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

### Finance leases

Assets held under finance leases, disclosed within interest in leasehold properties, are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

### Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

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

### Goodwill

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

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

### Non current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impairment of assets**

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

### **Cash and cash equivalents**

Cash and cash equivalents comprises cash and short term deposits. The carrying amounts of these assets approximates to the fair value.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value.

### **Financial instruments**

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

### **Trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### **Bank borrowings**

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

### **Trade payables**

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

### **Derivative financial instruments and hedge accounting**

The Group's activities expose it primarily to the financial risks of interest rates. The Group uses interest rate swap and interest rate collar contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The policy in respect of interest rates is to maintain a balance between flexibility and the hedging of interest rate risk. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. The Group has not adopted hedge accounting. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

### **Retirement benefit costs**

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

### **Equity instruments**

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

### **Share-based payments**

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

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

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### a) Estimate of Fair Value of Investment Properties

The Group values its self storage centres using a discounted cash flow methodology which is based on projections of net operating income.

Principal assumptions underlying management's estimation of the fair value are those related to: stabilised occupancy levels; expected future growth in storage rents and operating costs; maintenance requirements; capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 14 to the accounts.

#### b) Development Property

The Group's development properties are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for redevelopment into self storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing with other stores within the portfolio and within the local area. These judgements taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of planning negotiations, revised construction costs or capacity of the new facility, for example, to make an assessment of the carrying value of the development property at historic cost. Once a store is opened, then it is valued as an investment property in the Group's balance sheet and transferred from development properties. The Group reviews all development property assets for impairment at each balance sheet date.

## 3. REVENUE

Analysis of the Group's operating revenue and costs can be found below and in the Portfolio Summary on page 20.

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<b>Open stores</b>				
Self storage income	42,222		36,268	
Other storage related income	6,741		5,236	
Ancillary store rental income	86		87	
		49,049		41,591
<b>Stores under development</b>				
Non-storage income	927		298	
Surrender premiums received	1,172		–	
		2,099		298
<b>Franchise income</b>				
Franchise fee received	100		–	
		100		–
<b>Total revenue</b>		51,248		41,889

The Group also received investment income of £1,250,000 in the year ended 31 March 2007 (2006: £135,000).

## 4. SEGMENTAL INFORMATION

Revenue represents amounts derived from the provision of self storage accommodation and related services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one activity, the provision of self storage accommodation and related services. These all arise in the United Kingdom, with the exception of £100,000 of income which arose in the Emirate of Dubai.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 5. PROFIT FOR THE YEAR

### a) Profit for the year has been arrived at after:

	2007 £'000	2006 £'000
Depreciation of plant and equipment	652	656
Finance lease depreciation	697	632
Increase in fair value of investment property	(138,349)	(106,218)
Cost of inventories recognised as an expense	897	788
Employee costs (see note 6)	6,460	5,645
Operating lease rentals	57	135
Auditors' remuneration for audit services (see below)	138	140

### b) Analysis of auditors' remuneration:

	2007 £'000	2006 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	128	130
Other services – audit of the Company's subsidiaries' annual accounts	10	10
Total audit fees	138	140
Tax services – advisory	–	17
Other services – IFRS transition	–	45
– REIT conversion	50	–
– other	3	–
Total non-audit fees	53	62

## 6. EMPLOYEE COSTS

The average monthly number of employees (including Executive Directors) was:

	2007 Number	2006 Number
Sales	157	146
Administration	34	32
	191	178

At 31 March 2007 the total number of Group employees was 208 (2006: 185)

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	5,266	4,678
Social security costs	638	544
Other pension costs	220	203
Share-based payments	336	220
	6,460	5,645

Details of Directors' Remuneration is given on pages 29 to 33.

## 7. INVESTMENT INCOME

	2007 £'000	2006 £'000
Interest receivable on bank deposits	596	135
Change in fair value of interest rate derivatives	654	–
	1,250	135

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 8. FINANCE COSTS

	2007 £'000	2006 £'000
Interest on bank borrowings	11,124	7,579
Other interest payable	20	26
Interest on obligations under finance leases	1,607	1,574
Change in fair value of interest rate derivatives	–	220
	<b>12,751</b>	9,399

## 9. TAXATION

UK current tax	2007 £'000	2006 £'000
Current tax:		
– Current year	2,739	1,165
– Adjustment in respect of prior year	–	(32)
– REIT conversion charge	11,997	–
Deferred tax (see note 19):		
– Current year	(75,127)	34,419
– Adjustment in respect of prior year	–	(440)
	<b>(60,391)</b>	35,112

A reconciliation of the tax charge is shown below:

	2007 £'000	2006 £'000
Profit before tax	152,837	118,547
Tax charge at 30% thereon	45,851	35,564
Effects of:		
Adjustment in respect of prior year	–	(472)
REIT conversion charge	11,997	–
Revaluation of investment properties post-REIT	(18,596)	–
Revaluation of investment properties pre-REIT	(22,908)	–
Permanent differences	(1,308)	20
REIT conversion release of deferred tax	(75,427)	–
<b>Total tax (credit)/charge</b>	<b>(60,391)</b>	35,112

Analysis of deferred tax (credit)/charge	2007 £'000	2006 £'000
On share options	–	2,554
Accelerated capital allowances	(3,068)	–
On revaluations and disposals	(72,059)	31,865
Credit in respect of prior years	–	(440)
Deferred tax (credit)/charge	<b>(75,127)</b>	33,979

In addition to the current year income statement tax charge of £2.7 million, there is a debit to reserves of £3.9 million in respect of the current tax deduction and the deferred tax arising on potential future deductions under Schedule 23.

From 15 January 2007, the Group has REIT status. As a result the Group will no longer pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime a conversion charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business is payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business has been released to the income statement, as the relevant timing differences will no longer be taxable when they reverse.



# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 10. ADJUSTED PROFIT BEFORE TAX

	2007 £'000	2006 £'000
Profit before tax	152,837	118,547
Gain on revaluation of investment properties	(138,349)	(106,218)
Change in fair value of interest rate derivatives	(654)	220
Losses on non-current assets	1,078	52
Tenant surrender premium	(1,172)	–
REIT conversion costs	493	–
Adjusted profit before tax	14,233	12,601

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

The loss on non-current assets in 2007 is comprised of a provision against non-current assets held for sale of £1.1 million (2006: £nil) and a £22,000 profit (2006: £52,000 loss) on disposal of other development sites.

## 11. DIVIDENDS

	2007 £'000	2006 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2006 of 3.0p (2005: 1.5p) per share	3,065	1,511
Interim dividend for the year ended 31 March 2007 of 3.5p (2006: 2.0p) per share	3,986	2,030
	7,051	3,541
Proposed final dividend for the year ended 31 March 2007 of 5.5p (2006: 3.0p) per share.	6,267	3,064

The proposed final dividend are subject to approval by shareholders at the Annual General Meeting and have not been included as liabilities in these financial statements. The ex-dividend date will be 13 June; the record date 15 June; with an intended payment date of 18 July.

## 12. EARNINGS PER ORDINARY SHARE

	Year ended 31 March 2007			Year ended 31 March 2006		
	Earnings £m	Shares Million	Pence per share	Earnings £m	Shares Million	Pence per share
<b>Basic</b>	213.23	110.50	192.97	83.44	101.62	82.10
Adjustments:						
Dilutive share options		1.54	(2.66)		2.07	(1.63)
<b>Diluted</b>	213.23	112.04	190.31	83.44	103.69	80.47
Adjustments:						
Gain on revaluation of investment properties	(138.35)		(123.48)	(106.22)		(102.44)
Change in fair value of interest rate swaps	(0.65)		(0.58)	0.22		0.21
Losses on non-current assets	1.08		0.96	(0.05)		(0.05)
Tenant surrender premium	(1.17)		(1.04)	–		–
REIT conversion costs	0.49		0.44	–		–
REIT conversion charge	12.00		10.71	–		–
Deferred tax	(75.13)		(67.06)	31.85		30.72
Tax effect of non-recurring items*	(0.28)		(0.25)	(0.05)		(0.05)
<b>Adjusted</b>	11.22	112.04	10.01	9.19	103.69	8.86

\* this takes into account the tax effect of the change in fair value of derivatives, the losses on non-current assets, and the REIT conversion costs.

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

Adjusted earnings per ordinary share before non-recurring items, gains on revaluation of investment properties and on change in fair value of interest rate swaps and associated deferred tax balances, have been disclosed to give a clearer understanding of the Group's underlying trading performance.

The prior year figures have been adjusted to include losses on non-current assets. These were not included in the prior year.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 12. (continued)

### ADJUSTED NET ASSETS PER SHARE

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
<b>Analysis of net asset value</b>		
Basic net asset value	<b>487,979</b>	244,319
Exercise of share options	<b>3,345</b>	5,839
Diluted net asset value	<b>491,324</b>	250,158
Adjustments:		
Deferred tax on revaluation	<b>–</b>	72,059
Tax on fair value of interest rate swaps	<b>(154)</b>	43
Balance sheet adjusted net asset value	<b>491,170</b>	322,260
Basic net assets per share (pence)	<b>428.3</b>	239.2
Diluted net assets per share (pence)	<b>416.0</b>	230.5
Balance sheet adjusted net assets per share (pence)	<b>415.8</b>	297.0
Balance sheet adjusted net asset value (as above) (£'000)	<b>491,170</b>	
Valuation methodology assumption (see below) (£'000)	<b>25,890</b>	
Adjusted net asset value (£'000)	<b>517,060</b>	
Adjusted net assets per share (pence)	<b>437.8</b>	*
Shares in issue	<b>114,559,534</b>	102,752,607
Own shares held	<b>(615,000)</b>	(615,000)
Basic shares in issue used for calculation	<b>113,944,534</b>	102,137,607
Exercise of share options	<b>4,167,888</b>	6,368,227
Diluted shares used for calculation	<b>118,112,422</b>	108,505,834

\* There was no valuation carried out on the basis of a sale in a corporate structure at 31 March 2006.

Net assets per share are shareholders' funds divided by the number of shares at the period end. The shares currently held in 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 effect of revised valuation methodology assumptions (see note 14);
- > deferred tax on the revaluation uplift on freehold and leasehold properties; and
- > tax on the fair value adjustment on interest rate swaps.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 13. NON-CURRENT ASSETS

### a) Investment property, Development property and Interests in leasehold properties

	Investment property £'000	Development property £'000	Interests in leasehold properties £'000
<b>At 1 April 2005</b>	275,230	36,076	25,659
Additions	16,839	37,976	804
Adjustment to present value	–	–	816
Reclassifications	12,183	(12,183)	–
Revaluation	106,218	–	–
Disposals	–	(3,881)	–
Depreciation	–	–	(632)
<b>At 31 March 2006</b>	410,470	57,988	26,647
Additions	2,115	77,531	–
Adjustment to present value	–	–	1,088
Reclassifications	39,126	(39,126)	–
Revaluation	138,349	–	–
Depreciation	–	–	(697)
<b>At 31 March 2007</b>	<b>590,060</b>	<b>96,393</b>	<b>27,038</b>

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses arising on the investment property in the year are disclosed in the Portfolio Summary on page 20.

Within the brought forward cost balance for development property is a provision of £675,000 against the cost of one of our development sites.

