

**Big Yellow Group PLC**  
Annual Report & Accounts 2010

## Innovating to improve the customer experience

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Get some space in your life.™

**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.

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# Measuring our progress in 2010... and what that means

## Financial Highlights

- Occupancy growth of 140,000 sq ft across all stores (2009: occupancy fall of 75,000 sq ft)
- Storage revenue for the fourth quarter increased by 5% to £13.7 million from £13.0 million for the same quarter last year
- Storage revenue for the second half of the year of £27.7 million up 1% compared to the first half of the year of £27.4 million
- Revenue of £58.0 million, a reduction of £0.5 million compared to the prior year
- Store EBITDA £32.7 million compared to £33.0 million in 2009
- Adjusted profit before tax<sup>1</sup> of £16.5 million up 20% (2009: £13.8 million)
- Adjusted earnings per share<sup>2</sup> up 9% to 12.99 pence (2009: 11.89 pence)
- Cash inflows from operating activities (after finance costs) increased to £19.1 million for the year (2009: outflow of £6.1 million)
- Group net debt reduced by £38.7 million to £269.4 million from £308.1 million at 31 March 2009
- Adjusted net assets per share<sup>3</sup> up 3% to 453.3 pence from 440.7 pence as at 31 March 2009. The opening net assets per share have been adjusted for the placing which took place in May 2009 (see note 12)
- Final ordinary dividend of 4 pence per share declared (2009: nil pence per share)

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



## Statutory Highlights

- Profit before tax for the year £10.2 million (2009: loss of £71.5 million)
- Basic earnings per share 8.11 pence (2009: loss of 62.86 pence)
- Basic net assets per share 424.0 pence (2009: 422.6 pence)<sup>2</sup>

## Achievements

- Successful placing of 11.5 million shares in May 2009 raising £31.5 million net of expenses
- In the December and March quarters, the Group has returned to delivering revenue, store EBITDA and cash flow growth year on year
- Lloyds TSB Bank plc and HSBC Bank plc have joined the core banking facility, taking a participation of £100 million and £25 million respectively
- Continued expansion with the opening of 6 stores in the year: Twickenham in the wholly owned Group and Edinburgh, Nottingham, Poole, Sheffield Bramall Lane and Reading in Big Yellow Limited Partnership. 60 stores are now open with a further 10 committed, providing 4.4 million sq ft of self storage space when completed
- Five planning consents obtained in the year. All but one of our development sites now has planning consent

<sup>2</sup> See note 12

- Occupancy growth of 140,000 sq ft across all stores (2009: occupancy fall of 75,000 sq ft)

140,000 sq ft

- Adjusted profit before tax of £16.5 million up 20% (2009: £13.8 million)

£16.5m

- Adjusted earnings per share up 9% to 12.99 pence (2009: 11.89 pence)

+9%

- Final ordinary dividend of 4 pence per share declared (2009: nil pence per share)

4p

- Reduction in net debt in the year of £38.7 million to £269.4 million

£38.7m

- Successful placing of 11.5 million shares in May 2009 raising £31.5 million net of expenses

£31.5m

**THE BIG  
YELLOW  
SELF  
STORAGE COMPANY**

X04

X05

X06

# Get some space in y

archive box.

**24 hour CCTV**  
and individually alarmed rooms.



Standard  
archive box.  
£3.49

Small box.  
£2.99

Medium box.  
£2.99

Large box.  
£3.99

The Wine C



# Our nationwide coverage...

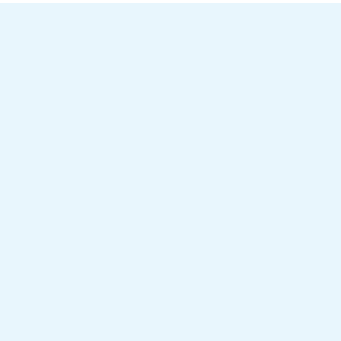
“...Big Yellow’s philosophy is to provide personal and business users with exceptional customer service from a network of high profile, conveniently located stores.”

📍 **London** – 38 stores and sites



- KEY
- > ○ 51 Wholly owned stores
  - > ○ 7 Wholly owned stores under development
  - > △ 9 Stores trading in Big Yellow Limited Partnership
  - > △ 3 Big Yellow Limited Partnership stores under development
  - > □ 10 Managed Armadillo stores

DURING THE YEAR WE OPENED SIX STORES: TWICKENHAM, EDINBURGH, NOTTINGHAM, POOLE, SHEFFIELD BRAMALL LANE AND READING.



Twickenham	Edinburgh	
	Nottingham	Poole
Sheffield Bramall Lane	Reading	

"... Self storage is a flexible, do-it-yourself concept that has changed the way people think about storing their possessions."

# your life.

Cellars.

See what space you need.

Space options  
available.

Padlocks.

Smile.



# Chairman's Statement

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the UK's leading self storage brand, is pleased to announce results for the fourth quarter and year ended 31 March 2010.

The Group is currently enjoying a recovery which we believe will show an improving trend. This is unlikely to be linear and no doubt we will have setbacks, and whilst we remain wary, on balance there are more grounds for optimism.

Since the spring of last year, we have seen an improving level of demand, and over the summer delivered significantly more occupancy growth than in the prior year. The first half growth across the wholly owned portfolio was 62,000 sq ft against a decline of 10,000 sq ft last year. In the second half of the year, our traditionally weaker trading period, occupancy grew by 4,000 sq ft, compared to a decline of 75,000 sq ft in the prior year. If we include the stores in Big Yellow Limited Partnership, total growth in occupancy over the year was 140,000 sq ft.

This growth has been achieved whilst improving our rental yield, from a low of £25.25 in April 2009 to £26.85 at 31 March 2010, an increase of 6%. This is in line with the slowly improving picture in relation to housing transactions, consumer and business confidence and the economy generally experienced so far.

## Financial Results

Revenue for the year was £58.0 million (2009: £58.5 million), a reduction of £0.5 million, principally caused by a reduction in short term tenant income of £0.4 million as a result of obtaining vacant possession on development sites. EBITDA for the 51 wholly owned stores fell by £207,000 to £32.7 million.

We are pleased to report that the year on year comparisons have now turned positive, with storage revenue for the fourth quarter increasing by 5% to £13.7 million from £13.0 million for the same quarter last year. Encouragingly storage revenue in the seasonally weaker second half of the year was £27.7 million, up 1% from £27.4 million for the first half of the year, and up 3% from £26.8 million for the second half of the year ended 31 March 2009.

The Group made an adjusted profit before tax in the period of £16.5 million (up 20% from £13.8 million in 2009, due to savings in the net interest expense in the year). This translated into a 9% increase in adjusted earnings per share to 12.99 pence (2009: 11.89p).

The Group made a profit before tax for the year of £10.2 million, compared to a loss of £71.5 million last year. This improvement in Group profitability reflects the increase in the valuation of the Group's open stores coupled with the improved recurring profit offset by the write down of assets in the course of development.

Cash inflows from operating activities (after finance costs) increased to £19.1 million for the year (2009: outflow of £6.1 million).

The Group remains relatively conservatively geared with net bank debt of £269.4 million at 31 March 2010 (2009: £308.1 million). This represents approximately 33% (2009: 38%) of the Group's gross property assets totalling £815.8 million (2009: £808.7 million) and 45% (2009: 57%) of the adjusted net assets of £593.8 million (2009: £543.8 million).

## Placing to Fund Future Growth

We were pleased to receive strong support from our shareholders in May 2009 to enable us to raise £31.5 million (net of expenses). 11.5 million shares were issued at £2.85, which represented a 6% premium to the previous day's closing share price.

The net proceeds of the placing, together with cash generated from operations and the net proceeds of the future sale of surplus land, will be used to provide the Group with the financial flexibility to fund its planned medium term organic growth.

Since the placing, we have started construction at Eltham, commenced the process of development at New Cross and have completed the acquisition of a site at Enfield, which had been acquired on a conditional basis in 2007. Of the £31.5 million, £24.7 million (78%) has been incurred or committed. The balance will be spent on building out the development pipeline.

SINCE THE SPRING OF LAST YEAR, WE HAVE SEEN AN IMPROVING LEVEL OF DEMAND, AND OVER THE SUMMER DELIVERED SIGNIFICANTLY MORE OCCUPANCY GROWTH THAN IN THE PRIOR YEAR.

### **Dividend**

No Property Income Dividend is payable for the year, due to shadow capital allowances offsetting the Group's tax exempt profits, coupled with brought forward notional losses in the tax exempt business.

The Board recommended the suspension of the discretionary interim dividend in November 2008. The reason for the suspension was to allow the Group to retain operating cash surpluses to build out its existing pipeline of London stores without increasing debt levels. We are currently seeing an improving economic and self storage demand outlook, and the Group's performance has reflected this. We have reviewed our anticipated capital expenditure over the medium term, our forecast operating cash flow and the resultant levels of debt, balance sheet gearing and income cover. Following this review, the Board has resolved to reinstate a discretionary ordinary dividend at a level from which we expect to show sustainable growth in line with improving cash flows.

A final dividend of 4 pence per share has therefore been proposed.

### **Valuation and Net Asset Value**

The value of the open store investment property portfolio at 31 March 2010 was £761.6 million, up from £735.1 million at 31 March 2009.

The investment property valuations of the 50 stores open at 31 March 2009 increased by £11.3 million (2%). The revaluation gain arose principally in the second half of the year. There was also an increase to the portfolio of £15.2 million as a result of one new store opening at Twickenham.

The revaluation gain arising on the wholly owned stores was offset by a £13.3 million revaluation loss arising on the Group's development sites. This write-down was as a result of valuing seven sites as investment property under construction for the first time to comply with the IAS 40 (revised) accounting requirement (see Financial Review for more detail). The stabilised valuations of these seven assets are currently pointing to a revaluation surplus on total development cost of £99 million (118%).

Each store is reviewed and valued individually by Cushman & Wakefield LLP, who are the valuers to a significant proportion of the UK and European self storage market. There has been a slight improvement in capitalisation rates of 12 bps offset by a reduction in the stabilised occupancy levels of certain stores. It should be noted that there has been one significant transaction in the year, which was in the secondary self storage space. We might have expected a wider price discount for this portfolio given its secondary nature, and we believe this reflects well on our own carrying values.

In addition, there have been no material commitments made on new sites in the self storage market as a whole, with a significant reduction in openings expected in 2010. The reduced liquidity to the independent operators from banks we believe will assist in restraining supply over the short to medium term.

We estimate that there are approximately 120 prime, purpose built self storage assets in urban conurbations in the UK of which we own 51 with a further nine in our Partnership with Pramerica. The remainder are owned by multi site competitors who we doubt are sellers of their prime assets, in line with ourselves.

The recurring profit and small revaluation deficit for the year results in an adjusted fully diluted net asset value of 453.3p, an increase of 3% over the prior year (see note 12).

93% by value of the Group's 51 wholly owned open stores are freehold (including one long leasehold). The freehold proportion will increase as the Group opens stores in the development pipeline, all of which are freehold.

### **Stores and the Brand**

Over the last 10 years Big Yellow has established itself as the UK's leading self storage brand with customer recognition exceeding our nearest rival by three times. We believe that this will have a significant impact as activity levels improve in coming years.

## Chairman's Statement

### continued

We continue to innovate to improve the prospect and customer experience of Big Yellow. In February 2009 we launched our new website with fully integrated reservations online and have recently introduced a pre check in process online for all customers who have reserved. We anticipate this will save 30% of time from the move-in process. In addition, we now show on our website externally managed reviews for existing and past customers, using an online retail style star system. Currently over 50% of our customer reviews have given 5 stars out of 5 and the average rating is 4.6 out of 5 stars (or 92%) across the portfolio. This demonstrates our commitment to very high levels of customer service, which has been at the centre of our core values since opening the first Big Yellow store in Richmond in May 1999.

A table summarising the performance of these 51 directly owned stores, and the nine stores operating within Big Yellow Limited Partnership over the year can be found in the portfolio summary on page 28.

#### **Banking**

Lloyds TSB Bank plc and HSBC Bank plc have joined our core banking syndicate during the year, taking £100 million and £25 million respectively of the £325 million facility. I would like to thank them for their support, and we look forward to developing our relationships further with them in the future.

#### **Big Yellow Limited Partnership ("The Partnership" or "Joint Venture", or "BYLP")**

Our joint venture with Pramerica Real Estate Investors Limited is performing well. Planning consents have been obtained on all the sites. The Partnership has enjoyed considerable benefits from falling construction prices and interest costs, reducing the capital requirements. Nine of the 12 stores are now open with a further two currently under construction. It is too early to make a definitive judgement but initial trading performance of the stores in the Partnership has been relatively encouraging, with occupancy growth of 74,000 sq ft over the year, and net achieved rents increasing by 12% to £18.99 per sq ft.

#### **Property**

We have obtained planning consents on five stores since April 2009, including at New Cross where we have recently had our planning appeal allowed. We were also delighted to receive planning consent on our proposed new purpose built 75,000 sq ft store in Chiswick located on the A4 with very high visibility from the M4 flyover in west London. We now have consent on all of our pipeline stores with the exception of our site in central Manchester, where we are in detailed negotiations for the scheme with the City Council.

The six freehold stores in development with planning consents consist of five prime sites in London (Chiswick, Eltham, Enfield, Gypsy Corner and New Cross), and a prime site in central Guildford. The capital expenditure that would be required to complete these six wholly owned development sites is approximately £44 million. Our current intention is to build out these stores on a phased basis over the next two years.

Although we did not make any site acquisitions in the current year given the development pipeline, we continue to monitor selective site opportunities, with a focus on London.

During the year we sold surplus land adjacent to our Twickenham store for a consideration of £3.2 million. In addition we have agreed to sell our surplus site at Clapham North and have entered into an option agreement with a social housing developer. A planning application is shortly to be submitted on our site at Richmond for hotel use and we are in detailed lease negotiations with a national hotel operator. In addition, we are in detailed negotiations, but no contract has been executed in respect of the sale of our land at Blackheath.

At 31 March the current carrying cost of the land surplus to our requirements is £20 million. We currently expect proceeds from the sale of these properties to at least match that figure.

OUR PRINCIPAL MEDIUM TERM OBJECTIVE REMAINS TO DRIVE CASH FLOW THROUGH IMPROVING THE OCCUPANCY OF THE GROUP'S WHOLLY OWNED STORES FROM 56% TO 85%.

### **Sustainability**

Three years ago we appointed a Corporate Social Responsibility Manager to drive change in relation to how we construct and operate our stores, so as to reduce our impact on the environment. We see environmental and social objectives as core values in our business, which are increasingly scrutinised by all our stakeholders. During the year we were delighted to be ranked as the number one European real estate company in the Maastricht University "Environmental Real Estate Index" survey.

The Group is a member of the FTSE4 Good Index series and has previously engaged in the International Carbon Disclosure Project. In January 2010, Big Yellow received certification for achieving the Carbon Trust Standard (CTS), reducing carbon emissions across the whole store portfolio and operations with an absolute reduction of 4.8% and a relative reduction to turnover of 7.8%.

### **Our People**

We are very pleased to have been ranked 25th in the Sunday Times "Best 100 Companies to Work For" list for 2010. The results of this survey are testament to the Group not just talking about our work environment, but also actively doing something about it.

As we have consistently reported, the Big Yellow team has remained largely stable, both at Head Office and within the stores. In 2009 we had our first ten year anniversary celebration for 17 valued employees, and this year there are a further 12 reaching that milestone. Never complacent on this issue however, we are constantly investing in our people, which we believe is reflected in the very pleasing ratings we have received in our online customer reviews.

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.

### **Outlook**

In the quarter to March we saw the start of the usual seasonal pick up, which was stronger than in 2009. There is clearly a recovery under way in the performance of this business evidenced by year on year quarterly growth and the levels of reservations, phone calls and web enquiries coming into the business. The pace of this recovery will to some extent depend on continuing improvement in housing transactions and economic growth, which drives business and consumer confidence.

In an improving economic environment, with growing self storage demand from businesses and consumers, we are confident that our brand positioning, the prime locations of our purpose built stores and excellent levels of customer service, will deliver outperformance. Our principal medium term objective remains to drive cash flow through improving the occupancy of the Group's wholly owned stores from 56% to 85%. The overhead structure in both the stores and head office required to achieve this is embedded and therefore the vast proportion of new revenue falls through to operating profit and cash flow.



**Nicholas Vetch**  
Chairman  
14 May 2010

# Online...



# Online innovation...

## and what that means

❖ Building on the success of our new website, we have improved our online services, launching innovations which are currently unique to Big Yellow within the UK industry. We are constantly looking to improve our e-commerce proposition and we will continue to lead the industry in this area.

### ❖ Check in online

Customers can now get a quote, reserve a room and check in online. Similar to systems in the airline industry, this system has the double benefit of improving the user experience, and reducing move-in time by some 30%, therefore making our operations more efficient.

### ❖ Online customer reviews

Consistent with our strategy of putting the customer at the heart of our business, we have launched an online customer review system which well-known retail brands have made familiar.

This gives us real-time feedback from customers and is published on our website by an independent moderator. It gives us clear insights as to how we are delivering the experience that our customers demand. Reviews are not edited or filtered based on the scores they award, and they prove that we are consistently delivering a very high standard of service.