### b) Plant equipment and owner occupied property

	Freehold Property £'000	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings & office equipment £'000	Total £'000
<b>Cost</b>						
At 1 April 2005	–	37	389	19	2,833	3,278
Additions	1,770	(12)	62	–	563	2,383
Disposals	–	(8)	–	(19)	–	(27)
At 31 March 2006	1,770	17	451	–	3,396	5,634
Additions	26	–	112	–	648	786
<b>At 31 March 2007</b>	<b>1,796</b>	<b>17</b>	<b>563</b>	<b>–</b>	<b>4,044</b>	<b>6,420</b>
<b>Depreciation</b>						
At 1 April 2005	–	(14)	(114)	(16)	(1,820)	(1,964)
Charge for the year	(6)	(7)	(44)	(2)	(597)	(656)
Disposals	–	4	–	18	–	22
At 31 March 2006	(6)	(17)	(158)	–	(2,417)	(2,598)
Charge for the year	(44)	–	(57)	–	(551)	(652)
<b>At 31 March 2007</b>	<b>(50)</b>	<b>(17)</b>	<b>(215)</b>	<b>–</b>	<b>(2,968)</b>	<b>(3,250)</b>
<b>Net book value</b>						
<b>At 31 March 2007</b>	<b>1,746</b>	<b>–</b>	<b>348</b>	<b>–</b>	<b>1,076</b>	<b>3,170</b>
At 31 March 2006	1,764	–	293	–	979	3,036

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 13. NON-CURRENT ASSETS (continued)

### c) Goodwill

Goodwill relates to the purchase of The Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment.

The carrying value of £1.4 million remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

### d) Non-current assets classified as held for sale

The Group has land at three sites with a total historic cost of £19.3 million, which is carried at £18.2 million, after a provision for impairment of £1.1 million against a site. Land at these three sites is surplus to requirements and the Group intends to sell them within the next 12 months. The balance at 31 March 2006 was £6.3 million cost and carrying value.

## 14. VALUATIONS

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
<b>Freehold Stores*</b>			
As at 1 April 2006	151,985	349,400	197,415
Movement in period	40,966	172,020	131,054
<b>As at 31 March 2007</b>	<b>192,951</b>	<b>521,420</b>	<b>328,469</b>
<b>Leasehold Stores</b>			
As at 1 April 2006	18,288	61,070	42,782
Movement in period	275	7,570	7,295
<b>As at 31 March 2007</b>	<b>18,563</b>	<b>68,640</b>	<b>50,077</b>
<b>All Stores</b>			
As at 1 April 2006	170,273	410,470	240,197
Movement in period	41,241	179,590	138,349
<b>As at 31 March 2007</b>	<b>211,514</b>	<b>590,060</b>	<b>378,546</b>

\* Includes one long leasehold property

The freehold and leasehold investment properties have been valued as at 31 March 2007 by external valuers, Cushman & Wakefield, ("C&W"). 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 Market 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 have confirmed that:

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 14. VALUATIONS (continued)

### Valuation methodology

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

#### Freehold

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

#### Assumptions

- A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge 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.
- B. The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 43 stores (both freeholds and leaseholds) averages 86.06% (2006: 85.98%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
- C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. On average, for all 43 stores, the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 5.24% (2006: 6.01%). This rises to 6.80% (2006: 7.49%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property.
- D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 10.19% (2006: 10.59%).
- E. Purchaser's costs of 5.75% (2006: 5.75%) (see below) have been assumed initially and sale plus purchaser's costs totalling 7.75% (2006: 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 18.8 years (March 2006: 19.8 years).

### Change in valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of 5.75% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure. We believe therefore that the valuation assumptions should be adjusted to reflect the reality.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. We therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2007 of £615,950,000 (£25,890,000 higher than the value recorded in the financial statements or 21.9 pence per share). We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

## 15. TRADE AND OTHER RECEIVABLES

	31 March 2007 £'000	31 March 2006 £'000
Trade receivables	1,449	1,042
Other receivables	267	284
Prepayments and accrued income	5,266	4,683
	<b>6,982</b>	6,009

Trade receivables are net of a bad debt provision of £53,000 (2006: £4,000). The Group does not offer credit terms to its customers and hence the Group is not exposed to significant credit risk.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 16. TRADE AND OTHER PAYABLES

	31 March 2007 £'000	31 March 2006 £'000
<b>Current</b>		
Trade payables	5,283	4,835
Other payables	2,584	1,855
Accruals and deferred income	15,162	11,760
VAT repayable under Capital Goods Scheme	2,557	1,672
	<b>25,586</b>	20,122
<b>Non current</b>		
VAT repayable under Capital Goods Scheme	5,116	8,996

The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value. See note 18 for details of VAT repayable under Capital Good Scheme.

## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Interest rate swaps

Interest rate swap contracts have been entered into to hedge the cash flow interest rate risk inherent in liabilities with an aggregate notional value of £20 million. These swaps ensure an average effective fixed rate payable of 5.03% until October 2007. Thereafter an effective fixed rate of 5.11% is payable to January 2010 on a notional value of £10 million.

In addition to these, an interest rate collar contract has been entered into in order to hedge cash flow interest rate risk inherent in a notional liability (£50 million) which is dependent on 3 month LIBOR, until April 2010. The effective rate payable during the year was the equivalent to the 3 month LIBOR rate.

The floating rate at 31 March 2007 on the Group's variable debt was 0.9% above three month LIBOR.

The Group's policy on risk management is set out in the Business Review on page 11.

The fair value of interest rate derivatives at 31 March 2007 was an asset of £512,000 (2006: liability of £142,000).

## 18. BANK BORROWINGS

	31 March 2007 £'000	31 March 2006 £'000
Bank borrowings	190,000	156,293
Unamortised loan arrangement costs	(775)	(685)
	<b>189,225</b>	155,608

The bank borrowings are secured via a first charge on 31 of the Group's properties and are subject to certain covenants.

### Maturity profile of bank borrowings

	2007 Financial liabilities £'000	2006 Financial liabilities £'000
Within one year or on demand	–	–
Between one and two years	190,000	–
Between two and five years	–	156,293
Bank borrowings	<b>190,000</b>	156,293

The Group has £35,000,000 in undrawn committed borrowing facilities at 31 March 2007 which expire between one and two years.



# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 18. BANK BORROWINGS (continued)

### Interest rate profile of financial liabilities

	Total £'000	Floating rate £'000	Fixed rate £'000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2007						
Gross financial liabilities	190,000	170,000	20,000	6.3%	4.1 years	2.0 years
At 31 March 2006						
Gross financial liabilities	156,293	120,000	36,293	5.7%	4.3 years	3.0 years

The floating rate at 31 March 2007 was 0.9% above three month LIBOR. All monetary liabilities, including short term debtors and creditors are denominated in sterling.

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

	2007		2006	
	Carrying amount £'000	Estimated fair value £'000	Carrying amount £'000	Estimated fair value £'000
Bank borrowings	190,000	189,488	156,293	156,435
VAT payable under capital goods scheme	7,673	6,680	10,668	8,921

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 Business Review.

## 19. DEFERRED TAX

The movement and major deferred tax items are set out below:

	Revaluation of investment properties £'000	Accelerated capital allowances £'000	Deduction for share options £'000	Other £'000	Total £'000
<b>At 31 March 2005 and at 1 April 2005</b>	40,194	1,424	(2,100)	(492)	39,026
Recognised in income	31,865	2,250	(22)	(114)	33,979
Recognised in equity	–	–	(2,425)	–	(2,425)
<b>At 31 March 2006</b>	72,059	3,674	(4,547)	(606)	70,580
Recognised in income	22,908	127	–	439	23,474
Release of deferred tax provision	(94,967)	(3,801)	–	167	(98,601)
Recognised in equity	–	–	3,897	–	3,897
<b>At 31 March 2007</b>	–	–	(650)	–	(650)

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 20. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Amounts payable under finance leases:</b>				
Within one year	2,357	2,320	2,306	2,268
Within two to five years inclusive	9,468	9,079	8,025	7,637
Greater than five years	35,796	37,414	16,707	16,742
	47,621	48,813	27,038	26,647
Less: Future finance charges	(20,583)	(22,166)	–	–
Present value of lease obligations	27,038	26,647	27,038	26,647

All lease obligations are denominated in sterling.

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

## 21. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Ordinary shares at 10 pence each	20,000	20,000	11,456	10,275

	Number
<b>Movement in issued share capital</b>	
Number of shares at 1 April 2005	100,725,537
Exercise of share options – Share option scheme	2,027,070
Number of shares at 31 March 2006	102,752,607
Issue of shares	9,100,000
Exercise of share options – Share option scheme	2,706,927
<b>Number of shares at 31 March 2007</b>	<b>114,559,534</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 21. SHARE CAPITAL (continued)

At 31 March 2007 options in issue to Directors and employees were as follows:

Date option granted	Option price per ordinary share	Date first exercisable	Date on which the exercise period expires	Number of ordinary shares
5 March 1999	25p	5 March 2002	5 March 2009	89,060
5 May 2000	100p	5 May 2003	4 May 2010	348,400
30 November 2000	137.5p	30 November 2003	29 November 2010	2,500
1 June 2001	125.5p	1 June 2004	31 May 2011	166,000
4 June 2001	131.5p	4 June 2004	4 June 2011	621,000
8 November 2001	98p	8 November 2004	7 November 2011	144,674
15 May 2002	102p	15 May 2005	14 May 2012	693,200
16 December 2002	81.5p	16 December 2005	15 December 2012	653,210
2 July 2003	82.5p	2 July 2006	1 July 2013	134,047
11 November 2003	96p	11 November 2006	10 November 2013	28,775
3 September 2004	107p*	3 September 2007	2 March 2008	132,720
27 September 2004	nil p**	27 September 2007	26 September 2014	138,000
22 December 2004	140p*	22 December 2007	21 June 2008	32,073
6 June 2005	Nil p**	6 June 2008	5 June 2015	443,332
21 July 2005	156p*	21 July 2008	20 January 2009	16,326
21 December 2005	225p*	21 December 2008	20 June 2009	12,796
9 June 2006	Nil p**	9 June 2009	8 June 2016	470,832
18 August 2006	347p*	18 August 2009	17 February 2010	24,716
12 March 2007	554p*	12 March 2010	11 September 2011	16,227
				4,167,888

\* SAYE (see note 23)

\*\* LTIP (see note 23)

## OWN SHARES

	2007 £	2006 £
Balance at 1 April and 31 March	812	812

The own shares reserve represents the cost of shares in Big Yellow Group PLC purchased in the market and held by the Big Yellow Group PLC Employee Benefit Trust to satisfy options under the Group's share options schemes.

## 22. MOVEMENTS IN EQUITY

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Own shares £'000	Total £'000
At 1 April 2005	10,073	2,390	1,653	145,864	(812)	159,168
Profit for the financial year	–	–	–	83,435	–	83,435
Taxation	–	–	–	3,557	–	3,557
Dividends	–	–	–	(3,541)	–	(3,541)
Issue of shares	202	1,278	–	–	–	1,480
Share options	–	–	–	220	–	220
At 31 March 2006	10,275	3,668	1,653	229,535	(812)	244,319
Profit for the financial year	–	–	–	213,228	–	213,228
Taxation	–	–	–	(1,230)	–	(1,230)
Dividends	–	–	–	(7,051)	–	(7,051)
Issue of shares	1,181	37,196	–	–	–	38,377
Share options	–	–	–	336	–	336
<b>At 31 March 2007</b>	<b>11,456</b>	<b>40,864</b>	<b>1,653</b>	<b>434,818</b>	<b>(812)</b>	<b>487,979</b>

The capital redemption reserve arose on the buy back of the Company's shares in the years ended 31 March 2003 and 31 March 2004.