Our customers are our most powerful marketing asset, and this system gives us a digital platform to communicate positive word of mouth to prospective customers.

### ❖ Search engines and social media

Search engines continue to be fundamental to our business, generating 80% of our online prospects.

Our strategy is to engage fully with social media, seeing them as complementary to our existing marketing channels, as opposed to being replacements for them. Social media will continue to be an important part of our marketing mix, providing us with new ways of engaging with our target audiences and gathering customer feedback.

## Big Yellow on the Web



## Website

Our website continues to grow in importance and generates the majority of our sales leads.

Traffic to our website has continued to grow strongly this year, with overall numbers of visitors up by 40%. Online prospects now account for over 75% of all sales leads.

## Blog

The Big Yellow blog is a useful resource for anyone considering self storage.

We publish advice for packing and storing, as well as industry features and storage tips. As well as being useful for customers, this gives us significant advantages in search engine optimisation.

## Customer Reviews

So far, over 2,500 customer reviews have been published on our website.

Our customers are our most powerful marketing asset, and this system gives us a digital platform to communicate positive word of mouth to prospective customers.

## Big Yellow on the Web

Social media offer a new way of engaging with our target audiences.

We have a significant presence on all the major social media sites, including Facebook, Twitter, Flickr and Youtube.

We see these new channels as complementary to our existing channels.

Jobs  
International Franchising  
Investor Relations

# Customer Service...



# We have outstanding people... providing the best customer service

- ❖ We had 287 employees in the business at 31 March 2010, 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 appraisals.

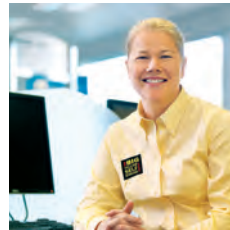
Gino Cacioppo  
**Area Support Manager**

"All Managers and Directors aim to learn everyone's name and a bit about them. There is a family culture and a very flat hierarchy where everybody can talk to anyone in the Company"



○ Heather McGeachy  
**Sales Assistant**

"The working environment is stimulating and varied, with many opportunities to not only develop your career, but also reap the benefits of your hard work"



○ Sally Mandelli  
**Area Manager**

"Everybody is valued and I feel very proud to work for Big Yellow."



We are very pleased to have been included in the Sunday Times "Best 100 Companies to Work For" list for 2010, for the second year in a row. As a consumer facing business the wellbeing of our staff is of paramount importance.

## Overall Rating



from over 2,500 reviews



"5 years of excellent service, helpful friendly staff, a spotlessly clean environment, what more could anyone want for the storage of their possessions?"

## Customer Service



"Always treated very well by the lovely staff and found the facility easy to use, clean and open at the times I required to use it.

I will use Big Yellow as my storage space in the future."

## Security



"Having tried two of the other options I eventually moved to Big Yellow and wished I'd started there. Wonderful new location in Poole. Lots of trolleys etc, big lifts, proper security and easy entry/exit procedure. This is how it should be. Thanks Big Yellow."

## Store Quality



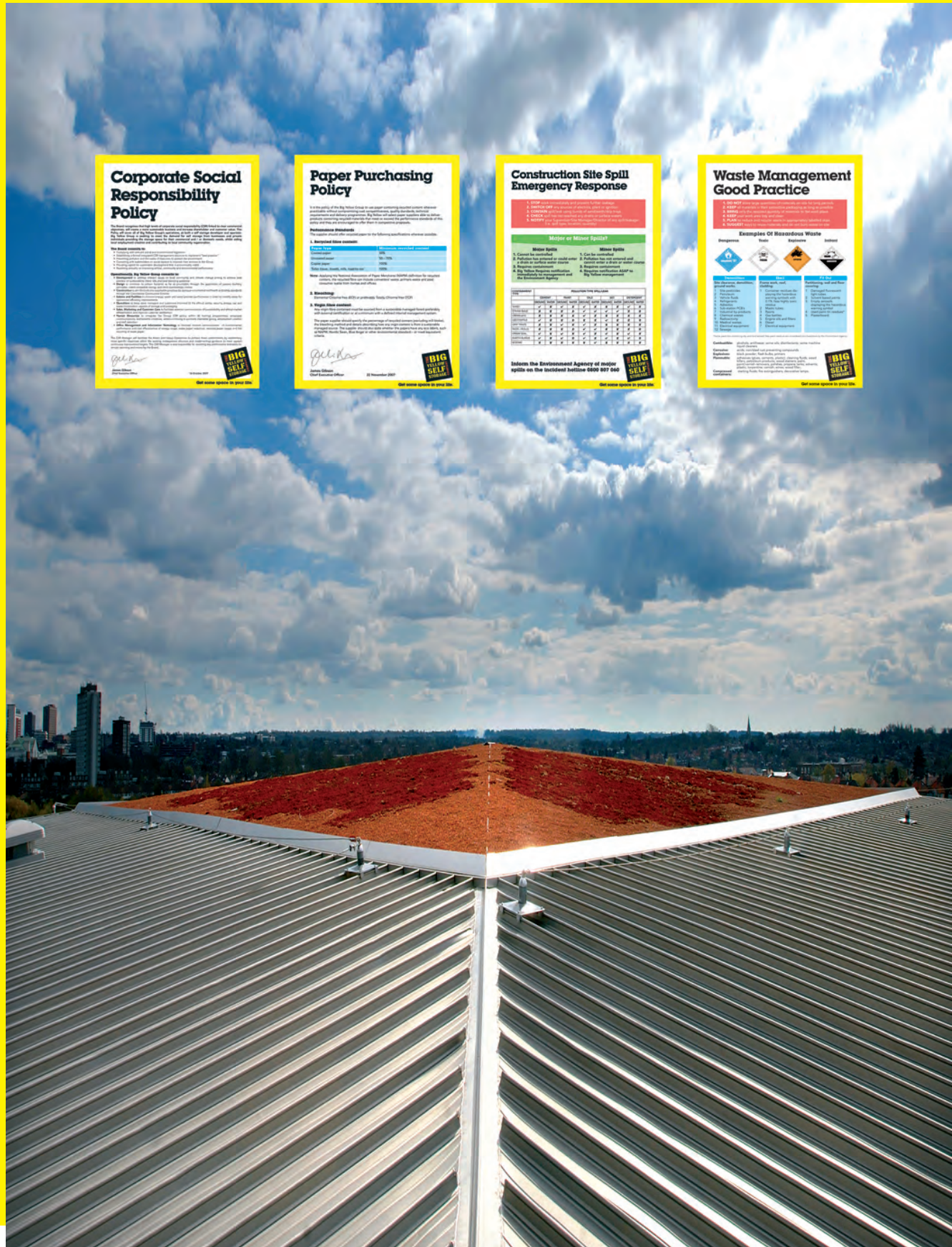
"The staff at Big Yellow are always friendly and helpful. I've used the same site several times over the past few years and they always remember me and take the time to chat.

The facility itself is top quality – conveniently located with good on-site parking, plenty of trolleys, and a great range of spaces to suit every pocket.

100% recommended."



# Social Responsibility...



**Corporate Social Responsibility Policy**

It is the policy of the Big Yellow Group to conduct its business in a socially responsible manner. This policy is designed to ensure that the Group's operations are consistent with the highest standards of social responsibility and to ensure that the Group's activities are in line with the expectations of its stakeholders.

**Responsibilities of the Big Yellow Group include:**

- 1. To ensure that the Group's operations are consistent with the highest standards of social responsibility.
- 2. To ensure that the Group's activities are in line with the expectations of its stakeholders.
- 3. To ensure that the Group's operations are consistent with the highest standards of social responsibility.
- 4. To ensure that the Group's activities are in line with the expectations of its stakeholders.

*John Doe*  
Group Managing Director

**BIG YELLOW GROUP**  
Self-assessment against the Big Yellow Group

**Paper Purchasing Policy**

It is the policy of the Big Yellow Group to purchase paper products in a socially responsible manner. This policy is designed to ensure that the Group's paper purchasing activities are consistent with the highest standards of social responsibility and to ensure that the Group's activities are in line with the expectations of its stakeholders.

**Purchasing Procedures**

The Group's paper purchasing activities are managed in accordance with the following procedures:

1. **Approved Suppliers**  
The Group's paper purchasing activities are managed in accordance with the following procedures:

Supplier	Product	Quantity	Price
Supplier A	Product A	1000	\$1000
Supplier B	Product B	2000	\$2000
Supplier C	Product C	3000	\$3000

*John Doe*  
Group Managing Director

**BIG YELLOW GROUP**  
Self-assessment against the Big Yellow Group

**Construction Site Spill Emergency Response**

This document provides the procedures for responding to a spill at a construction site. It is designed to ensure that the Group's activities are in line with the expectations of its stakeholders and to ensure that the Group's operations are consistent with the highest standards of social responsibility.

**Spill Response Procedures**

The Group's spill response procedures are managed in accordance with the following procedures:

1. **Spill Response**  
The Group's spill response procedures are managed in accordance with the following procedures:

Spill Type	Response	Responsible Person
Oil Spill	Containment and cleanup	Site Manager
Chemical Spill	Evacuation and cleanup	Site Manager
Water Spill	Containment and cleanup	Site Manager

**Notify the Environment Agency of major spills on the incident hotline 0800 907 040**

*John Doe*  
Group Managing Director

**BIG YELLOW GROUP**  
Self-assessment against the Big Yellow Group

**Waste Management Good Practice**

This document provides the procedures for managing waste at a construction site. It is designed to ensure that the Group's activities are in line with the expectations of its stakeholders and to ensure that the Group's operations are consistent with the highest standards of social responsibility.

**Waste Management Procedures**

The Group's waste management procedures are managed in accordance with the following procedures:

1. **Waste Management**  
The Group's waste management procedures are managed in accordance with the following procedures:

Waste Type	Management	Responsible Person
General Waste	Recycling and disposal	Site Manager
Hazardous Waste	Specialized disposal	Site Manager
Flammable Waste	Specialized disposal	Site Manager

**Notify the Environment Agency of major spills on the incident hotline 0800 907 040**

*John Doe*  
Group Managing Director

**BIG YELLOW GROUP**  
Self-assessment against the Big Yellow Group

# Corporate Social Responsibility...

## at Big Yellow

- ❖ The Board recognises that high levels of Corporate Social Responsibility (CSR), linked to clear commercial objectives, will create a more sustainable business and increase shareholder value.

### Big Yellow Leads the Way in Sustainable Real Estate

Big Yellow's CSR Policy commits the Group to striking the balance between its social, economic and environmental responsibilities as an operator and developer of self storage buildings. In order to continue to develop a sustainable business, the Board has once more committed significant resources to the CSR aspects of its operations. Big Yellow is continuing to meet its CSR priority of carbon reduction through long term energy efficiency programmes over its whole store portfolio. This year's CSR report is largely based on the social and environmental aspects of our operations and the development of our new store portfolio.

- ❖ Big Yellow is the leader in the pan European 'Environmental Real Estate Index' and was ranked second globally.
- ❖ Big Yellow has gained the Carbon Trust Standard by reducing its absolute emissions between the years 2007 to 2009.
- ❖ Big Yellow claimed 7th position in the 'How Green is My Company?' part of the 'Sunday Times Best Companies to Work For' survey. 964 companies took part in this survey.

### Big Yellow and CSR



1. The Carbon Trust Standard for 'reducing carbon dioxide year on year'
2. Membership of the FTSE4Good environmental and social policy index series
3. Best Companies to Work For – '7th position in 'How Green is My Company?'
4. Big Yellow supports Cancer Research

## Twickenham

The solar roof panel provides renewable energy for lighting

The energy efficient design, insulation and contribution from renewable energy has gained this store a 'net zero carbon' Energy Performance Certificate.

## Poole

The landscape plan was to conserve existing trees and enhance the shrubbery

An increase in shrubs and the conservation of existing trees enhanced local wildlife habitat and the potential for increased biodiversity.

## Reading

The wildlife and habitat riverside landscape contributed to the Reading store gaining a BREEAM 'Excellent' rating

The biodiversity plan was to enhance the banks of the River Kennet adjacent to the store with Bat and Bug boxes. There are also wood piles for other wildlife refuge.

## Edinburgh

The solar panel provides 20% of all of the predicted electricity requirements

These solar panels have the largest capacity second to our Fulham store with a predicted energy generation of 18,371 kWh per year.



# Business Review

## Introduction

This has continued to be a challenging environment for the Group, as the financial crisis which started in August 2007, turned into a deep economic downturn, from which the economy would appear to be slowly recovering. Nevertheless, our performance has been relatively resilient, although not immune. We believe that resilience is owing to a combination of factors including:

- > a prime portfolio of freehold self storage properties
- > focus on London and the South East, which have proved more resilient during the downturn
- > successful acquisition and development of new stores
- > the strength of operational and sales management
- > the UK's leading self storage brand, with high public awareness
- > strong cash flow generation and high operating margins
- > flexible and conservative financing, with a senior debt facility in place until 2013, and hedging in place over £190 million of debt to September 2015

## Business Objectives

In recent years, Big Yellow has established itself as the leading self storage brand in the UK (YouGov Survey, September 2009), a key objective set at flotation. The Group continues to invest in developing 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 have opened stores over the past two years in Birmingham, Edinburgh, Liverpool, Nottingham and two in Sheffield. We have further sites under development in Manchester and Stockport.

The main elements of our strategy are:

- > growing the occupancy in our stores from the current level of 56% to 85% over the medium term
- > an unwavering focus on customer service
- > excellent operational and financial management generating strong cash flow growth
- > innovative and creative marketing
- > recruiting and retaining quality people in the business
- > the selective build out of freehold stores in major urban conurbations throughout the UK
- > locating stores in visible, convenient and accessible locations
- > retaining a focus on London, the South and other large metropolitan cities

- > financing using flexible bank borrowings secured against a prime freehold portfolio, and our Partnership with Pramerica
- > an entrepreneurial and passionate culture, with accessible senior management encouraging innovation and dialogue throughout all levels of the business

## Financing Objectives

Big Yellow's financing policy is to fund its current needs through a mix of debt equity, and cash flow to allow us to build out the existing portfolio and achieving our strategic growth objectives, which we believe improve returns for shareholders.

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

## Store Performance

In all Big Yellow stores, the occupancy growth in the current year was 140,000 sq ft, against a fall of 75,000 sq ft in the prior year. There was a net gain of 66,000 sq ft in our wholly owned stores, compared to a loss of 85,000 sq ft in the year to 31 March 2009, and a gain of 37,000 sq ft in the year to 31 March 2008. In the year ended 31 March 2008 we saw occupancy growth in the first few months of the year, but in the period after the onset of the liquidity crisis in August 2007, the Group lost occupancy of 100,000 sq ft.

During the year we moved in over 39,000 customers into all stores (including those in the Partnership) taking 2.4 million sq ft compared to 34,000 customers taking 2.1 million sq ft last year. Of the 51 wholly owned stores open at the year end, 50 are now trading profitably at the EBITDA level, with the other being Twickenham which opened in the year.

During the year we opened six stores, one wholly owned store in Twickenham, and five within Big Yellow Limited Partnership in Edinburgh, Nottingham, Poole, Sheffield Bramall Lane, and Reading. These store openings bring the number now trading in the Group and the Partnership to 60. The available net lettable space increased by 380,000 sq ft over the year to a total of 3.8 million sq ft with the opening of these six stores.

We have a rolling programme of price increases to existing storage customers, in most cases providing an annual increase in storage rents of 4.25%. Over the last six years average net storage rental growth has been 5.3% per annum.

IN ALL BIG YELLOW STORES, THE OCCUPANCY GROWTH IN THE CURRENT YEAR WAS 140,000 SQ FT, AGAINST A FALL OF 75,000 SQ FT IN THE PRIOR YEAR.

Over the winter of 2008/9, following the collapse of Lehman Brothers and the resultant anticipated consumer downturn, we used aggressive promotions and discounting in all of our stores to combat the weak trading environment. As a consequence, net rent for the Group fell to a low of £25.25 per sq ft in April 2009. We have successfully increased net rents back to their September 2008 levels through a combination of increasing street rents and managing promotions to new customers, coupled with existing customer rent increases. At 31 March 2010, the net rent for the Group's wholly owned stores was £26.85 per sq ft, an increase of 5% on the level at 31 March 2009 and 6% up from the April 2009 low.

The average net rental achieved last year across the 51 wholly owned stores was £26.31 per sq ft per annum (the average rent in London is higher at £28.48 per sq ft per annum). The stores in lease-up achieved a higher average rental (£26.97 per sq ft) than the 32 same stores (£26.12 per sq ft), reflecting the greater London weighting of the lease-up stores.

#### Store Operations

The Big Yellow store model is now well established. The "typical" store has 60,000 sq ft of net lettable storage area and takes some 3 to 5 years to achieve 85% occupancy. Some stores may take longer than this given they opened shortly prior to the downturn. The average room size is 60 sq ft.

The store is initially run by three staff, adding a part time member of staff 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. We measure customer service standards through a programme of mystery shoppers and ex-customer surveys and have introduced online customer reviews during the year. We have in place a team of Area Managers who have on average been with Big Yellow for seven years. They develop and support the stores to drive the growth of the business. Adrian Lee, Operations Director, is the Board member responsible for dealing with all customer issues.

+5.3%

Net storage rental growth over the last six years

50

of our 51 wholly owned stores are EBITDA positive

## Business Review

### continued

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

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 lifts and gates. The ongoing annual expenditure is approximately £30,000 per store, which is included within the income statement in cost of sales. This excludes makeovers which typically take place every three years at a cost of approximately £15,000 to £20,000.

We have continued to manage the ten freehold stores for HSBC Bank plc branded as Armadillo Self Storage. We have moved the stores onto our centralised systems and trained the staff on our way of working. During the year we have rebranded all of the stores with a new Armadillo Self Storage livery and integrated the stores onto our website. We continue to explore opportunities with HSBC to develop further the Armadillo brand.

#### Sales and Marketing

This year our strategy has focussed on leveraging the Big Yellow brand. We have maintained our position as the clear brand and online leader in the UK self storage industry, with awareness levels three times that of our nearest competitor. Once again we have demonstrated the power of our brand to win business.

#### Online innovation

Building on the success of our new website, we have improved our online services, launching innovations which are currently unique to Big Yellow within the UK industry. We are constantly looking to improve our e-commerce proposition and we will continue to lead the industry in this area.

#### Check in online

Customers can now get a quote, reserve a room and check in online. Similar to systems in the airline industry, this system has the double benefit of improving the user experience, and reducing move-in time by some 30%, therefore making our operations more efficient.

#### Online customer reviews

Consistent with our strategy of putting the customer at the heart of our business, we have launched an online customer review system which well known online retail brands have made familiar.

This gives us real-time feedback from customers and is published on our website by an independent moderator. It gives us clear insights as to how we are delivering the experience that our customers demand. Reviews are not edited or filtered based on the scores they award, and they prove that we are consistently delivering a very high standard of service:

- > over 2,500 reviews have been published
- > over 50% of reviews awarded an overall score of 5 stars out of 5
- > our average score across the board is 4.6 out of 5
- > our average customer service score is 4.6 out of 5

Our customers are our most powerful marketing asset, and this system gives us a digital platform to communicate positive word of mouth to prospective customers.

#### Search engines and social media

Search engines continue to be fundamental to our business, generating 80% of our online prospects.

Our strategy is to engage fully with social media, seeing them as complementary to our existing marketing channels, as opposed to being replacements for them. Social media will continue to be an important part of our marketing mix, providing us with new ways of engaging with our target audiences and gathering customer feedback.

#### Sales promotions

This year we have simplified our sales proposition, with one offer across all stores of "50% off for up to your first 8 weeks". We have also given more emphasis to our Price Promise on our website and in our stores to ensure we are communicating the best value for our customers.

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.

#### Brand awareness

Highlights from this year's awareness survey include:

- > our brand awareness is still three times the level of our nearest competitor
- > we have maintained brand awareness of 80% in London
- > Big Yellow leads the industry in terms of brand preference, with more prospective customers expecting to use Big Yellow than any other brand

Source: YouGov, September 2009

#### Budget

During the year the Group spent approximately £2.6 million (4.5% of revenue) on marketing, in line with the previous year. It is our intention to continue to invest 4.25% to 4.5% of our revenue to increase awareness of Big Yellow in existing and new markets, particularly as we expand into new cities across the country.

#### People

At Big Yellow we aim to provide a lively, fun and enjoyable working environment, without losing our commitment to delivering the very best standards of customer service.

We encourage a culture of partnership within the business and believe in staff participating in corporate performance through bonus schemes and share incentives. Many employees benefit from an HMRC approved Sharesave Scheme, which 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. Our stakeholder pension scheme has been taken up by over two thirds of employees eligible to join and a voucher awards scheme is used extensively across the business to recognise and reward our staff's efforts and achievements.

We aim to promote employee wellbeing through a range of flexible working options to include flexitime, staggered hours, home working and sabbaticals. We provide a comprehensive range of medical support and advice through our occupational health providers and have arranged corporate gym membership on a national basis.

We continue to recognise the importance of communication and consultation with an annual spring conference, regular formal and informal meetings and bi-monthly newsletters and weekly operational updates. In addition, the Directors and senior management spend significant time in the stores and are accessible to employees at all levels. An annual Employee Attitude Survey provides management with key feedback and guidance as to where to focus their attention to further improve the working environment.

We had 287 full-time, part-time and casual employees in the business at the year end (2009: 273 employees), and recruiting and retaining the right calibre people remains critical to the continued success of the Company.

We promote the individual development of staff through training and regular performance appraisals and delivered just over 600 days training to employees in the last year, equating to an average of approximately 2.5 days training per employee. In the stores, nearly two thirds of the managerial posts have been filled by internal promotions.

In March of this year, we were delighted to have achieved 25th position in the Sunday Times 100 Best Companies To Work for 2010 and also to have achieved Two Star Status for the Best Companies Accreditation. The results of this survey are testament to the Group not just talking about our work environment, but also actively doing something about it.

#### Property

We have not acquired any new sites during the year; focussing on obtaining planning consents and building out selected sites within our development pipeline, and conserving available liquidity within the business. We believe the continuing difficulties in the banking and capital markets make access to capital required to fund growth more difficult and will slow down the growth in self storage store openings in the market generally. We believe that we are in a relatively strong position with our freehold property assets, with the proven ability to access more funding when the opportunity presents itself.

We now have a portfolio of 70 stores and sites of which 60 are currently open and a further 9 have planning consents.

Our Reading store achieved the highest 'Excellent' rating on the Building Research Establishment's Environmental Assessment Methodology ("BREEAM"), in the industrial buildings category, following our store in Sheen achieving the same rating last year. Our store at Twickenham which opened in May 2009 achieved an A+ rating on carbon emissions, indicating that it has net zero CO2 emissions.

## Business Review

### continued

#### Development Pipeline

There are a further 10 freehold sites (including three sites within Big Yellow Limited Partnership) to be developed into new Big Yellow self storage facilities. These sites are at various stages of planning and construction which, when fully developed, will increase the total capacity of the portfolio to 4.4 million sq ft. The development pipeline is summarised in the table below:

Wholly owned sites	Location	Status	Anticipated capacity
Chiswick, West London	On the A4, high visibility from M4 flyover, currently occupied by Sotheby's	Consent for redevelopment as purpose built store granted	75,000 sq ft
Eltham, South East London	Junction of A20 and A205, on busy South Circular roundabout	Under construction, opening March 2011	70,000 sq ft
Enfield, North London	Prominent site on the A10 Great Cambridge Road, London	Consent granted	60,000 sq ft
Guildford Central	Prime location in centre of Guildford on Woodbridge Meadows	Consent granted	56,000 sq ft
Gypsy Corner, West London	Highly visible site on A40 in Acton, West London	Consent granted	70,000 sq ft
Manchester Central	Prime location on Water Street in central Manchester	Planning under negotiation	70,000 sq ft
New Cross, South East London	Prominent location on Lewisham Way (A20), London	Consent granted, development committed with planned opening in early 2012	60,000 sq ft
Sites within BYLP	Location	Status	Anticipated capacity
Camberley	Prominent location on A30 London Road, Surrey	Under construction, opening January 2011	65,000 sq ft
High Wycombe	Prominent location on A40 London Road, Buckinghamshire	Under construction, opening June 2010	53,000 sq ft
Stockport	Prominent location visible from M60, Greater Manchester	Consent granted	60,000 sq ft

We expect to open three stores in the current financial year, one within the wholly owned Group (Eltham), and two within the Partnership (High Wycombe and Camberley).

The Group manages the construction and fit-out of its stores in-house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget. The total construction spend in the year (including in the Partnership) was £26 million. We are currently on site at the three stores that will open in the financial year.

## 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, and the opening of our first purpose built store in Richmond, London in May 1999. The principal areas of risk that the Group faces are considered below.

## Self Storage Market Risk

The UK economy has begun to edge out of recession following GDP growth of 0.4% in the fourth quarter of 2009. The demand for self storage has slowed since the liquidity crisis in August 2007, however we believe that the structural need for self storage remains, and we are pleased at the relative resilience that has been shown to date by the sector, with a gradual pick up of demand.

Of the customers moving into the business in the last year, our surveys indicate approximately 58% are in some way linked to the housing market, of which 22% are customers renting storage space whilst moving within the rental sector, and 36% moving within the owner occupied sector. We have seen a small recovery in demand during the year from customers within the owner occupied sector, consistent with the slowly improving picture for mortgage approvals and housing transactions. During the last year 10% of our customers who moved in took storage space as a spare room for lifestyle purposes and approximately 23% of our customers used the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited 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 9% of our customer demand in the year came from businesses ranging from start ups and market traders to retailers and larger multinationals. These businesses store 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. The demand from business customers, who typically occupy larger rooms, has been relatively robust, as they seek a cost effective, flexible solution to their storage requirements, preferring self storage to the commitment of a long lease.

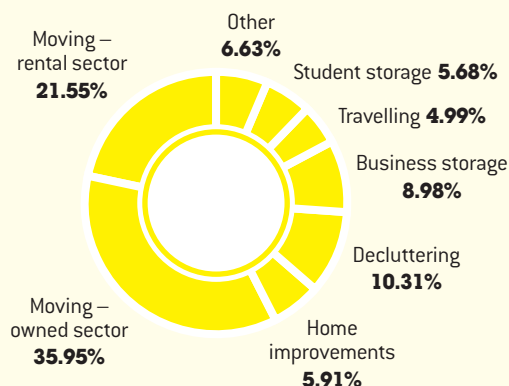
Business customers typically stay longer than domestic customers, and will also on average occupy larger rooms. Whilst only representing 9% of new customers during the year, businesses represent 20% of our overall customer base, occupying 33% of the space in our stores. The average room size occupied by business customers is 101 sq ft, against 51 sq ft for domestic customers.

Our business customers range across a number of industry types, such as retailers, professional service companies, hospitality companies and importers/exporters.

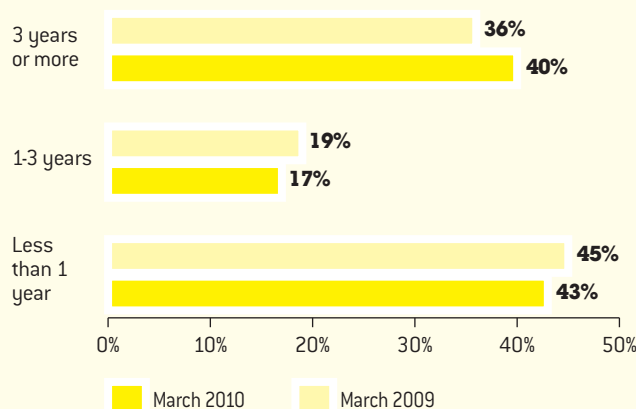
Self storage is a relatively immature market in the UK compared to other self storage markets such as the United States and Australia, and we believe has further opportunity for growth. Awareness of self storage and how it can be used by domestic and business customers is relatively low throughout the UK, although higher in London. The rate of growth of branded self storage on main roads in good locations has historically been limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent. The lack of availability of credit within the economy has further reduced this rate of growth since the liquidity crisis in 2007.

Big Yellow only invests in prime storage locations, developing high quality self storage centres in the large urban conurbations where the drivers in the self storage market are at their strongest and the barriers to competition are at their highest. We have focussed the business on London, where we believe the drivers and resilience for the product is strongest.

## Big Yellow users – demand profile in the year ended 31 March 2010



## Proportion of current customers – 32 same stores by length of stay in the business



## Business Review

### continued

We have a large current storage customer base of approximately 30,500 spread across the portfolio of open stores and many thousands more who have used Big Yellow over the years. In any month, customers move in and out at the margin resulting in changes in occupancy. Despite the current environment, this has remained a seasonal business and typically one sees growth over the spring and the summer months, with the seasonally weaker periods being the winter months. The table below illustrates the seasonality of the business with move-ins to the portfolio of wholly owned stores that were open at 1 April 2009. Twickenham opened in May 2009.

	Year ended 31 March 2010	Year ended 31 March 2009	
Move-ins			
April to June	9,357	9,413	(1%)
July to September	9,919	9,289	7%
October to December	8,042	7,493	7%
January to March	8,279	6,962	19%
<b>Total</b>	<b>35,597</b>	<b>33,157</b>	<b>7%</b>

This also illustrates the year on year activity level improvement in the current year for the last three quarters. The performance in terms of occupancy, revenue and EBITDA of our stores can be seen from the Portfolio Summary on page 28.

The average length of stay in Big Yellow's stores is also increasing. At 31 March 2010 the average length of stay for existing customers was 18.6 months; an increase from 18.0 months in the prior year. For all customers, including those who have moved out of the business, the average length of stay has increased from 8.4 months to 8.5 months. This translates into a loyal customer base. In our 32 same store portfolio, 40% of our customers have been storing with us for over three years. A further 17% in these stores have been in the business for between one and three years.

That said, we have seen a small decline in the financial year of the length of stay of customers who moved out during the year. This fell to 8.1 months from 8.6 months in 2009, albeit that was a sizeable increase from 7.4 months in 2008. This is consistent with the improving demand from customers using the product for relatively short periods of time, linked in the main to house moves and home improvements.

### Property Risk

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.

We do take planning risk where necessary, although the more distressed property market will in our view provide more opportunity to buy sites on a conditional basis. The planning process remains difficult with some planning consents taking in excess of twelve months to achieve, although given we have planning consent on all bar one site, the risk to the Group has reduced significantly from prior years.

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 50% of our bank borrowings are hedged, the balance is left floating paying margin over LIBOR. At 31 March 2010, we had fixed rate swaps in place over 63% of our outstanding bank borrowings, including hedging of at least 70% of the investment tranche of our senior debt facility, as required by our loan documentation. The hedging expires in September 2015, two years beyond the expiry of the facility, thus providing interest rate risk mitigation when the facility is refinanced. The Group does not hedge account its interest rate derivatives, all movements in fair value are taken through the income statement.

The Group monitors compliance with its banking covenants closely. During the year it complied with all its covenants, and is forecast to do so for the foreseeable future.

Our portfolio is relatively high yielding and we believe a flexible approach to our hedging is appropriate for our strategic aims, given our conservative balance sheet.

### Interest Cover and Balance Sheet Risk

The Group reviews its 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 and occupancy in the stores on gearing and interest cover.

### **Credit Risk**

Our customers are required to pay a deposit when they start to rent a self storage room 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. 74% of our current customers pay by direct debit; however of new customers moving into the business in the last year 83% have paid by direct debit. Businesses often prefer to pay by cheque or BACS. During the recession, we did not see an increase in the levels of bad debts and arrears. Our bad debt expense represents 0.17% of revenue in the year (2009: 0.17% of revenue).

### **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, through direct liaison with HMRC, and through trade bodies to understand and, if possible, mitigate or benefit from their impact.

### **Real Estate Investment Trust ("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. To date all REIT regulations have been complied with.

### **Human Resources Risk**

At Big Yellow we have developed a professional, lively and enjoyable 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. Big Yellow's intranet and website (bigyellow.co.uk) are important avenues of communication for both employees and shareholders.

### **Security Risk**

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 all our stores out of our trading hours.

We have implemented customer security procedures in line with advice from the 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 routine operational procedures. We have continued to run courses for all our staff to enhance the awareness and effectiveness of our procedures in relation to security.

### **Corporate Social Responsibility**

The Board employs a Corporate Social Responsibility Manager, who reports to the Board through the Operations Director. We remain committed to our formal corporate social responsibility ("CSR") policy. This is shown below.

#### **Corporate Social Responsibility Policy**

The Board recognises that high levels of corporate social responsibility ("CSR") linked to clear commercial objectives, will create a more sustainable business and increase shareholder and customer value. This Policy covers all of Big Yellow's operations, as both a self storage developer and operator. Big Yellow is seeking to meet the demand for self storage from businesses and private individuals providing the storage space for their commercial and / or domestic needs, whilst aiding local employment creation and contributing to local community regeneration.

The Board commits itself to:

- > complying with relevant social and environmental legislation
- > establishing a formal integrated CSR management structure to implement "best practice"
- > preventing pollution and the waste of resources to protect the environment
- > consulting with stakeholders on social aspects to improve their services to the Group
- > providing capital for sustainable development that is economically viable
- > reporting annually on improving ethical, community and environmental performance

Operationally, Big Yellow commits to:

- > Development – to address relevant issues on local community and climate change aiming to achieve best practice on sustainability checklists and local planning guidance
- > Design – to minimise its carbon footprint as far as practicable through the application of passive building principles, viable renewable energy and other sustainability criteria
- > Construction – to aim for build site sustainable practices by raising environmental and health and safety standards through the Considerate Constructors Scheme
- > Estates and Facilities – to monitor energy, waste and water provider performance in order to identify areas for operational efficiency improvements
- > Operations – to keep store managers and customers informed of the ethical, safety, security, energy use and waste minimisation aspects of storage and packaging
- > Sales, Marketing and Customer Care – to facilitate external communication of sustainability and ethical market differentiation and improve customer satisfaction
- > Human Resources – to integrate the Group CSR policy within all training programmes, employee communications, and benefits initiatives, whilst continuing to promote charitable giving, employment creation and staff retention
- > Office Management and Information Technology – to facilitate internal communication of environmental performance and cost effectiveness of energy usage, waste paper reduction, recycled paper usage, and the recycling of waste paper

The CSR Manager will facilitate the Board and Group Operations to achieve these commitments by establishing more specific objectives within the existing management structure and implementing guidance to meet agreed continuous improvement targets. The CSR Manager is also responsible for recording key performance indicators for annual reporting and review by the Board.