The own shares balance is amounts held by the Employee Benefit Trust (see note 20).

The Group's distributable reserves at 31 March 2007 were £56,272,000.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 23. SHARE BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, and an Employee Share Save Scheme ("SAYE"). The Group recognised a total expense in the year related to equity-settled share-based payment transactions since 7 November 2002 of £ 0.3 million (2006: £0.2 million).

### Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved Inland Revenue Share option schemes between 16 November 1999 and 11 November 2003. The Group's scheme's provided for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is three to ten years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

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

On 27 September 2004, 6 June 2005 and 9 June 2006 the Group awarded nil-paid options to senior management under the Group's Long Term Incentive Plan ("LTIP"). The awards are conditional on the achievement of challenging performance targets as described on page 29 of the Remuneration Report.

Share option scheme "ESO"	2007 No. of Options	2007 Weighted average exercise price (in £)	2006 No. of Options	2006 Weighted average exercise price (in £)
Outstanding at beginning of year	5,592,936	1.00	7,658,295	0.93
Granted during the year	—	—	3,110	0.96
Forfeited during the year	(14,861)	0.87	(40,941)	0.90
Exercised during the year	(2,697,208)	0.98	(2,027,528)	0.73
Outstanding at the end of the year	2,880,867	1.02	5,592,936	1.00
Exercisable at the end of the year	2,880,867	1.02	5,112,525	1.00

Options outstanding at 31 March 2007 had a weighted average contractual life of 4.7 years.

LTIP scheme	2007 No. of Options	2006 No. of Options
Outstanding at beginning of year	591,054	146,000
Granted during the year	470,832	493,332
Forfeited during the year	—	(48,278)
Exercised during the year	(9,722)	—
Outstanding at the end of the year	1,052,164	591,054
Exercisable at the end of the year	—	—

Options outstanding at 31 March 2007 had a weighted average contractual life of 8.5 years.

# Notes to the Financial Statements (continued)

Year ended 31 March 2007

## 23. SHARE BASED PAYMENTS (continued)

Employee Share Save Scheme ("SAYE").	2007 No. of Options	2007 Weighted average exercise price (in £)	2006 No. of Options	2006 Weighted average exercise price (in £)
Outstanding at beginning of year	206,237	1.24	206,034	1.12
Granted during the year	40,943	4.29	45,455	1.78
Forfeited during the year	(11,072)	1.31	(45,252)	1.22
Exercised during the year	(1,250)	1.07	–	–
Outstanding at the end of the year	234,858	1.65	206,237	1.24
Exercisable at the end of the year	–	–	–	–

Options outstanding at 31 March 2007 had a weighted average contractual life of 8.0 years.

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

	ESO	LTIP	SAYE
Expected volatility	25%	26%	27%
Expected life	3 years	3 years	3 years
Risk-free rate	4.7%	4.7%	4.7%
Expected dividends	3.2%	3.2%	3.2%

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

## 24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties were £17.2 million (2006: £7.2 million).

## 25. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end, the Group secured an extension to its banking facilities of £50 million, taking the total facilities available to £275 million.

## 26. RELATED PARTY TRANSACTIONS

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

On 12 July 2006, the Group raised £36.4 million by the placing of 9.1 million shares. David Ross, a non-executive Director of the Group acquired 1.5 million ordinary shares at 400 pence per share in the placing.

No other related party transactions took place during the years ended 31 March 2007 and 31 March 2006.

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information on the remuneration of individual Directors is found in the audited part of the Remuneration Report on pages 29 to 33.

	31 March 2007 £'000	31 March 2006 £'000
Short term employee benefits	820	1,190
Post employment benefits	66	75
Share based payments	8,684	3,469
	9,570	4,734

# Independent Auditors' Report to the Members of Big Yellow Group PLC

We have audited the parent company financial statements of Big Yellow Group PLC for the year ended 31 March 2007 which comprise the company Balance Sheet, company cash flow statement and the related notes A to H. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Big Yellow Group PLC for the year ended 31 March 2007 and on the information in 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

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the Review of Business section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## Basis of audit opinion

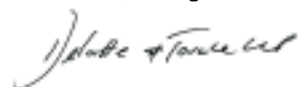
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 parent company financial statements 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 parent company financial statements.

## Opinion

In our opinion:

- > the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 March 2007;
- > the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- > the information given in the Directors' Report is consistent with the parent company financial statements.



## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
London  
18 May 2007



# Company Balance Sheet

31 March 2007

	Note	2007 £'000	2006 restated £'000
<b>Non-current assets</b>			
Plant, equipment and owner-occupied property	C	2,215	2,121
Investment in subsidiary companies	C	2,030	2,030
		4,245	4,151
<b>Current assets</b>			
Trade and other receivables	D	285,559	192,882
Cash and cash equivalents		695	12,328
Derivative financial instruments	F	512	–
		286,766	205,210
<b>Total assets</b>		291,011	209,361
<b>Current liabilities</b>			
Trade and other payables	E	(5,869)	(7,016)
Derivative financial instruments	F	–	(147)
		(5,869)	(7,163)
<b>Non-current liabilities</b>			
Bank borrowings	F	(189,225)	(139,510)
		(189,225)	(139,510)
<b>Total liabilities</b>		(195,094)	(146,673)
<b>Net assets</b>		95,917	62,688
<b>Equity</b>			
Called up share capital	G	11,456	10,275
Share premium account	G	40,864	3,668
Reserves	G	43,597	48,745
<b>Equity shareholders' funds</b>		95,917	62,688

The financial statements were approved by the board of directors and authorised for issue on 18 May 2007. They were signed on its behalf by:

**James Gibson**  
Director

# Company Cash Flow Statement

Year ended 31 March 2007

	2007 £'000	2006 £'000
Operating loss	(1,508)	(1,396)
Depreciation	211	200
Increase in receivables	(81,228)	(46,572)
Increase in payables	1,147	2,343
<b>Cash generated from operations</b>	<b>(81,378)</b>	<b>(45,425)</b>
Interest paid	(11,877)	(6,777)
Interest received	601	124
<b>Cash flows from operating activities</b>	<b>(92,654)</b>	<b>(52,078)</b>
<b>Investing activities</b>		
Purchase of non-current assets	(305)	(1,826)
<b>Cash flows from investing activities</b>	<b>(305)</b>	<b>(1,826)</b>
<b>Financing activities</b>		
Issue of share capital	38,377	1,480
Equity dividends paid	(7,051)	(3,541)
Increase in borrowings	50,000	64,000
<b>Cash flows from financing activities</b>	<b>81,326</b>	<b>61,939</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,633)</b>	<b>8,035</b>
<b>Opening cash and cash equivalents</b>	<b>12,328</b>	<b>4,293</b>
<b>Closing cash and cash equivalents</b>	<b>695</b>	<b>12,328</b>

# Notes to the Company Accounts

Year ended 31 March 2007

## A. PROFIT FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £1,903,000 (2006: £546,000). The company had no employees during the current or prior year.

## B. ACCOUNTING POLICIES

### Basis of accounting

The Big Yellow Group PLC Company financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Company has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on 1 April 2006. IFRS 7 Financial Instruments: Disclosure and IFRS 8 Operating Segments were in issue at the date of authorisation of the financial statements but not yet effective. IFRS 7 and IFRS 8 affect only disclosures and therefore have no material impact of the financial statements of the Company.

The disclosures required by IFRS 1 "First-time Adoption of IFRS" concerning the transition from accounting principles generally accepted in the United Kingdom (UK GAAP) to IFRS are given in note H.

The Company financial statements of Big Yellow Group PLC adopted IFRS with a transition date of 1 April 2005. Comparative figures for the year ended 31 March 2006 and the Company's balance sheet as at 31 March 2006 that were previously reported in accordance with UK GAAP have been restated to comply with IFRS.

The financial statements have been prepared on the historic cost basis except that derivative financial instruments are stated at fair value.

The Company's principal accounting policies are the same as those applied in the Group financial statements.

## C. NON CURRENT ASSETS

### Investments in subsidiary companies

	Investment in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2006 and 31 March 2007	2,030

Details of the Company's subsidiaries at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of for power held %	Principal activity
Big Yellow Self Storage Company Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 1 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 2 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 3 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 4 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 5 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 6 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 7 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 8 Limited	UK	100	100	Self storage
BYSSCo Limited	UK	100	100	Self storage
BYRCo Limited	UK	100	100	Property management
Big Yellow Construction Company Limited	UK	100	100	Construction

BYRCo Limited was incorporated in the year, is a direct subsidiary of the Company and has a £1 share capital.

# Notes to the Company Accounts (continued)

Year ended 31 March 2007

## C. NON CURRENT ASSETS (continued)

### Plant, equipment and owner occupied property

	Freehold Property £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings & office equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2006	1,770	17	12	1,116	2,915
Additions	26	–	42	237	305
<b>At 31 March 2007</b>	<b>1,796</b>	<b>17</b>	<b>54</b>	<b>1,353</b>	<b>3,220</b>
<b>Accumulated Depreciation</b>					
At 1 April 2006	(6)	(17)	(4)	(767)	(794)
Charge for the year	(44)	–	(4)	(163)	(211)
<b>At 31 March 2007</b>	<b>(50)</b>	<b>(17)</b>	<b>(8)</b>	<b>(930)</b>	<b>(1,005)</b>
<b>Net book value</b>					
<b>At 31 March 2007</b>	<b>1,746</b>	<b>–</b>	<b>46</b>	<b>423</b>	<b>2,215</b>
At 31 March 2006	1,764	–	8	349	2,121

## D. TRADE AND OTHER RECEIVABLES

	31 March 2007 £'000	31 March 2006 £'000
Amounts owed by Group undertakings	284,914	192,088
Other receivables	4	4
Prepayments and accrued income	641	790
	<b>285,559</b>	192,882

## E. TRADE AND OTHER PAYABLES

	31 March 2007 £'000	31 March 2006 £'000
<b>Current</b>		
Trade payables	5,283	4,835
Other payables	–	16
Accruals and deferred income	586	2,165
	<b>5,869</b>	7,016

# Notes to the Company Accounts (continued)

Year ended 31 March 2007

## F. BANK BORROWINGS AND FINANCIAL INSTRUMENTS

### Interest rate swaps

Interest rate swap contracts have been entered into to hedge the cash flow interest rate risk inherent in liabilities with an aggregate notional value of £20 million. These swaps ensure an average effective fixed rate payable of 5.03% until October 2007. Thereafter an effective fixed rate of 5.11% is payable to January 2010 on a notional value of £10 million.

In addition to these, an interest rate collar contract has been entered into in order to hedge cash flow interest rate risk inherent in a notional liability (£50 million) which is dependent on 3 month LIBOR, until April 2010. The effective rate payable during the year was the equivalent to the 3 month LIBOR rate.

The floating rate at 31 March 2007 on the Group's variable debt was 0.9% above three month LIBOR.

The Group's policy on risk management is set out in the Business Review on page 11.

	31 March 2007 £'000	31 March 2006 £'000
Bank borrowings	190,000	140,000
Unamortised loan arrangement costs	(775)	(490)
	189,225	139,510

The bank loans are secured on 31 of the Group's properties.

### Maturity profile of financial liabilities

	2007 Financial liabilities £'000	2006 Financial liabilities £'000
Within one year or on demand	–	–
Between one and two years	190,000	–
Between two and five years	–	140,000
Gross financial liabilities	190,000	140,000

The fair value of interest rate derivatives at 31 March 2007 was an asset of £512,000 (2006: liability of £147,000). See note 18 in the Group accounts for detail of the interest rate profile of financial liabilities.