A detailed review of our work in corporate social responsibility is included within the CSR Report on pages 36 to 49.

# Financial Review

## Financial Results

Revenue for the year was £58.0 million, a fall of £0.5 million from £58.5 million for 2009. £0.4 million of this decline was due to a fall in tenant related income on sites where we have obtained vacant possession prior to the commencement of development of a new Big Yellow store. Other sales (included within the above), comprising the selling of packing materials, insurance and storage related charges represented 18% of storage income for the year (2009: 17%) and generated revenue of £8.3 million for the year, up 4% from £8.0 million in 2009.

Storage revenue for the fourth quarter increased by 5% to £13.7 million from £13.0 million for the same quarter last year. Encouragingly, storage revenue in the seasonally weaker second half of the year was £27.7 million, up 1% from £27.4 million for the first half of the

year, and up 3% from £26.8 million for the second half of the year ended 31 March 2009. Annualised store revenue at 31 March 2010 was £56.0 million, an increase of 8% from 31 March 2009.

Total revenue for the fourth quarter was £14.3 million, up 3% from the same quarter last year; the increase not as marked as for storage revenue principally due to a fall in construction management fees earned from the Partnership on the same quarter last year.

The EBITDA margin for the 32 same stores was 64% (2009: 65%). There was a reduction in revenue of 7% for the 32 same stores, however the effect of this on the margin was partially offset by a reduction in same store operating costs of 7%. The table below illustrates the performance of the 32 same stores and the lease-up stores during the year.

	Capacity	Occupancy		Revenue		EBITDA	
		31 March 10 000 sq ft	31 March 09 000 sq ft	31 March 10 £000	31 March 09 £000	31 March 10 £000	31 March 09 £000
<b>Wholly owned store performance</b>	000 sq ft						
32 same store portfolio	1,942	<b>1,350</b>	1,379	<b>41,346</b>	44,555	<b>26,649</b>	28,887
15 lease-up stores opened pre 1 April 2008	1,008	<b>377</b>	329	<b>11,787</b>	10,238	<b>6,037</b>	4,175
4 lease-up stores opened post 1 April 2008	277	<b>71</b>	24	<b>2,001</b>	473	<b>62</b>	(107)
<b>Total</b>	<b>3,227</b>	<b>1,798</b>	1,732	<b>55,134</b>	55,266	<b>32,748</b>	32,955

Of the 15 lease-up stores which opened pre 1 April 2008, three stores opened before 31 March 2006, six stores opened in the year ended 31 March 2007 and six stores opened in the year ended 31 March 2008.

The Group made a profit before tax in the year of £10.2 million, a significant improvement from a loss of £71.5 million in the prior year. This improvement in Group profitability reflects the increase in the valuation of the Group's open stores coupled with the improved recurring profit offset by the write down of assets in the course of development.

After adjusting for the loss 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 £16.5 million, up 20% from £13.8 million in 2009.

### Profit/(Loss) Before Tax Analysis

	2010 £m	2009 £m
Profit/(loss) before tax	10.2	(71.5)
Loss on revaluation of investment properties	3.6	52.8
Movement in fair value on interest rate derivatives	2.7	18.0
Net losses on non-current assets/surplus land	2.0	11.6
Refinancing costs	–	1.3
Share of non-recurring (gains)/losses in associate	(2.0)	1.6
Adjusted profit before tax	16.5	13.8

The movement in the adjusted profit before tax in the year is illustrated in the table below:

	£m
Adjusted profit before tax – March 2009	13.8
Reduction in gross profit	(0.8)
Increase in administrative expenses (non-cash IFRS 2 charge)	(1.1)
Reduction in interest payable	6.9
Reduction in capitalised interest	(1.7)
Increase in share of recurring loss in BYLP	(0.6)
<b>Adjusted profit before tax – March 2010</b>	<b>16.5</b>

Basic earnings per share for the year were 8.11p (2009 loss per share: 62.86p) and fully diluted earnings per share were 8.03p (2009 loss per share: 62.34p). Adjusted earnings per share based on adjusted profit after tax was up 9% to 12.99p (2009: 11.89p) [see note 12].

### Expenses

Administrative expenses were £6.9 million compared to £5.8 million in 2009. This increase is due to a £1.1 million increase in the non-cash IFRS 2 charge, principally arising from the Long Term Bonus Performance Plan approved at the Group's AGM in July 2009. Cash administrative expenses have been held to the same level as last year.

We have implemented tight cost control in the Group. Salaries for all staff were frozen for the year ended 31 March 2010, and we have sought to reduce cost in the Group where possible. This is evidenced by the decline in same store operating costs highlighted above. In line with the improved performance in the second half of the year, the bonus payout at the store level and at head office has increased in 2010 compared to 2009.

### Interest Expense on Bank Borrowings

The gross bank interest expense for the year reduced significantly to £11.4 million from £18.1 million in 2009 reflecting the restructuring of our hedging arrangements carried out in March 2009. The average cost of borrowing during the year was 3.6% against 5.9% in the prior year.

Interest payable has decreased in the income statement from £17.5 million to £12.3 million following the reduction in average interest payable, offset by a lower level of capitalised interest in the year. Fewer sites were under development in the year compared to the prior year, resulting in capitalised interest falling from £1.9 million to £0.3 million.

In March 2010, the Group spent £245,000 extending the expiry of its £70 million interest rate swap from September 2013 to September 2015. In March 2009 the Group settled its outstanding derivative positions at a cost of £14.9 million. Both of these costs are included in the income statement in the relevant year, but are added back in the adjusted profit before tax calculation.

## Financial Review

### continued

#### REIT Status

The Group converted to a Real Estate Investment Trust ("REIT") on 15 January 2007. Since then the Group has benefited from a zero tax rate on the Group's qualifying self storage earnings. The Group only pays tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, and fees earned from Big Yellow Limited Partnership, from the management of the Armadillo portfolio.

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 these developments and our existing open stores will be exempt from corporation tax on capital gains, provided certain criteria are met.

The Group has a rigorous internal system in place for monitoring compliance with criteria set out in the REIT regulations. On a monthly basis, a report to the Board on compliance with these criteria is carried out. To date, the Group has complied with all REIT regulations, including forward looking tests.

#### Taxation

There is no cash tax payable for the year. There is no tax charge for the year ended 31 March 2010 (2009: £1,150,000).

#### Dividends

REIT regulatory requirements determine the level of Property Income Dividend ("PID") payable by the Group. On the basis of the full year distributable reserves for PID purposes, no PID is payable due to the level of shadow capital allowances available to the Group, coupled with brought forward notional losses in the tax exempt business (31 March 2009: nil PID).

The Board is recommending the payment of a final discretionary ordinary dividend of 4 pence per share. There was no interim dividend, so this is the total dividend for the year. Subject to approval by shareholders at the Annual General Meeting to be held on 5 July 2010, the final dividend will be paid on 14 July 2010 to shareholders on the Register on 11 June 2010.

#### Financing and Treasury

The Group is strongly cash generative operationally and draws down from its longer term committed facilities as required to meet obligations.

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

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Cash flow from operations	<b>31,271</b>	32,074
Finance costs (net)	<b>(12,208)</b>	(21,871)
<b>Free cash flow pre non-recurring items within finance costs</b>	<b>19,063</b>	10,203
Non-recurring items paid within finance costs	–	(16,239)
<b>Free cash flow</b>	<b>19,063</b>	(6,036)
Capital expenditure	<b>(14,388)</b>	(34,553)
Asset sales	<b>1,927</b>	26,603
Investment in associate	<b>(1,500)</b>	(5,429)
<b>Cash flow after investing activities</b>	<b>5,102</b>	(19,415)
Ordinary dividends	–	(6,309)
REIT conversion charge paid	–	(90)
Issue of share capital	<b>33,634</b>	26
(Decrease)/increase in borrowings (net)	<b>(11,339)</b>	27,339
Net cash inflow	<b>27,397</b>	1,551
Opening cash and cash equivalents	<b>3,222</b>	1,671
Closing cash and cash equivalents	<b>30,619</b>	3,222

Free cash flow pre capital expenditure increased to £19.1 million for the year (2009: outflow of £6.0 million). In the year capital expenditure outflows were £14.4 million, down from £34.6 million in the prior year. The cash flow after investing activities was a net inflow of £5.1 million in the year, compared to an outflow of £19.4 million in 2009, demonstrating the cash conservation in the Group within the year.

#### Balance Sheet

The Group's 51 wholly owned stores and seven stores under development at 31 March 2010, which are classified as investment properties, have been revalued by Cushman & Wakefield ("C&W") and this has resulted in an investment property asset value of £795.6 million, comprising £710.4 million (89.3%) for the 44 freehold (including one long leasehold) open stores, £51.2 million (6.4%) for the seven short leasehold open stores and £34.0 million (4.3%) for investment properties under construction.

#### Property

	No of locations	Value at 31 March 2010 £m	Revaluation movement in year £m
<b>Analysis of property portfolio</b>			
Investment property	51	761.6	9.7
Investment property under construction	7	34.0	(13.3)
<i>Investment property total</i>	58	795.6	(3.6)
Surplus land	7	20.2	(2.0)
<b>Total</b>	<b>65</b>	<b>815.8</b>	<b>(5.6)</b>

### Investment property

The value of the investment property portfolio at 31 March 2010 was £761.6 million, up £26.5 million from £735.1 million at 31 March 2009. The increase in valuation of the 50 stores open at 31 March 2009 is £11.3 million, representing a 1.5% total increase, of which we estimate 0.8% is a function of capital improvement with the balance of 0.7% increase due to operational performance. The balance of £15.2 million is the valuation of our Twickenham store which opened in May.

The revaluation gain on 44 freehold stores was £14.3 million, with the seven short leasehold stores showing a revaluation deficit of £4.6 million. This illustrates that our freehold bias is well placed and will drive greater returns for shareholders.

Each store is reviewed and valued individually by Cushman & Wakefield LLP, who are the valuers to a significant proportion of the UK and European self storage market. There has been a slight improvement in capitalisation rates of 12 bps, coupled with improvements in operating performance albeit there has been a reduction in the stabilised occupancy levels of certain stores. It should be noted that there have been three transactions in the year in the secondary self storage space only.

The valuation included in the accounts assumes rental growth in future periods, as described in note 14. If an assumption of no rental growth is applied to the external valuation, the stabilised yield pre administration expenses is 8.44% (March 2009: 8.55%). This is based on an average occupancy over the 10 year cash flow period of 78.2% across the whole portfolio. The mature occupancy assumed is 84.2%, achieved on average in 42 months from 31 March 2010.

### Investment property under construction

The Group adopted compulsory amendments to IAS 40, Investment Property, during the year. These changes require investment property under construction to be valued, rather than carried at the lower of cost and value in use, as had been the case when they were accounted for under IAS 16. In accordance with IAS 40 the prior year comparatives have not been restated to reflect this change in accounting policy. C&W have therefore valued seven wholly owned sites (six with planning consent), and three within Big Yellow Limited Partnership (all with planning consents), in addition to the open store portfolio.

In the past, where the Group had assets in the course of construction, these had been held at cost, and an assessment made of the anticipated surplus to be achieved on the opening and leasing up of a Big Yellow self storage facility within the branded portfolio. If this supported the existing book cost, taking account of projected costs to complete, no provision was made against the cost. The external valuation takes a different approach, and in effect is assuming a sale to a third party of an asset in the course of construction, assuming contingencies on construction costs, assessment of alternative use where planning risk remains and a level of developer's profit. An external valuation also has to consider market evidence, which is clearly limited in the current economic climate.

As a result, and given this is the first time this standard has been applied by the Group in its annual results, we have booked a deficit of £13.3 million against the Group assets, and have included a £0.2 million deficit as our share in Big Yellow Limited Partnership. It should be noted that C&W's forecast valuations for when the assets have reached stabilised occupancy, including assumptions in relation to revenue and operating cost growth within these assets, currently point to a revaluation surplus on total development cost of £99 million (118%) on the seven wholly owned development sites and £26 million (105%) on the three sites within Big Yellow Limited Partnership.

In their report to us, our valuers, Cushman & Wakefield, have drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 14 for further details.

### Surplus land

These sites are those which the Directors do not intend to develop into self storage centres. The sites are held at the lower of cost and net realisable value and have not been externally valued. The Directors have assessed the carrying value of these sites. In the prior year, a provision of £11.6 million was made against these sites, representing approximately a third of the cost of the land. The Directors have made a further provision in the current year of £2.0 million against a site where the planning outcome is currently uncertain.

### Purchasers' cost adjustment

As in prior years, we have instructed an alternative valuation on our assets using a purchaser's cost assumption of 2.75% (see note 14 for further details) to be used in the calculation of our adjusted diluted net asset value. This Red Book valuation on the basis of 2.75% purchaser's costs, results in a higher property valuation at 31 March 2010 of £831.2 million (£37.1 million higher, including £1.5 million for the share of the uplift in Big Yellow Limited Partnership, than the value recorded in the financial statements or 28.3 pence per share).

The revised valuation translates into an adjusted net asset value per share of 453.3 pence (2009: 440.7 pence) after the dilutive effect of outstanding share options. The prior year comparatives have been adjusted to reflect the placing which took place in May 2009.

### Movement in Adjusted NAV

The year on year movement is illustrated in the table below:

	Equity shareholders' funds	EPRA adjusted NAV per share
<b>Movement in adjusted net asset value</b>		
1 April 2009	543,816	457.0
Equity raising	31,534	(16.3)
1 April 2009 (proforma)	575,350	440.7
Revaluation movements		
(including share of BYLP)	(1,522)	(1.2)
Movement in purchasers' cost adjustment	4,467	3.4
Adjusted profit	16,514	12.6
Other movements (eg share options)	(1,053)	(2.2)
<b>31 March 2010</b>	<b>593,756</b>	<b>453.3</b>

## Financial Review

### continued

#### Borrowings

We focus on improving our cash flows and we currently have healthy Group interest cover of 2.7 times based on Group EBITDA against existing interest costs, allied to a relatively conservative debt structure secured principally against the freehold estate.

The Group has a £325 million senior debt facility arranged by HSH Nordbank AG. During the year, Lloyds TSB Bank plc took a participation of £100 million in the facility, with HSBC Bank plc taking an initial participation of £25 million. The bank loan is secured on 51 of the Group's properties. The loan is due to expire on 15 September 2013.

The facility is divided into two tranches, Tranche A, up to a maximum of £50 million is used to finance non-stabilised properties within the Group and carries a margin of 150 bps. Tranche B is used to finance stabilised Group properties, and carries a margin of between 112.5 bps and 150 bps dependent on the Tranche B income cover. The Group is currently paying a margin of 112.5 bps on this Tranche. As the properties within Tranche A stabilise they may be transferred to Tranche B, reducing the margin payable. There is no loan to value covenant on the facility.

Certain of the covenants of the core facility were amended during the year (at no cost to the Group) to give the Group more financial flexibility and to facilitate the syndication. The Group was comfortably in compliance with these revised covenants at 31 March 2010, as illustrated in the table below.

	Previous covenant	Revised Covenant	At 31 March 2010
Minimum income cover on Tranche B properties*	1.25x	1.4x	<b>3.75x</b>
Minimum net assets	£350 million	£250 million	<b>£547.3 million</b>
Maximum gross loan to net assets gearing	1:1	1.3:1	<b>0.55:1</b>

\* The income cover covenant rises to 1.5x from September 2011, as per the original agreement, and there has been no change in this covenant.

At the end of the year, the Group had net debt of £269.4 million, a reduction of £38.7 million over last year following £14.4 million of capital expenditure, £1.5 million equity contribution to the Partnership and £12.2 million of net interest paid (including finance lease costs), offset by operating cash flow of £31.3 million, land disposal proceeds of £1.9 million, and £33.6 million from the issue of shares (£31.5 million of which was the net proceeds of the placing).

The Group has £55.6 million of cash and undrawn bank facilities and relatively conservative levels of gearing. The Group currently has a net debt to gross property assets ratio of 33%, and a net debt to adjusted net assets ratio of 45%.

£190 million of the Group's debt is hedged by way of interest rate swaps to September 2015, two years beyond the expiry of the current debt facility. £120 million of this is fixed at 2.99% (including margin). The remaining £70 million is fixed at 3.93% (excluding margin); the expiry of this swap was extended from 2013 to 2015 in the year following a payment of £0.2 million, whilst maintaining the rate payable. At 31 March 2010 we had floating rate debt of £110 million, on which we are paying one month LIBOR plus applicable margin. The interest rate profile of the Group's debt is shown in the table below.

	Amount of debt 2010	Weighted average interest cost at 31 March 2010	Weighted average interest cost at 31 March 2009
Fixed rate debt	<b>£190 million</b>	<b>4.5%</b>	4.5%
Variable rate debt	<b>£110 million</b>	<b>1.7%</b>	2.3%
Total debt	<b>£300 million</b>	<b>3.5%</b>	3.7%

At 31 March 2010, the fair value on the Group's interest rate derivatives was a liability of £8.0 million; a loss of £2.4 million has been charged to the income statement to reflect the movement from the prior year. The income statement charge also includes the payment made to extend the swap referred to above. The Group does not hedge account its interest rate derivatives. As recommended by EPRA (European Public Real Estate Association), the fair value movements are eliminated from adjusted profit before tax, adjusted earnings per share, and adjusted net assets per share.

Treasury continues to be closely monitored and its policy approved by the Board. We maintain a keen watch on medium and long term rates and the Group's policy in respect of interest rates is to maintain a balance between flexibility and hedging of interest rate risk.

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

#### Share Capital

In May 2009, the Company issued 11,549,000 shares by way of a placing at £2.85, which represented a 6% premium to the previous day's closing share price.

The share capital of the Company totalled £13.1 million at 31 March 2010 (2009: £11.6 million), consisting of 130,990,837 ordinary shares of 10p each (2009: 115,592,541 shares).

Shares issued for the exercise of options during the period amounted to 2,759,296 at an average exercise price of 77p.

The Group holds 1,905,000 of its shares within an Employee Benefit Trust ("EBT"). 100,000 shares were transferred from Treasury during the year to the EBT, and a further 1,090,000 shares were issued to the EBT. The transfer and the issuance was to enable options to be granted in respect of the Group's Long Term Bonus Performance Plan. These shares are shown as a debit in reserves and are not included in calculating net asset value per share.

	2010 No.	2009 No.
Opening shares	<b>115,592,541</b>	115,514,119
Shares issued in placing	<b>11,549,000</b>	—
Shares issued to EBT	<b>1,090,000</b>	—
Shares issued for the exercise of options	<b>2,759,296</b>	78,422
Closing shares in issue	<b>130,990,837</b>	115,592,541
Shares held in EBT and Treasury	<b>(1,905,000)</b>	(815,000)
Closing shares for NAV purposes	<b>129,085,837</b>	114,777,541

113,703,496 shares were traded in the market during the year ended 31 March 2010 (2009: 128,892,785). The average mid market price of shares traded during the year was 344.8p with a high of 437.5p and a low of 201.3p.

At 31 March 2010 there were 107,502 shares subject to share option awards to employees of the Group at a weighted average strike price of 94p. In addition there are 1,488,780 nil paid options, granted under the Group's LTIP scheme and 304,175 share options granted under the Group's SAYE scheme at a weighted average strike price of 166p.

### Big Yellow Limited Partnership

Big Yellow Limited Partnership, a joint venture with Pramerica Real Estate Investors Limited, owns self storage centres and development sites in the Midlands, the North, Scotland and four southern towns. In the consolidated accounts of Big Yellow Group PLC, the Partnership is treated as an associate. We have adopted equity accounting for the Partnership, so that our share of the Partnership's results are disclosed in operating profit and our net investment is shown in the balance sheet within "Investment in Associate". We have provided in note 13e the balance sheet and income statement of the Partnership, along with the Group's share of the income statement captions.

The table below shows the split of stores and development sites between the Group and the Partnership.

	Big Yellow (wholly owned)	Big Yellow Limited Partnership	Total
<b>At 31 March 2010</b>			
No of stores trading	51	9	60
No of stores under development	7*	3	10
Total number of stores and sites	58	12	70
Development sites with planning consent	6	3	9
Open store capacity (sq ft)	3.23m	0.56m	3.79m
Development site capacity (sq ft)	0.46m	0.18m	0.64m
Total planned capacity (sq ft)	3.69m	0.74m	4.43m

\* this includes our site in central Manchester which has a sale contract to Big Yellow Limited Partnership, conditional on the building being completed by 31 December 2010. The terms of the contract will not be met by 31 December 2010, therefore the site is being shown as a wholly owned development site.

### Structure

The Group and Pramerica have committed equity in a one third, two thirds split respectively. The Board of the Partnership comprises two representatives of both Pramerica and Big Yellow. Pramerica have the casting vote over the approval of the Partnership's annual business plan.

The anticipated remaining capital expenditure on the three stores in the Joint Venture is £16 million, which will be funded through equity from Pramerica Real Estate Investors (20%) and by the Group (10%), with the remaining 70% funded through a committed development finance facility. This will take the number of stores in the Partnership to 12 and the Partners have resolved not to develop any further stores. Our total further commitment required to fund both the outstanding capital expenditure and trading losses to break even is estimated at £3 million.

The Group earns certain property acquisition, planning, construction and operational fees from the Partnership. For the year to 31 March 2010, these fees amounted to £1.2 million (2009: £1.4 million).

### Funding

A five year term development loan of £75 million has been secured from the Royal Bank of Scotland plc to further fund the Partnership. £30 million of this loan has been syndicated to HSBC Bank plc and HSH Nordbank AG. £55.1 million of this loan had been drawn at 31 March 2010.

The Partnership's policy is to fix at least 50% of drawn amounts to 30 June 2013 (as required in its facility agreement), and to leave the balance benefiting from the currently low levels of short term interest rates. £29.8 million of the £55.1 million drawn down at 31 March 2010 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 5.67%. The weighted average interest cost of the facility at 31 March 2010 was 4.2% including margin.

### Results

For the year ended 31 March 2010, the Partnership made a profit of £4.0 million (2009: loss of £4.8 million), of which Big Yellow's share was £1.3 million (2009: loss of £1.6 million). After adjusting for non-recurring items (revaluation gains of £6.1 million, gain on disposal of surplus land of £0.1 million, and fair value loss on interest rate derivatives of £0.2 million), the Partnership made an adjusted loss of £2.0 million (2009: loss of £0.2 million), of which the Group's share is £0.7 million (2009: share of loss of £0.1 million). The majority of the stores within the Partnership have opened in the past year; operating losses are expected in the early phases of lease-up.

The Partnership is tax transparent, so the limited partners are taxed on any profits.

Big Yellow has an option to purchase the assets contained within the Partnership or the interest in the Partnership which it does not own exercisable from 31 March 2013. On exit whether by way of exercise of the option or a sale to a third party, Big Yellow is entitled to certain promotes, which could result in Big Yellow sharing in the surplus created in the Partnership ahead of its equity participation.

# Portfolio Summary

	March 2010 Wholly owned stores <sup>(1)</sup>	March 2009 Wholly owned stores	March 2010 Big Yellow LP stores <sup>(2)</sup>	March 2009 Big Yellow LP stores
Number of stores	51	50	9	4
<b>As at 31 March 2010</b>				
Total capacity (sq ft)	3,227,000	3,152,000	556,000	251,000
Occupied space (sq ft)	1,798,000	1,732,000	117,000	43,000
Percentage occupied	56%	55%	21%	17%
Net rent per sq ft	£26.85	£25.57	£18.99	£16.98
Annualised revenue (£000)	56,000	52,025	2,823	944
<b>For the year:</b>				
Average occupancy	55%	57%	14%	14%
Average annual rent psf	£26.31	£26.53	£18.06	£17.27
	£000	£000	£000	£000
Self storage revenue	46,763	47,206	1,417	620
Other storage related revenue <sup>(3)</sup>	8,282	7,964	462	200
Ancillary store rental revenue	89	96	1	–
Store revenue	55,134	55,266	1,880	820
Direct store operating costs (excluding depreciation)	(20,424)	(20,301)	(2,178)	(699)
Leasehold rent <sup>(4)</sup>	(1,962)	(2,010)	–	–
Store EBITDA <sup>(5)</sup>	32,748	32,955	(298)	121
EBITDA Margin <sup>(6)</sup>	59.4%	59.6%	(15.9%)	14.8%
<b>Cumulative capital expenditure</b>	£m		£m	
to 31 March 2010	346.8		75.2	
to complete	4.1		2.7	
Total cost	350.9		77.9	

<sup>(1)</sup> Stores 100% owned by the Group.

<sup>(2)</sup> Stores operating in Big Yellow Limited Partnership. The Group owns a 33.3% interest in the Partnership.

<sup>(3)</sup> Packing materials, insurance and other storage related fees.

<sup>(4)</sup> Rent for seven short and one long leasehold property within the wholly owned stores accounted for as investment properties and finance leases under IFRS with total self storage capacity of 496,000 sq ft.

<sup>(5)</sup> Earnings before interest, tax, depreciation and amortisation. The direct store operating costs include all sales and marketing costs incurred centrally and the cost of our head office customer support centre.

<sup>(6)</sup> Of the wholly owned stores, the seven short leasehold stores achieved an EBITDA of £4.4 million and EBITDA margin of 45%. The 44 freehold stores achieved an EBITDA of £28.3 million and EBITDA margin of 63%.



**Reading, December 2009**  
MLA - 60,000 sq ft



**Sheffield Bramall Lane, September 2009** MLA - 60,000 sq ft



**Poole, August 2009**  
MLA - 53,000 sq ft



**Nottingham, August 2009**  
MLA - 65,000 sq ft



**Edinburgh, July 2009**  
MLA - 60,000 sq ft



**Twickenham, May 2009**  
MLA - 76,000 sq ft



**Liverpool, March 2009**  
MLA - 60,000 sq ft



**Bromley, March 2009**  
MLA - 71,000 sq ft



**Birmingham, February 2009**  
MLA - 60,000 sq ft



**Sheen, December 2008**  
MLA - 64,000 sq ft



**Sheffield Hillsborough, October 2008** MLA - 60,000 sq ft



**Kennington, May 2008**  
MLA - 66,000 sq ft



**Merton, March 2008**  
MLA - 70,000 sq ft



**Fulham, March 2008**  
MLA - 139,000 sq ft



**Balham, March 2008**  
MLA - 60,000 sq ft



**Barking, November 2007**

MLA - 60,000 sq ft



**Ealing Southall, November 2007**

MLA - 54,000 sq ft



**Sutton, July 2007**

MLA - 70,000 sq ft



**Gloucester, December 2006**

MLA - 50,000 sq ft



**Edmonton, October 2006**

MLA - 80,000 sq ft



**Kingston, August 2006**

MLA - 61,000 sq ft



**Bristol Ashton Gate, July 2006**

MLA - 61,000 sq ft



**Finchley East, May 2006**

MLA - 54,000 sq ft



**Tunbridge Wells, April 2006**

MLA - 57,000 sq ft



**Bristol Central, March 2006**

MLA - 64,000 sq ft



**North Kensington,  
December 2005**

MLA - 51,000 sq ft



**Leeds, July 2005**

MLA - 76,000 sq ft



**Beckenham, May 2005**

MLA - 71,000 sq ft



**Tolworth, November 2004**

MLA - 56,000 sq ft



**Watford, August 2004**

MLA - 64,000 sq ft



**Swindon, April 2004**

MLA - 53,000 sq ft



**Orpington, December 2003**

MLA - 64,000 sq ft



**Byfleet, November 2003**

MLA - 48,000 sq ft



**Chelmsford, April 2003**

MLA - 54,000 sq ft



**Finchley North, March 2003**

MLA - 63,000 sq ft



**West Norwood, January 2003**

MLA - 57,000 sq ft



**Colchester, December 2002**

MLA - 55,000 sq ft



**Bow, November 2002**

MLA - 132,000 sq ft



**Brighton, October 2002**

MLA - 59,000 sq ft



**Guildford, June 2002**

MLA - 55,000 sq ft



**New Malden, May 2002**

MLA - 81,000 sq ft



**Hounslow, December 2001**

MLA - 54,000 sq ft



**Battersea, December 2001**

MLA - 34,000 sq ft



**Ilford, November 2001**

MLA - 58,000 sq ft



**Cardiff, October 2001**

MLA - 75,000 sq ft



**Portsmouth, October 2001**

MLA - 61,000 sq ft



**Norwich, September 2001**

MLA - 48,000 sq ft



**Dagenham, July 2001**

MLA - 50,000 sq ft



**Wandsworth, April 2001**

MLA - 57,000 sq ft



**Luton, March 2001**

MLA - 41,000 sq ft



**Southend, March 2001**

MLA - 57,000 sq ft



**Staples Corner, March 2001**

MLA - 111,000 sq ft



**Romford, November 2000**

MLA - 70,000 sq ft



**Milton Keynes, September 2000**

MLA - 61,000 sq ft



**Cheltenham, April 2000**

MLA - 50,000 sq ft



**Slough, February 2000**

MLA - 67,000 sq ft



**Hanger Lane, October 1999**

MLA - 65,000 sq ft



**Oxford, August 1999**

MLA - 33,000 sq ft



**Croydon, July 1999**

MLA - 81,000 sq ft



**Richmond, May 1999**

MLA - 35,000 sq ft

# Report on Corporate Governance

## Introduction

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

## Statement of Compliance with the Combined Code

Throughout the year ended 31 March 2010, the Company has been in compliance with the Code provisions set out in section 1 of the Code.

## Statement about Applying the Principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report and Audit Committee Report.

## 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 which enables risk to be assessed and managed. 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 ensures that its obligations to shareholders and other stakeholders are understood and met. The Board also regularly reviews the performance of management.

The Board currently consists of eight Directors: four Executives and four Non-Executives. The Board considers Tim Clark and Mark Richardson 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.

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 until March 2007.

The Board does not consider that Jonathan Short is an independent Non-Executive, as he has served on the Board for more than nine years, exceeding the Combined Code recommended limit. The Board however wishes to retain the services of Jonathan Short, as he continues to add significant value to the Company and provides a rigorous independent challenge to management. Jonathan Short is proposed for re-election in accordance with the terms of the Combined Code.

Tim Clark is the Senior Independent Non-Executive Director.

The Board is currently in the process of recruiting an additional independent Non-Executive Director to join the Board. Given the size of the Company, and its ownership structure, the Board believe that following this planned appointment the proportion of independent Non-Executives will 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 62.

## 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 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 together to provide effective and complementary 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.

Nicholas Vetch	(Executive Chairman)
Philip Burks	(Non-Executive Director)
Tim Clark	(Non-Executive Director, Senior Independent Director)
Mark Richardson	(Non-Executive Director)
Jonathan Short	(Non-Executive Director)
James Gibson	(Chief Executive Officer)
Adrian Lee	(Operations Director)
John Trotman	(Chief Financial Officer)

Company Secretary: Michael Cole

Attendance at meetings of the individual Directors at the Board and for the members of the Committees is shown in the table below:

Director	Board (6 meetings)	Audit Committee (3 meetings)	Remuneration Committee (5 meetings)	Nominations Committee (2 meetings)
Philip Burks	5	–	–	–
Tim Clark	5	3	5	2
James Gibson	6	–	–	–
Adrian Lee	5	–	–	–
Mark Richardson	6	3	5	2
Jonathan Short	6	3	5	2
John Trotman	6	–	–	–
Nicholas Vetch	6	–	–	–

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.

## Performance Evaluation

Each year the Board undertakes a formal evaluation of its own performance and that of its Committee and its individual members. 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, the Committees and the Board as a whole were operating effectively, with appropriate procedures put in place for minor areas identified for improvement.

Jonathan Short is being proposed for election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that his performance is effective, and that he demonstrated commitment to the role.

## Information and Professional Development

All Directors are provided with detailed financial information throughout the year. On a weekly basis they receive a detailed occupancy report showing the performance of each of the Group's open stores. Management accounts are circulated to the Board monthly, and a detailed Board pack is distributed a week prior to each Board meeting.

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 and an update on developments in International Financial Reporting Standards. The professional development requirements of Executive Directors are identified and progressed as part of each individual's annual appraisal. All new Directors are provided with a full induction programme on joining the Board.

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.

# Report on Corporate Governance (continued)

## Remuneration Committee

Tim Clark (Chairman)  
Mark Richardson  
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.

The terms of reference of the Committee are available on the Company's website [bigyellow.co.uk](http://bigyellow.co.uk).

## Nominations Committee

Tim Clark (Chairman)  
Jonathan Short  
Mark Richardson

Tim Clark took over as Chairman of the Committee from Jonathan Short during the year.

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.

The terms of reference of the Committee are available on the Company's website [bigyellow.co.uk](http://bigyellow.co.uk). The terms and conditions of appointment for the Non-Executive Directors is available for inspection at the Company's Head Office during normal working hours. They are also available for inspection at the Company's AGM.

## 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 Executive Directors have participated in investor conferences and meetings during the year, throughout the United Kingdom, and also abroad (for example in New York, Amsterdam and Frankfurt).

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. At each Board Meeting, the Board is updated on any shareholding meetings that have taken place, and any views expressed or issues raised by the shareholders in these meetings.

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. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). 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.

In compliance with provision C.2.1 of the Combined Code, the Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of internal control arising during the period covered by the report. The Audit Committee assists the Board in discharging its review responsibilities.

# Report on Corporate Governance (continued)

## **Risk Management and Internal Control (continued)**

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 Board 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 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 or weaknesses during the period (including "near misses").

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

## **Internal Audit**

The Group does not have a formal 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 Compliance Manager responsible for reviewing store operational and financial controls. He reports to the Group Financial Controller. The Store Compliance Manager visits each operational store twice a year to carry out a detailed store audit. These audits are unannounced and the Store Compliance Manager carries out detailed tests on financial management within the stores, administrative standards, and operational standards. This role is supported by an Assistant Store Compliance Manager, enabling additional work and support to be carried out across the Group's store portfolio. Part of the store staff's bonus is based on the scores they achieve in these audits. The results of each audit are reviewed by the Chief Financial Officer and the Head of Store Operations.

A summary of the principal risks and uncertainties within the business are set out in the Risk Assessment section of the Business Review from page 19.

## **Going Concern**

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 14 to 27 of the Business and Financial Reviews. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Operating and Financial Review.