## G. RESERVES

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Own shares £'000	Total £'000
Balance at 1 April 2006	10,275	3,668	1,653	47,904	(812)	62,688
Profit for the financial year	–	–	–	1,903	–	1,903
Dividends	–	–	–	(7,051)	–	(7,051)
Issue of shares	1,181	37,196	–	–	–	38,377
<b>Balance at 31 March 2007</b>	<b>11,456</b>	<b>40,864</b>	<b>1,653</b>	<b>42,756</b>	<b>(812)</b>	<b>95,917</b>

The Company's share capital is disclosed in note 21 to the consolidated financial statements.

## H. EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 March 2006 and the date of transition to IFRS was therefore 1 April 2005. There was no effect other than presentational on the UK GAAP income statement, balance sheet and cash flow statement for the year ended 31 March 2006 and therefore no IFRS reconciliations have been provided.

# Five Year Summary

	2007 £	IFRS 2006 £	2005 £	UK GAAP 2004 £	2003 £
<b>Results</b>					
Revenue	<b>51,248</b>	41,889	33,375	23,830	15,579
Operating profit/(loss) before gains and losses on property assets	<b>27,067</b>	21,645	15,030	4,719	(449)
Profit/(loss) before taxation	<b>152,837</b>	118,547	42,836	1,243	(2,294)
Adjusted profit before taxation	<b>14,233</b>	12,601	7,791	–	–
Declared total dividend per share	<b>9.0p</b>	5.0p	2.0p	1.05p	1p
<b>Key statistics</b>					
Number of stores open	<b>43</b>	37	32	29	26
Square footage occupied	<b>1,835,000</b>	1,672,000	1,470,000	1,268,000	875,000
Number of customers	<b>30,100</b>	27,800	24,600	20,400	13,800
Average number of employees during the year	<b>191</b>	178	160	140	116

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.

# Notice of the 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 11 July 2007 at 10.00 a.m. to transact the following business (all resolutions will be proposed as ordinary resolutions save for resolutions numbered 10 and 11 which will be proposed as special resolutions):

1. To receive the Directors' Report and Accounts and the Auditors' Report thereon for the year ended 31 March 2007.
2. To approve the Directors' remuneration report for the year ended 31 March 2007.
3. Upon the recommendation of the Directors, to declare a dividend of 5.5p per Ordinary Share to be payable to shareholders on the register of members at the close of business on 15 June 2007.
4. To re-elect Nicholas Vetch as a Director of the Company, who retires by rotation under the articles of association of the Company.
5. To re-elect David White as a Director of the Company, who retires by rotation under the articles of association of the Company.
6. To re-elect Philip Burks 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:

8. THAT the Company be authorised to use electronic means to convey information to its shareholders and to send or supply documents or information to its shareholders by making them available on a website.
9. THAT the Directors be and are generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) pursuant to and in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £3,818,892. This authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, 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 in 2008, except that the Company may at any time before the expiry of this authority make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired.
10. THAT, subject to the passing of resolution 9, the Directors be and are empowered (in substitution for any previous powers granted to the Directors to the extent unused) pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the general authority conferred on them by resolution 9 and/or to sell equity securities held as treasury shares for cash pursuant to section 162D of the Act, in each case as if section 89(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
  - (a) any such allotment and/or sale of equity securities in connection with an issue or offer by way of rights or other pre-emptive issue or offer, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - (b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities for cash having, in the case of relevant shares (as defined in section 94(5) of the Act), an aggregate nominal value, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal value, not exceeding in aggregate the sum of £572,834.

This authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, at such time as the general authority conferred on the Directors by resolution 9 expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.



# Notice of the Annual General Meeting (continued)

11. 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 provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,456,676 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 London 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); and
- (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 2008 save that the Company may make a purchase of ordinary shares after the expiry of such authority in execution of a contract of purchase that was made under and before the expiry of such authority.

Registered Office:	By Order of the Board
Unit 2 The Deans	M Cole
Bridge Road	Company Secretary
Bagshot	
Surrey GU19 5AT	
30 May 2007	

## 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 Investor Services PLC of PO Box 1075, 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 9 July 2007 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.
- (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.

# Notice of the Annual General Meeting (continued)

## 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 2007.

### 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, Nicholas Vetch, David White and Philip Burks 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 35 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 LLP as Auditors of the Company.

### RESOLUTION 8: Approval of use of electronic communications

The Companies Act 2006 (the "2006 Act") has introduced provisions designed to make it easier for companies to use the internet to communicate with shareholders, and so reduce printing and distribution costs.

Although it has been possible for some years for companies to use electronic means to deliver certain documents to shareholders, the 2006 Act has extended the range of information that can be communicated electronically and relaxed certain requirements for communication by website. As before, a company cannot send a shareholder material by e-mail unless the shareholder has agreed to this, and has supplied an electronic address for that purpose. Where, however, a company that complies with the requirements of the 2006 Act wishes to communicate information to shareholders by making it available on a website, each shareholder who has been invited to accept this form of delivery and has not objected within 28 days is deemed to have agreed to it.

If resolution 8 is passed, the Company will be able to send shareholders a written request (which must set out the consequences of a failure to respond) to agree to website delivery, and may deem the shareholder to have agreed unless the shareholder objects within 28 days. If a shareholder declines website delivery, that shareholder will continue to receive documents by post in the usual way and the Company will not be permitted to seek that shareholder's deemed agreement to website delivery for at least 12 months.

Those shareholders who do not object to website delivery will no longer receive documents by post. They will, however, receive notification as and when key information is made available on the Company's website, with details of how to access it. This notification will be given by post (or, if the shareholder has agreed, by e-mail). In addition, shareholders will still have the right, once they have received information electronically, to require the Company to send a hard copy of that information, free of charge, within 21 days, and they may also opt for all information to be sent in hard copy form.