After reviewing Group and Company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ending 31 March 2011 and projections contained in the longer term business plan which covers the period to March 2016. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment, the shortage of credit available in the bank finance market in particular and the other principal risks to the Group's performance and are satisfied with the Group's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# Report on Corporate Governance (continued)

## Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- > properly select and apply accounting policies;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > 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; and
- > make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

### Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

### Michael Cole

Secretary  
14 May 2010

# Audit Committee Report

## Summary of the Role of the Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems, including consideration of the need for an internal audit function;
- making recommendations to the Board for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

## Composition of the Audit Committee

The members of the Audit Committee are:

Mark Richardson (Chairman)

Tim Clark

Jonathan Short

Membership of the Committee is reviewed by the Chairman of the Committee and the Executive Chairman, who is not a member of the Audit Committee, at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board.

The Audit Committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently Mark Richardson, as a Fellow of the Institute of Chartered Accountants of England and Wales, fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Committee is normally comprised of three Non-Executive Directors, at least two of whom have to be deemed independent, with a minimum of three members at any time. Two members constitute a quorum.

The Group provides an induction programme for new Audit Committee members and on-going training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff. On-going training includes attendance at formal conferences, internal company seminars and briefings by external advisers.

The Board expects the Audit Committee members to have an understanding of:

- the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of external auditing and risk management;
- the regulatory framework for the Group's businesses; and
- environmental and social responsibility best reporting practices.

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.

The terms of reference of the Committee are available on the Company's website [bigyellow.co.uk](http://bigyellow.co.uk).

## Meetings

The Audit Committee is required to meet three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Chief Executive, Chief Financial Officer, Financial Controller, and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

# Audit Committee Report (continued)

## Overview of the Actions Taken by the Audit Committee to Discharge its Duties

Since the beginning of the financial year the Audit Committee has:

- > reviewed the March 2009 report and financial statements, the September 2009 half-yearly report and the trading updates issued in July and January. As part of this review the Committee received a report from the external auditors on their audit of the annual report and financial statements and review of the half-yearly report;
- > considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- > reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- > reviewed and agreed the scope of the audit work to be undertaken by the auditors;
- > considered a report from the external auditors on their review of the effectiveness of controls across the Group;
- > agreed the fees to be paid to the external auditors for their audit of the March 2010 financial statements and September half-yearly report;
- > undertaken an assessment of the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and the audit firm's annual transparency report;
- > assessed the risks associated with the possible withdrawal of the external auditor from the market;
- > met the Group's external valuers;
- > undertaken an evaluation of the performance of the external auditors; and
- > reviewed its own effectiveness.

## External Auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Chief Financial Officer. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviewed:

- > the changes in key external audit staff in the external auditors' plan for the current year;
- > the arrangements for day-to-day management of the audit relationship;
- > a report identifying the number of former external audit staff now employed by the Group and their positions within the Group;
- > a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- > the overall extent of non-audit services provided by the external auditors, in addition to their case-by-case approval of the position of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- > the arrangements for ensuring the external auditors' independence and objectivity;
- > the external auditors' fulfilment of the agreed audit plan and variations from the plan;
- > the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- > the content of the external auditors' comments on control improvement recommendations.

Regard is paid to the nature of, and remuneration received, for other services provided by Deloitte 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 2010, the auditors' remuneration comprised £143,000 for audit work and £120,000 for other work, principally relating to corporation tax work.

As part of this year's decision to recommend the re-appointment of the auditors, the Audit Committee has taken into account the tenure of the auditors and the audit partner and the need to consider at least every five years whether there should be a full tender process. The auditors Deloitte LLP have been in tenure since 2000 and the current audit partner has been in place since the audit of the 2009 financial statements. There are no contractual obligations that act to restrict the Audit Committee's choice of external auditors.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

## Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Approved by the Audit Committee and signed on its behalf by

**Mark Richardson**

Audit Committee Chairman

14 May 2010

# Corporate Social Responsibility Report

## 1. INTRODUCTION

Big Yellow is continuing to meet its CSR priority of carbon reduction through investment in long term energy efficiency programmes over its whole store portfolio. Under the regulation of the Climate Change Act: Carbon Reduction Commitment ("CRC") Big Yellow has gained the Carbon Trust Standard by reducing its absolute emissions between the years 2007 to 2009. We have investment programmes in place for measuring energy efficiency through installing Smart Meters at our stores in order to benefit from energy reduction opportunities and savings. We continue to invest in renewable energy generation in our new store development programme, which will now provide an improved return on investment through the Government's renewable energy 'cash back' scheme launched on 1 April 2010. These programmes add value to the store portfolio and financial savings in operations, for every kWh of renewable energy generated and grid electricity displaced, while reducing carbon emissions and operational costs.

### CSR Policy

Big Yellow's CSR Policy commits the Group to striking the balance between its social, economic and environmental responsibilities as an operator and developer of self storage buildings. In order to continue to develop a sustainable business the Board has once more committed significant resources to the CSR aspects of its operations. Our CSR policy also sets overarching environmental and social objectives for the Group which are measured by key performance indicators ("KPIs"), the most significant of which have been reported below.

### CSR Management

Overall responsibility for the CSR Policy is provided by the Operations Director, Adrian Lee, through regular CSR committee meetings chaired by the CSR Manager. The Group's Board Reports communicate progress on CSR objectives to all of the Directors. Through this structure, the CSR Manager continues to integrate social and environmental aspects of the Group's new developments and store operations into its existing management systems, balanced with its commercial objectives.

### CSR Reporting and Targets

This is the Group's third annual CSR report and is largely based on the social and environmental aspects of our operations and the development of our new store portfolio. This year, we have restated our carbon emission data for the last three financial years, in line with the Department of Energy and Climate Change ("DECCs") new guide lines. We have also restated our health and safety data over the same period of time in order to introduce the more comparable Annual Injury Incidence Rate ("AIIR") indicator. Store and construction waste management performance have been measured in order to monitor these relatively lower scale, environmental impacts. The KPIs benchmark our current CSR performance and its continued improvement over the past three years. Based on the benchmark data for the year ended 31 March 2010 and external performance standards, the Group will set new targets, where appropriate, for the year ended 31 March 2011.

### Scope of CSR Report

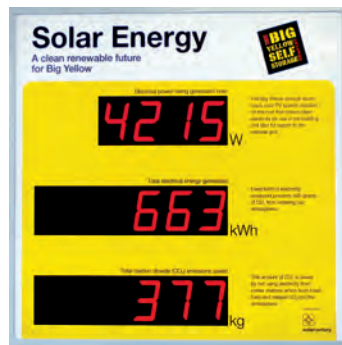
This report focuses on the establishment of our CSR policies in the new stores that were under construction and opened in the financial year ended 31 March 2010. These include our stores at: Twickenham; Edinburgh; Nottingham; Poole; Sheffield (Bramall Lane); Reading and High Wycombe. We also report on the continuing CSR performance of the existing self storage portfolio and their ongoing operations. More details of CSR policies, previous reports and awards can be found on our investor relations web site at <http://bigyellow.hemsco.tir.com/csr>.



Solar panels, Fulham



Wildlife pond, Twickenham



Solar display panel, Twickenham

# Corporate Social Responsibility Report (continued)

## 2. HIGHLIGHTS

Below is a summary of the CSR highlights for this financial year:

### 1. The Environmental Real Estate Index

In February 2010, research commissioned by the Universities Superannuation Scheme, APG Asset Management and PGGM Investments reported that out of 688 property companies surveyed Big Yellow was the leader in the pan European 'Environmental Real Estate Index' and was ranked second globally. The index compares property companies' environmental credentials based on evidence of environmental management practices and their implementation.

### 2. The Carbon Trust Standard ("CTS")

In January 2010, Big Yellow received certification for achieving the CTS. The certificate was awarded because of our reduction in carbon emissions across the whole store portfolio and operations with an absolute reduction of 4.8% and a relative reduction to turnover of 7.8%. "It shows that Big Yellow is at the forefront of reducing the carbon emissions that it is directly responsible for, rather than just paying others to off-set their emissions."

### 3. Store Energy Performance Certificates ("EPCs")

Our new store in Twickenham achieved Big Yellow's first 'net zero carbon' EPC. Net zero carbon means that over a period of one year, the predicted national grid electricity demand and associated power station carbon emissions would be equal to or less than the energy saved by increased building insulation, energy efficient design and specifications, and the supply of on-site renewable energy. Only about 3% of the whole store area required heating and cooling and the predicted EPC recorded -5 kg CO<sub>2</sub> emissions per square metre.

### 4. Building Research Establishment Environmental Assessment Methodology ("BREEAM")

In December 2009, Big Yellow's new store in Reading was the second store in the portfolio to achieve an 'Excellent' BREEAM rating, after Sheen last year. It is one of the highest benchmarks of environmental excellence required by planning authorities. Ratings were highest for design and construction energy efficiency, renewable energy, sustainable materials use, waste recycling, water efficiency and landscape biodiversity.

### 5. Local Authority Awards

In November 2009, Big Yellow's Liverpool store was awarded the 'Green Business Ambassador' certificate by Liverpool City Council. The award is for 'commitment to reducing environmental impacts' and 'steps taken to reduce CO<sub>2</sub> emissions.' In the same month our Barking store received a 'highly commended' Green Business Award covering all East London Boroughs for its energy efficient specifications, wind turbine, rainwater harvesting system and green roof. In February 2010, our Bromley store received a second award for 'Green Building of the Year' covering the development of new buildings in all South-East London Boroughs.

### 6. 'How Green is My Company?'

In March 2010, Big Yellow claimed 7th position out of 964 companies in the 'How Green is My Company?' part of the 'Sunday Times Best Companies to Work For' survey. Staff feedback indicated that 80.1% were in support of Big Yellow's efforts to protect the environment. Staff are engaged in initiatives such as customer waste recycling, store energy efficiency checks, renewable energy monitoring, green travel plans and a tax free 'cycle to work purchase scheme'.



# Corporate Social Responsibility Report (continued)

## 3. EXECUTIVE SUMMARY

Our most significant social and environmental performance improvements in the last year are summarised as follows:

### Big Yellow Total Carbon Dioxide Footprint

Year	2009	2010	
Store electricity emissions (tCO <sub>2</sub> )	6,987	<b>6,913</b>	(1.1%)
'Fit out' diesel & electricity emissions (tCO <sub>2</sub> )	196	<b>203</b>	3.6%
Store flexi-office gas emissions (tCO <sub>2</sub> )	88	<b>89</b>	1.1%
Absolute carbon dioxide emissions (tCO <sub>2</sub> )	7,271	<b>7,205</b>	(0.9%)

Total carbon dioxide emissions decreased in absolute terms by 0.9%. This is the second consecutive year in which Big Yellow has managed an absolute carbon reduction.

### Store Electricity Use, CO<sub>2</sub> Emissions and Carbon Intensity

Year	2009	2010	
Electricity Use (kWh)	12,866,186	<b>12,730,855</b>	(1.1%)
Absolute carbon emissions (Kg CO <sub>2</sub> )	6,986,725	<b>6,913,236</b>	(1.1%)
Carbon Intensity (Kg CO <sub>2</sub> / m <sup>2</sup> total space)	23.9	<b>23.1</b>	(3.4%)
Carbon Intensity (Kg CO <sub>2</sub> / m <sup>2</sup> occupied space)	43.4	<b>38.9</b>	(10.4%)

Big Yellow achieved an absolute reduction in store carbon emissions of 1.1% and carbon emissions per square metre decreased by 3.4%, meeting our carbon intensity target for 2010.

### Renewable Energy Generation and CO<sub>2</sub> Emission Reduction

Year	2009	2010	
Renewable energy generation (kWh)	57,000	<b>124,722</b>	119%
Carbon dioxide reduction (tCO <sub>2</sub> )	25	<b>68</b>	—
Renewable energy percentage of total energy use	0.3%	<b>0.9%</b>	—

Renewable energy generation totalled 124,722 kWh for financial year ended 31 March 2010, an increase of 119% over the previous year, resulting in a carbon emission saving of 68 tonnes of CO<sub>2</sub>.

### Considerate Constructors Scheme

Year	2009	2010	
Number of Construction Projects	6	<b>7</b>	
Percentage of Registered Sites > UK average	77.8%	<b>81.8%</b>	
Average Points Score For All Sites	30.8	<b>32.1</b>	

81.8% of our sites met or exceeded the CCS national average points score for all construction sites in the UK. Two sites achieved 35 points or more and enter the top 10% of construction companies in the UK to be reviewed for the Schemes National Awards. Our Reading construction site achieved a Bronze award at the CCS National Awards for 2010 and our High Wycombe construction site received a certificate for 'Performance Beyond Compliance'.

## 4. STAKEHOLDERS

Big Yellow confirms its commitment to CSR by engaging with all its main stakeholders. We have provided information and gained useful feedback from a wide range of stakeholders, as described below.

### 4.1 OUR CUSTOMERS

Big Yellow provides a high quality, safe, secure and convenient self storage environment for domestic customers who need more space to de-clutter, extend or move home. We also provide storage space for office and workshop based customers, to assist new business start up or existing business expansion.

#### CSR Policy and Communications

Big Yellow has made its storage customers aware of its CSR policy and has provided waste management guidance within the 'Guide to Self Storage' which is given to all new customers. Our Sales and Marketing Department has provided our customers with short CSR news articles and access to an 'Eco-Store' video via You Tube, Facebook and Twitter (<http://bigyellow.hemscottir.com/csr>). We also provide key client accounts with tender support information on more detailed social and environmental policy, management systems and performance to meet or exceed their requirements.

#### Waste Recycling

This year we have drawn the attention of our domestic customers to in-store posters providing them with guidance on local recycling centres by postcode, contact telephone numbers and travel distance. We have also supported our business customers in providing additional recycling facilities for their waste in order to assist them to establish or maintain registered Environmental Management Systems.

# Corporate Social Responsibility Report (continued)

## 4.1 OUR CUSTOMERS (continued)

### Green Travel Plans

In our Sheen and Reading stores customers are encouraged to use more sustainable modes of transport other than the car, by providing them with information packs.

### Eco-labelled Packaging Materials

Big Yellow is a registered brand user of the 'Recycle Now' logo which encourages customers to recycle our cardboard boxes and packaging. The logo is owned by the Waste and Resources Action Programme, a Government-funded agency that promotes recycling in England. Our cardboard boxes and packaging materials have recycled contents ranging from 70% to 100%. Plastic storage containers are predominantly recyclable polypropylene and our collapsible container is made from 100% recycled polypropylene content. Some types of our storage shelving are made from recycled polypropylene or timber. Our loose fill packing material is made of a minimum 90% recycled polystyrene and all of our packing tissue paper is 50% recycled content.

### Local Community

Big Yellow also provides services, employment and charitable support to its customers and local communities within the catchment of many of its stores.

Some storage space is provided for local charities at a discounted rate or free of charge. Big Yellow has continued to support Cancer Research UK as its preferred charity partner, at the same time assisting numerous other local charities with connections to our store, staff or customer catchments.

We provide free storage to many other charities, such as Read International, the British Heart Foundation, Diabetes UK and Smile International. The value of free storage provided to charities in the year was £277,000.

## 4.2 OUR STAFF

The CSR Manager continues to work with the Human Resources, Facilities and Operations Managers to raise staff awareness of the social and environmental aspects and impact of their work.

### CSR Policy & Training

A CSR Policy poster was distributed to all store staff in 2008. This is displayed in poster format in each store and on the staff intranet. Initial training for new employees includes an introduction to the Group's CSR objectives. Last year the Group's training work books were improved to raise awareness and set tasks on the environmental aspects of store operations. 'Energy Efficiency Check Lists' are completed on a seasonal basis by all staff. Staff at our newest 15 'Eco-Stores' also report centrally on renewable energy generation and green travel plans status, where required.

### Store Energy and Environmental Manuals

From the opening of our Sheen store in December 2008, all new stores have been provided with manuals covering their CSR Policy, energy efficiency and renewable energy installation specifications. Guidance is also provided on waste recycling facilities, rainwater harvesting installations, water saving features and biodiversity plans.



Solar panel installation, Reading



Green wall, Sutton

# Corporate Social Responsibility Report (continued)

## 4.2 OUR STAFF (continued)

### Green Travel Plans

Staff are encouraged to use more sustainable modes of transport, other than the car, in traffic congested areas and where required by Local Planning Authorities. To encourage this the Group has provided showers and changing facilities at stores to encourage walking and cycling to and from work.

### Travel Carbon Footprint

Following a staff travel survey launched in Autumn 2008, our employee travel carbon footprint can now be estimated on an annual basis by the average number of staff employed each year. The estimated average carbon emissions per employee is 2.19 tCO<sub>2</sub> per year.

#### Employee Travel Carbon Footprint

Year	2008	2009	2010
Average Number of Employees	218	239	252
Estimated Annual Employee Travel Carbon Footprint	477 tCO <sub>2</sub>	523 tCO <sub>2</sub>	553 tCO <sub>2</sub>

More details of the travel survey can be found in the case studies section at <http://bigyellow.hemscottir.com/csr>.

To encourage change to more active modes of travel, promote employee health and well being and reduce our travel carbon footprint the CSR Committee has implemented the following in the last year:

- > A tax efficient cycle purchase scheme for all employees;
- > A Group wide subscription to [www.acttravelwise.org](http://www.acttravelwise.org) to provide guidance on 'green travel plans'; and
- > Shower and changing room facilities provided in new stores and to be considered in future store refurbishment programmes where viable.