### RESOLUTION 9: Authority to the Directors to allot shares

Under the Companies Act 1985 the Directors may only allot shares if authorised to do so. If passed, this resolution will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £3,818,892 (up to 38,188,920 new ordinary shares of 10 pence each), which is equal to approximately one-third (33.33%) of the issued share capital of the Company as at 30 May 2007, being the latest practicable date prior to the publication of the notice. At the date of this notice the Company held no treasury shares. The authority will expire 15 months after the date of passing of the resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2008.

Passing this resolution will continue the Directors' flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. The Directors currently have no intention of issuing new shares, except on the exercise of options under the Company's share schemes.

# Notice of the Annual General Meeting (continued)

## **RESOLUTION 10: Disapplication of statutory pre-emption rights**

If the Company issues new shares for cash it must first offer them to existing shareholders in proportion to their current holdings, in compliance with their statutory pre-emption rights. If passed, this resolution will authorise the Directors to modify these rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue.

The resolution also seeks shareholder authority to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 5% of the aggregate nominal value of the issued share capital of the Company as at 30 May 2007, being the latest practicable date prior to the publication of the notice (up to 5,728,338 new ordinary shares of 10 pence each). The authority will expire at the same time as the authority to allot shares given pursuant to resolution 9.

The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in this resolution.

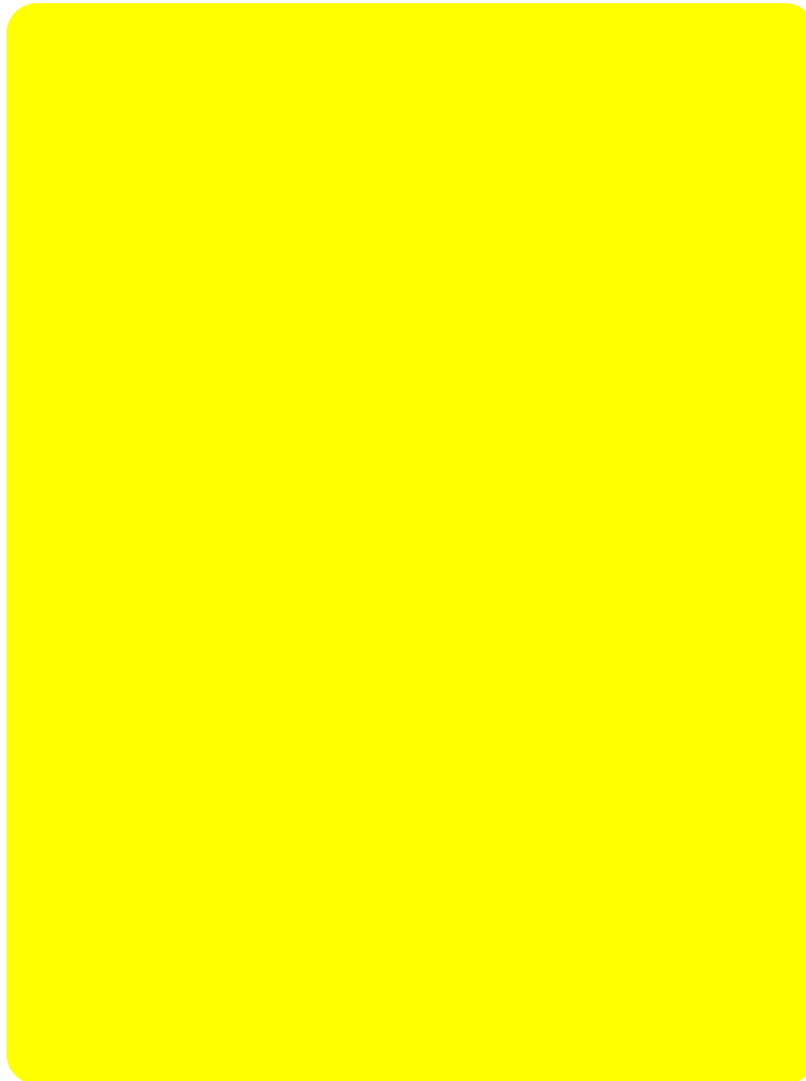
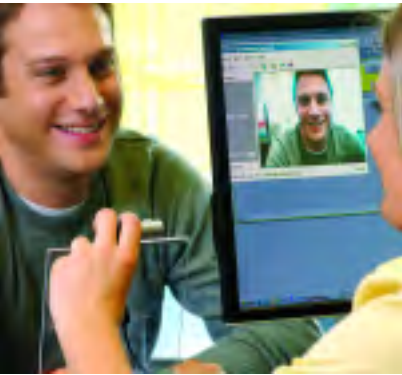
## **RESOLUTION 11: Authority as to Purchase Own Shares**

This resolution 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. The resolution sets out the maximum and minimum prices that can be paid.

Shares purchased out of distributable profits by the Company pursuant to resolution 11, 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.

The Directors' current intention is that shares purchased pursuant to this authority (to the extent statutory requirements are met) will be held in treasury for future cancellation, sale for cash, or (provided Listing Rule requirements are met) transfer for the purpose of or pursuant to an employee share scheme. However, shares repurchased by the Company, may, in the light of the circumstances existing at the time of the repurchase, also be immediately cancelled. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they had been cancelled (for example, they carry no voting rights and do not rank for dividends).

As at 30 May 2007, being the latest practicable date prior to the publication of the notice, options were outstanding over 4,160,661 ordinary shares of 10 pence each in the Company representing approximately 3.63% of the issued share capital of the Company at that date. If the proposed market purchase authority were used in full, shares over which options were outstanding would, as at 30 May 2007, being the latest practicable date prior to the publication of the notice, represent approximately 4.04% of the Company's adjusted issued share capital at that date.





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