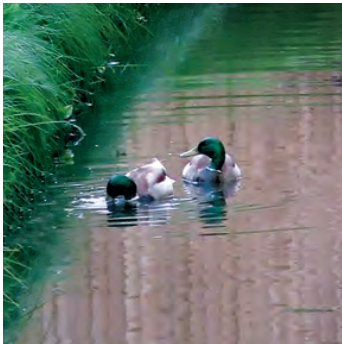
### 'Your Voice' Survey 2009

Our bi-annual staff survey provides us with feedback on business communication, management, employee development and benefits. It also provides a measure of staff awareness of corporate social and environmental responsibility. The degree of engagement of store staff on CSR between the surveys in 2007 and 2009 can be summarised as follows:

- > CSR awareness and communications have improved;
- > The greatest rise in engagement was for supporting local community welfare and charitable causes;
- > Awareness of CSR policies improved; and
- > Commitment to CSR values and environmental improvement were sustained.



Avenue of trees, Twickenham



Sustainable drainage systems, Twickenham



Landscape conservation and enhancement, Poole

# Corporate Social Responsibility Report (continued)

### 4.3 OUR SUPPLY CHAIN

Our supply chain of consultants, suppliers and contractors can significantly influence our social and environmental performance, especially in the areas of planning, design and the construction of stores. This influence is also continued in the operation of stores through our facilities management contracts.

#### Energy Services

Big Yellow's energy service company has provided total energy use data for the store portfolio for annual carbon emission reporting and the CTS. Our energy service company will also be providing 'Smart Meters' to analyse energy efficiency improvements for our 'Carbon Reduction Commitment'.

A major supplier of energy to our business has provided 'Carbon Reduction Commitment' workshops, 'Energy Efficiency Toolkits' for our stores and is purchasing the renewable energy that we generate at our Balham and Merton stores. Ten solar installations and two wind turbines are in the process of being transferred, under the Office of the Gas and Electricity Markets ("OFGEM") to the new 'Feed in Tariff' provided in the Energy Act. This will increase our revenue on the sale of our renewable energy to energy companies and provide an improved return on our renewable energy investments.

#### Renewable Energy

In Autumn 2009, we joined the 'Support Solar' campaign of our supplier to encourage the Government to increase its 'Feed in Tariff' ('cash back scheme') to companies like Big Yellow, who are making significant capital investments in renewable technology. The aim was, not only to increase the rate of return on investment, but also to help increase its uptake and create more 'green' jobs within the UK. A presentation was given by the CSR Manager at the annual Eco-Build Exhibition in March 2010, together with other industry peers and representatives from the Government.

#### Store Waste Management and Recycling

Store waste generation consists mainly of paper, cardboard and packaging, which has a relatively minor environmental impact in terms of cost, it represents only 3.5% of our environmental impact. Timber pallets, fluorescent lamps and small quantities of oily wastes are recycled. The table below provides estimates of the bulk volume of waste generated by a growing store portfolio.

Estimates of Store Non Hazardous Bulk Waste Volume			
Year	2008	2009	2010
Estimated total bulk waste volume (m <sup>3</sup> )	4,248	4,369	4,380
Number of stores	48	54	60

Our waste disposal costs have risen by 7.8% in 2008 and 16.3% in 2010. In March 2010, a 'snapshot' survey of 22 of our 60 stores was undertaken to estimate bin waste destination percentages to recycling centres and landfills over the past three years.

This survey indicated that the waste from 87% of the sample went to recycling centres, but an unknown quantity of residual waste was sent to landfill after sorting. It was also estimated that waste from about 13% of stores went direct to landfill.

A review of waste management to improve the quantity of recycling at our stores was implemented by the Facilities and Administration teams last year. A new waste contractor was selected because they use waste as a source of raw materials for their cardboard production. The contractor carried out surveys at 16 stores and this has identified that the majority of waste is mixed dry recyclables. The remaining general waste – food, food packaging, glass and other non-recyclable items will be sent to a sorting station to identify further recyclables, before the residual waste is sent to landfill.

In the next financial year our contractor will continue to carry out surveys at other Big Yellow stores and will discuss existing waste volumes with the store teams so they can advise us on the appropriate bin sizes and collection frequencies for all stores. Once the surveys are complete, delivery of bins, information packs and posters will start to arrive, so each store has all the information and equipment needed for the start of a new waste management scheme.

# Corporate Social Responsibility Report (continued)

## 4.3 OUR SUPPLY CHAIN (continued)

### Construction Waste Management

Big Yellow selects waste contractors for the 'fit-out' stages of our new store construction that can provide waste management and recycling data. This data is used for performance improvements in Building Research Establishment Environmental Assessment Methodology ("BREEAM") ratings, where required. Demolition and excavation wastes are excluded in the BREEAM assessment and their standard is to divert at least 75% by weight or 65% by volume of non-hazardous waste from landfill. Generic recycling and landfill disposal percentages, including demolition and excavation wastes, have been provided by one of our main contractors for Bromley and Twickenham in the table below. These waste figures represent the total tonnage processed by the contractor, including other construction sites, during the period that Big Yellow was fitting out Bromley and Reading.

#### Example: Contractor Recycling and Landfill Disposal Percentages for Bromley and Twickenham

Fit Out Periods	April 2009 – June 2009	July 2009 – September 2009
Total contractor waste (tonnes)	45,307	44,951
Total contractor waste – recycled (%)	93.2	89.9
Total contractor waste – landfill (%)	6.8	10.1

This information indicates that relatively high percentages of our construction waste were recycled from our Bromley and Twickenham sites. Reading fit out waste recycling will be reported next year. High percentages of timber are recycled during fit out. Smaller amounts (<1%) of iron, top soil, paper/cardboard, plasterboard and plastics are also recycled. Big Yellow's construction waste management performance for all of our development sites in the financial years 2009 and 2010, are summarised in the table below.

#### 'Fit Out' Construction Non Hazardous Waste

Year	2008	2009*	2010**
Total waste skip volume (m <sup>3</sup> )	No data	1,912	<b>1,754</b>
Average Waste Resource Efficiency m <sup>3</sup> /100m <sup>2</sup> GIA of store***	No data	36.4	<b>34.1</b>
Plasterboard recycled – supplier 'take back' (m <sup>3</sup> )	No data	189	<b>216</b>

\* 6 stores included

\*\* 5 stores included

\*\*\* GIA = Gross Internal Area of the new store

This table excludes demolition and shell construction waste, but helps Big Yellow compare performance between sites by the ratio of waste volume over the building area [our average waste resource efficiency] during the 'fit out' phase of build that is managed by Big Yellow Construction. Typically, total annual waste volumes for five or six stores remain under 2,000 m<sup>3</sup> per year and we recycle plasterboard directly back to the supplier.

### The Considerate Constructors Scheme ("CCS")

All Big Yellow's contractors for demolition, shell and fit out works are instructed to register with the CCS and all sites have been in compliance with their minimum standards since 2008. Sites are monitored against a Code of Considerate Practice providing guidelines that are beyond statutory requirements. Areas of management performance include the environment, the workforce and the general public. A maximum of 5 points can be gained by site workers for each of the following categories: being considerate; protecting the environment; maintaining cleanliness; being a good neighbour; respectability; safety; responsiveness; and accountability. CCS auditors visit our sites and assess performances out of a maximum score of 40 points. Reports are then sent to the Construction Director and CSR Manager for review and actions if required.

#### Considerate Constructors Scheme Performance

Year	2008	2009	2010	2011 Target**
Number of Construction Projects	6	6	<b>7</b>	–
Percentage of Registered Sites > UK average*	76.5%	77.8%	<b>81.8%</b>	–
Average Points Score For All Sites	30.9	30.8	<b>32.1</b>	31.0

Compliance with the schemes code = 24 points and above

\* Achieving the UK average score of all registered sites = 31 points

\*\* CCS have indicated they will be reviewing their scoring system in 2010. Our 2011 target may need to be adjusted to reflect this.

81.8% of our sites met or exceeded the CCS national average points score for all construction sites in the UK. Out of 11 site reports, 8 scored above the UK average of 31 points. We exceeded our average points score target set for 2010 (30 points) by achieving 32 points, an improvement of 4.2% on last year. Sheffield (Bramall Lane) and Reading 'fit out' sites both achieved 35 points or above and enter the top 10% of construction companies in the UK to be reviewed for the CCS National Awards Scheme. Reading and High Wycombe received a certificate for 'Performance Beyond Compliance' on 5 March 2010. The Reading site also achieved a Bronze award at the CCS National Awards for 2010.

# Corporate Social Responsibility Report (continued)

## 4.4 GOVERNMENTAL ORGANISATIONS

Government organisations that Big Yellow has engaged with last year included the Department of Environment and Climate Change on the 'Carbon Reduction Commitment', and the Environment Agency ("EA") who will be managing the legislations implementation. We have also engaged with OFGEM, which secures Britain's energy supplies, contributes to reducing climate change and aims at increasing sustainable development in the energy industries. Big Yellow has also engaged with trusts that the Government has set up, such as the Carbon Trust and the Building Research Establishment.

### The Department of Environment and Climate Change ("DECC")

In the UK, the Climate Change Act has recently introduced the 'Carbon Reduction Commitment' ("CRC") to thousands of non-intensive business users of energy. These companies will form a league table that will trade in carbon deficits and surpluses. In order to prepare for this legislation Big Yellow has been measuring and reporting its total energy use and carbon emissions in its Annual Report since 2008. The CRC legislation is an economic instrument that requires companies to conduct long term planning and investment to deliver energy efficiencies. Big Yellow has successfully demonstrated a reduction in the absolute amount of carbon it has been emitting year on year; even whilst undertaking a substantial expansion in its store opening programme in the last 12 months. This achievement was certified by obtaining the Carbon Trust Standard in 2010.

### The Carbon Trust Standard ("CTS")

Big Yellow achieved CTS certification for its reduction in carbon emissions for the financial year ending 2009 against the average emissions for the financial years ended 2007 and 2008. In absolute terms the reduction in carbon emissions was 4.8% and relative to annual turnover it was 7.8%. The CTS certification indicates that Big Yellow is taking real action on climate change and has committed to ongoing emission reductions. The CTS requires Big Yellow to keep reducing its carbon footprint and to recertify every two years.

### Office of the Gas and Electricity Markets ("OFGEM")

The Renewable Energy Obligation requires a proportion of the energy used at our stores to be supplied by on-site renewable energy and is increasingly being implemented through the planning process. Big Yellow considers this significant capital expenditure as a long term investment in its development programme. With the establishment of the Governments 'Feed in Tariff' for renewable energy we are working through OFGEM to register all of our solar and wind renewable energy installations into the new 'cash back' scheme, for an improved return on investment.

### Energy Performance Certificates ("EPC")

Since October 2008, EPCs are required for all commercial buildings whether built, rented or sold. The EPC records how energy efficient a property is as a building and provides ratings from A to G. This allows prospective investors, buyers and tenants to see information on the energy efficiency and carbon emissions from their building so they can consider energy costs as part of their investment. Since October 2008, most new Big Yellow stores have been certified at or one level above expected energy efficiency benchmarks for new buildings in England or Scotland. In the case of our Twickenham store, it achieved a net zero CO<sub>2</sub> emission rating.

### Local Planning Authorities ("LPAs")

An increasing number of LPAs are requiring higher levels of achievement in the Building Research Establishment's Environmental Assessment Methodology ("BREEAM"). Big Yellow's Sheen and Reading stores have achieved 'Excellent' BREEAM ratings. They scored highly in sustainable building design, energy efficiency, water conservation, waste management and biodiversity. All of these improvements will help to protect the environment and reduce the stores' operational costs over both the short and long term. In recent years Big Yellow's efforts have been recognised by different LPAs, with Green Building Awards won for the Group's new stores at Barking, Bromley, Liverpool and Merton. The performance of the new renewable energy technologies, together with rain-water harvesting, are remotely monitored by a system providing the LPAs with ongoing information about the most effective forms of technology being used. By being part of this research effort Big Yellow aims to lead and inform the debate on the benefits of the new technologies and help others to make the right decision.



Considerate Constructors Scheme, Reading



Wind turbine, Barking

# Corporate Social Responsibility Report (continued)

## 4.5 THE INVESTMENT COMMUNITY

The investment community includes ethical and environmental investors, analysts, and research and information services. It also includes sustainable business index series and their associated eco-funds.

### FTSE4Good and the Ethical Investment Research and Information Service ("EIRIS")

In the year ended 31 March 2009, Big Yellow received feedback from EIRIS on its 2009 CSR Report that it satisfied their social and environmental standards for membership to the 'FTSE4Good' index series. In 2010 Big Yellow will be updating their information on the progress made on our policy objectives, management systems and key performance indicators.

### The Carbon Disclosure Project ("CDP")

Big Yellow took part in the sixth Carbon Disclosure Project ("CDP6") in the year ended 31 March 2009. The CDP is an independent 'not-for-profit' organisation aiming to create a relationship between shareholders and companies regarding the implications for shareholder value and commercial operations presented by climate change. The CDP provides a coordinating secretariat for institutional investors with a combined US \$57 trillion of assets under management.

### The Environmental Real Estate Index

In 2009, Maastricht University were commissioned by the Universities Superannuation Scheme, APG Asset Management and PGGM Investments to conduct a report into the environmental performance of European property investment and development companies. They reported that out of 688 European companies surveyed, Big Yellow was the leader in the 'Environmental Real Estate Index' and was ranked second globally. The index compares property companies' environmental credentials based on the evidence of environmental management practices and their implementation. The survey results were announced in February 2010 and measured what real estate companies were doing to reduce material risk and to benefit from sustainable business opportunities through environmental key performance indicators. The survey represented 80% of the listed European property market. The Maastricht survey is likely to be repeated every other year and to become an increasingly important part of the property investor's decision-making process.

## 5. CSR KEY PERFORMANCE INDICATORS

The most significant environmental impact of Big Yellow's activities is its carbon emissions from operational stores. This is due to the longer term use of energy in these stores, compared to the shorter demands from store construction and work related travel. Big Yellow has re-calculated its carbon dioxide (CO<sub>2</sub>) emissions for the past three years using the new DEFRA / DECC conversion factors published on 30 September, 2009.

### 5.1 STORE ENERGY USE – CARBON DIOXIDE EMISSIONS

Store energy use is predominantly electricity from 'offsite' national grid supply for lighting, lifts, heating, cooling and ventilation. This type of emission is classified as 'Scope 2' from power station combustion. The table below summarises the Company's usage and emissions over the last three years:

Store Electricity Use, CO <sub>2</sub> Emissions and Carbon Intensity					
Year	2008	2009	2010		2011 Target
Electricity Use (kWh)	13,899,604	12,866,186	<b>12,730,855</b>	(1.1%)	–
Absolute carbon emissions (Kg CO <sub>2</sub> )	7,547,902	6,986,725	<b>6,913,236</b>	(1.1%)	(1%)
Carbon Intensity (Kg CO <sub>2</sub> / m <sup>2</sup> total space)	27.6	23.9	<b>23.1</b>	(3.4%)	(3%)
Carbon Intensity (Kg CO <sub>2</sub> / m <sup>2</sup> occupied space)	44.7	43.4	<b>38.9</b>	(10.4%)	(3%)

Big Yellow achieved a second absolute reduction in store energy use and carbon emissions of 1% [2009: 7.4%]. Last year's reduction was largely due to the installation of motion sensor lighting in store corridors. Carbon dioxide emissions per square metre of total storage space, also known as 'Carbon Intensity', takes into account the growth of the store portfolio. This measure decreased by 3.4%, exceeding our 3% Carbon Intensity reduction target for 2010. Carbon reduction relative to occupied space, taking into account business activity; showed a significant 10.4% saving in energy use and carbon emissions compared to previous years. Our target will be to continue to reduce carbon intensity by 3% for 2011. This will become a more challenging target to achieve, as the benefit of our investments in store energy efficiency become less able to deliver significant savings.

# Corporate Social Responsibility Report (continued)

## 5.2 STORES GAS USE CARBON DIOXIDE EMISSIONS

Flexi-office services are provided alongside self storage in eleven of the sixty open stores. Most stores with flexi-offices use gas heating, which causes 'onsite' combustion, known as 'Scope 1' carbon emissions.

Stores Flexi-offices Gas Usage					
Year	2008	2009	2010	2011 Target	
Flexi-office gas energy use (kWh / year)	366,523	479,354	<b>482,229</b>	0.6%	–
Carbon dioxide emissions (Kg CO <sub>2</sub> )	67,286	88,000	<b>88,528</b>	0.6%	(1%)
Final Office Area (m <sup>2</sup> )	2,955	3,282	<b>3,401</b>	3.6%	–
Flexi-office carbon intensity (Kg CO <sub>2</sub> / m <sup>2</sup> )	22.8	26.8	<b>26.0</b>	(3.0%)	(3%)

More stores with flexi-offices were opened in 2009 and 2010. Therefore increased gas use caused an absolute carbon dioxide emissions increase of 0.6%. However, carbon dioxide emissions per square metre of office space (carbon intensity), decreased by 0.8 kg CO<sub>2</sub> / m<sup>2</sup> meeting our reduction target of 3%. A programme for increasing gas boiler energy efficiency will be considered for the future. A small reduction in carbon emissions from ground source heat pumps has contributed to carbon reductions relative to office areas at Bromley and Kennington.

## 5.3 CONSTRUCTION 'FIT-OUT' STAGE – CARBON DIOXIDE EMISSIONS

Annual construction 'fit-out' energy usage is determined by the number of stores built in each year, the availability of a grid electricity supply, and the size and the local site conditions of each project. Store 'fit out' is the final stage of construction which Big Yellow directly controls. This year seven stores were either fully or partly under 'fit-out' construction and diesel consumption and grid electricity usage is recorded in the table below.

Big Yellow 'Fit Out' Energy Use & Carbon Dioxide Emissions					
Year	2008	2009	2010		
Total fit out diesel use (litres)	60,532	37,962	<b>50,571</b>	33.2%	
Total fit out electricity use (kWh)	135,699	177,047	<b>127,643</b>	(27.9%)	
Carbon dioxide emissions per area (kgCO <sub>2</sub> / m <sup>2</sup> )	5.0	4.8	<b>4.4</b>	(8.3%)	
Absolute total metric tons (tCO <sub>2</sub> )	233	196	<b>203</b>	3.5%	

An absolute increase in carbon emissions of 3.5% occurred due to the increased use of diesel. However, the carbon intensity or emissions per square metre of new build, decreased by 8.3% indicating a more efficient management of energy resources on site compared to the previous years.

## 5.4 BIG YELLOW'S CARBON FOOTPRINT

Big Yellow's carbon footprint is set out in the table below.

Big Yellow – Absolute Carbon Foot Print					
Year	2008	2009	2010	2011 target	
Store electricity carbon dioxide emissions (tCO <sub>2</sub> )	7,548	6,987	<b>6,913</b>	(1.1 %)	(1%)
'Fit out' diesel & electricity carbon dioxide emissions (tCO <sub>2</sub> )	233	196	<b>203</b>	3.6 %	(1%)
Store flexi-office carbon dioxide emissions (tCO <sub>2</sub> )	67	88	<b>89</b>	1.1 %	(1%)
Total carbon dioxide emissions (tCO <sub>2</sub> )*	7,848	7,271	<b>7,205</b>	(0.9 %)	(1%)

\* Expressed as metric tonnes of carbon dioxide

Total carbon dioxide emissions for combined store and operational emissions decreased in absolute terms by 0.9%. This is the second consecutive year in which Big Yellow has managed an absolute carbon reduction. In financial year 2011 Big Yellow plans to continue its programme of installing energy efficient lamps and the installation of Smart Meters to assess energy use in our stores more accurately. Longer term energy efficiency programmes will also be reviewed where appropriate technologies can be identified.

# Corporate Social Responsibility Report (continued)

## 5.5 RENEWABLE ENERGY

In the year ended 31 March 2010 a further four stores generating renewable energy were added to the portfolio. To date Big Yellow has renewable energy assets that include ten solar photo-voltaic installations, five ground source heat pumps and two wind turbines. The generation from ground source heat pumps has been estimated using manufacturers' specifications. Next year guidance from the Feed in Tariff for ground source heat pumps will be used for more accurate readings.

### Renewable Energy Generation and CO<sub>2</sub> Emission Reduction

Year	2008	2009	2010	2011 Targets	
Renewable energy generation (kWh)	3,297	57,000	<b>124,722</b>	119%	+35%
Carbon dioxide reduction (tCO <sub>2</sub> )	2	25	<b>68</b>	172%	
Renewable energy as a % of energy use	0.03%	0.3%	<b>0.9%</b>	–	

Energy generation totalled 124,722 kWh for financial year ending 31 March 2010, an increase of 119% over the previous year, resulting in a carbon emission saving of 68 tonnes of CO<sub>2</sub>. Solar photovoltaic energy has proved to be the most reliable technology for meeting Local Planning Authority carbon dioxide reduction targets. Also, due to the financial incentive of the 'Feed in Tariff' return on investment has reduced to about 10 years and can potentially provide a significant income stream in the longer term. A further three stores with solar photo-voltaic installations (Edinburgh, Nottingham and Reading) have been opened during the year. Renewable energy generated from these stores will be measured at the end of next year to compare specification against actual performance and to gain 'cash back' from the 'Feed in Tariff' for energy generated and used on site.

## 6. STORE PLANNING, DESIGN AND CONSTRUCTION

The following section summarises Big Yellow's initiatives to reduce its carbon footprint and increase its environmental performance through store design, specification and the installation of renewable energy technologies.

Planning authorities require environmental assessments of new building designs and construction to be undertaken. In December 2009 our new Reading Store achieved an 'Excellent' rating from the Building Research Establishment's Environmental Assessment Methodology (BREEAM). The environmental performance of the Reading store performed well in the design and construction stages for energy efficiency, renewable energy, materials selection, waste management, water conservation and landscape biodiversity amongst other criteria. The 'excellent' BREEAM rating at Reading follows on from the same rating we achieved in 2009 at Sheen. These types of environmental assessments are required for several of our future stores and we aim for more 'Excellent' and 'Very Good' ratings in the future. The tables below summarises all the environmental performance improvement features from our most recent stores developments (our "Eco-stores").

### Improvements in Sustainable Development & Eco-Efficient Store Operations 2007 – 2010

Eco-store	Motion Sensor Lighting	Energy Efficient Lighting	Renewable Energy	Green Travel Plans	Rain Water Harvesting	Green Roofs	Improved Ecology
Sutton <sup>(1)</sup>	✓	–	–	–	✓	✓	✓
Barking <sup>(2)</sup>	✓	–	✓	–	✓	✓	✓
Ealing	✓	–	–	–	–	–	✓
Balham <sup>(3)</sup>	✓	–	✓	✓	–	–	✓
Fulham <sup>(3)</sup>	✓	–	✓	✓	–	✓	✓
Merton <sup>(4)</sup>	✓	–	✓	–	✓	–	✓
Kennington <sup>(3)</sup>	✓	✓	✓	–	–	–	✓
Sheffield Hillsborough	✓	✓	–	–	–	✓	✓
Sheen <sup>(5)</sup>	✓	✓	✓	✓	–	–	✓
Bromley <sup>(3)</sup>	✓	✓	✓	–	–	–	✓
Birmingham	✓	✓	–	✓	–	–	✓
Liverpool	✓	✓	–	–	✓	–	✓
Twickenham <sup>(6,7)</sup>	✓	✓	✓	–	–	–	✓
Edinburgh <sup>(6)</sup>	✓	✓	✓	–	–	–	✓
Nottingham <sup>(6)</sup>	✓	✓	✓	–	–	–	✓
Poole	✓	✓	–	–	–	–	✓
Sheffield Bramall Lane	✓	✓	–	–	✓	–	✓
Reading <sup>(5)</sup>	✓	✓	✓	–	–	–	✓

<sup>(1)</sup> Green wall

<sup>(2)</sup> Wind turbine

<sup>(3)</sup> Solar panels and Ground Source Heat Pumps

<sup>(4)</sup> Solar panels and wind turbine

<sup>(5)</sup> 'Excellent' Building Research Establishment Environmental Assessment Methodology (BREEAM) Rating

<sup>(6)</sup> Solar panels only

<sup>(7)</sup> Net zero carbon Energy Performance Certificate

# Corporate Social Responsibility Report (continued)

## 6. STORE PLANNING, DESIGN AND CONSTRUCTION (continued)

All Big Yellow store managers have responsibility for a seasonal 'Energy Efficiency Walk Round' checklist and, where indicated in the table above, responsibility for travel plans, biodiversity plans and renewable energy generation reporting. Travel plans are implemented where traffic congestion in inner city or urban environments are a planning issue and can offer information on modes of transport for our staff and for our customers other than the car. Rainwater harvesting and sustainable urban drainage systems ("SUDS") are installed where advised by LPAs usually in association with an adjacent flood risk area. Green roofs, green walls and landscape add opportunities for improvement in biodiversity and habitat. They also reduce the impact of the 'urban heat island affect' and flooding by water retention. All stores have motion sensor lighting as standard and energy efficient lighting has been standard in all new stores from Kennington onwards. The Facilities Team is rolling out a programme of energy efficient T5 re-lamping in the existing store portfolio and this will have a significant effect on energy demand reduction going forward. Reliable solar pv energy generation will also improve our carbon emission reductions and contribute to Energy Performance Certification ("EPC") above the national benchmarks for new and existing buildings.

## 7. HEALTH AND SAFETY

The Group has established self storage, construction and office health and safety policies and management systems to protect our staff, customers, visitors and contractors. These policies were reviewed in the year ended 31 March 2010 and an overarching Group Policy was put into the public realm on the Investor Relations website. Health and safety data is monitored and recorded by the Facilities team and the Construction team for our wholly owned stores, partnership stores and Armadillo stores that we manage on behalf of third party investors.

### Store Customers, Contractors and Visitors

There were no customer, contractor and visitor Near Misses and a reduction in Minor Injuries of approximately 30%.

\* RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995

#### Big Yellow Self Storage – Store Customer & Visitor Health and Safety

Year	2008	2009	2010
Total number of customers (move-ins)	40,421	34,169	39,297
Minor Injuries	54	75	53
Reportable Injuries (RIDDOR)	1	–	1
Annual Injury Incidence Rate (AIIR) per 100,000 customers	2.47	–	2.54

Minor Injuries were predominantly related to the handling of personal possessions by customers when putting them in or taking them out of storage. One reportable injury in 2010 has resulted in a relatively low Annual Injury Incidence Rate (AIIR) of 2.54 using the number of "move-ins" per year. No fatal injuries, notices or prosecutions occurred.



Solar panels, Twickenham



Green roof, Fulham

# Corporate Social Responsibility Report (continued)

## 7. HEALTH AND SAFETY (continued)

### Store and Office Staff

With an increase of about 5% in annual average employment over the previous year, there have been no Near Misses and a 54% reduction in Minor Injuries.

#### Big Yellow Self Storage – Staff Health and Safety

Year	2008	2009	2010
Average Number of Staff	218	239	252
Near Misses	1	–	–
Minor Injuries	32	39	16
Reportable Injuries (RIDDOR)*	–	1	1
Annual Injury Incidence Rate (AIIR) per 100,000 staff	–	418	397
Notices	1	–	–

\* RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995

No fatal injuries, notices or prosecutions occurred. Only one reportable injury occurred but the Annual Injury Incidence Rate (AIIR) reduced by 5%. Health and safety risks are assessed by independent consultants for Stores and Head Office. Approximately six stores per year are audited by an external consultant and their feedback has helped to reduce the total number of incidents against a rising number of staff, customers and store openings. Employees are trained in first aid and all are retrained every three years.

### Big Yellow Construction Company Limited

An average number of 12 staff per site per year are employed during the 'fit-out' stage of construction.

#### Big Yellow Construction Company Limited – Fit out Stage Health and Safety

Year	2008	2009	2010
Average number of staff	72	78	84
Near Misses	–	–	1
Minor Injuries	2	7	2

No reportable injuries, fatal injuries, notices or prosecutions occurred in the year ended 31 March 2010 and for the previous two years. Two Minor Injuries represented a 70% reduction from the previous year, indicating a well controlled environment for staff and contractors on site. Construction Design Management Regulation training was completed for the year ended 31 March 2010.

## 8. CSR PROGRAMME FOR 2011

Strategy	Programme	Objectives / Targets (2011)
<b>The Carbon Reduction Commitment (CRC)</b>	Complete registration for the 6 month period to 30 September 2010 and report financial savings	Position in the upper half of the CRC league table
<b>The Carbon Trust Standard (CTS)</b>	Maintain CTS certification for carbon reduction and efficiency initiatives.	Certification from 1 April 2011 to 31 March 2013
<b>Energy Efficiency</b>	To install Smart Meters where required to gain a real-time and accurate analysis of energy use of all stores	Investment to be completed by 31 March 2011
<b>Renewable Energy Revenues</b>	To transfer all existing and new renewable energy generating stores to the 'Feed in Tariff'	Claim 'cash back' from the new scheme (October 2010)
<b>Improving Real Estate Value</b>	To aim for the highest BREEAM standards in new store eco-efficiency: energy; materials; waste; water etc	Increased asset value and lower operating costs
<b>Energy Performance Certificates (EPCs)</b>	To achieve carbon emission ratings on new stores better than the UK average on existing and new stock	Certificate ratings > average new build of a similar design
<b>Environmental Real Estate Index</b>	Maintain environmental policies, management systems and reporting on implementation of programmes	To maintain a leading position in the real estate investment sector
<b>FTSE4Good Index Series</b>	Maintain social and environmental policies, management systems and reporting for membership	Submission to Ethical Investors Research ("EIRIS")
<b>Store Waste Recycling</b>	To carry out waste surveys for waste types and volumes and to adjust the waste collection program accordingly	Provide appropriate recycling bin sizes and collections

# Corporate Social Responsibility Report (continued)



## VERIFICATION STATEMENT

### Scope

Upstream Sustainability Services, Jones Lang LaSalle has been appointed by Big Yellow Group PLC ('Big Yellow') to conduct an independent verification of the Company's 2010 CSR Report, covering the period 1 April 2009 to 31 March 2010. This statement is intended to provide Big Yellow's stakeholders with assurance that the information contained within this report is accurate and reliable. The objectives of the verification assignment are to:

- > Provide limited assurance of selected report content, including all Key Performance Indicator (KPI) data for the year ended 31 March 2010 and a limited number of factual statements relating to the Company's CSR activities in the year ended 31 March 2010.
- > Test the underlying systems and processes that are in place for the gathering and analysis of selected information contained within this report. This statement does not seek to provide a commentary on Big Yellow's CSR policies, targets, performance or strategy, nor performance prior to the financial year ended 31 March 2010.

The limited scope of the verification statement means that it is not intended to be used as the basis for any decisions, including financial or investment decisions.

### Methodology

As part of this verification assignment, Jones Lang LaSalle undertook the following:

- > A review of management reports and data spreadsheets produced in the period 1 April 2009 to 31 March 2010 by Big Yellow. The purpose of this review was to verify the factual statements and KPI data included within the scope of this assignment. As such, we have only verified data collection systems and processes. We have not verified data or factual statements at source.
- > Interviewed the CSR Manager at Big Yellow to corroborate findings from management reports and data spreadsheets to build a picture of the underlying data collection systems and processes.

### Findings and recommendations

Based on the findings of this verification assignment, it is Jones Lang LaSalle's opinion that:

- > The KPI data and factual statements reviewed accurately reflect the data recorded by Big Yellow as part of standard management reporting and data collation processes for the CSR report.
- > The underlying management systems for recording KPI data across stores, fit out and construction activities appears to be sufficiently robust for reporting purposes. In certain circumstances these systems could be improved to make the verification process more efficient and to make performance measurement more effective, particularly with regards to waste data. Jones Lang LaSalle therefore recommends that Big Yellow develops more formal data capture and recording systems for waste KPIs in particular.

### Declaration of independence

The verification team assigned to this project do not have any involvement with Big Yellow and there are no conflicts of interest that would undermine the rigour of our conclusions. Furthermore, the Upstream Sustainability Services business unit has no financial dependencies on Big Yellow beyond the scope of this engagement.

A handwritten signature in black ink, appearing to read 'Abigail Dean'.

**Abigail Dean**  
Senior Consultant  
Dated: 14 May 2010

A handwritten signature in black ink, appearing to read 'Jonny McCaig'.

**Jonny McCaig**  
Consultant

# Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report for the year ended 31 March 2010.

## Principal Activity

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

The subsidiary and associated undertakings principally affecting the profit and net assets of the Group in the year are listed in note 29 of the financial statements.

## 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 4 to 7. A detailed Business Review and Financial Review have been prepared and are set out on pages 14 to 27, and more specifically as follows:

- > the business objectives and strategy is set out on page 14;
- > the financing objectives are set out on page 14;
- > the principal risks and uncertainties within the business are set out in the Risk Management section from page 19; and
- > the key quantitative and qualitative performance indicators are included within the Highlights (see page 1), Portfolio Summary (see page 28) and Financial Review (see page 22).

The Chairman's statement, the Business Review, the Financial Review and the Corporate Social Responsibility Report are incorporated by reference into the Directors' Report.

## 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 20, and notes 2 and 18 to the financial statements.

## Results and Dividends

The consolidated income statement is set out on page 64 of the financial statements.

The Directors are recommending the payment of a final ordinary dividend of 4 pence per share for the year (2009: nil per ordinary share). No interim ordinary dividend was paid in the year (2009: nil). No property income dividend is payable for the year.

Subject to approval by shareholders at the Annual General Meeting to be held on 5 July 2010, the final dividend will be paid on 14 July 2010 to shareholders on the Register on 11 June 2010.

## Share Capital

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 23.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate Governance Report on page 29.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

During the year the Company issued 2,759,296 shares to satisfy the exercise of share options.

# Directors' Report (continued)

## Directors and their Interests

The Directors of the Company who served throughout the year and to the date of approval of the financial statements were as follows:

Philip Burks

Tim Clark

James Gibson

Adrian Lee

Mark Richardson

Jonathan Short

John Trotman

Nicholas Vetch

Details of the interests of the Directors in the shares of the Company are set out in the Report on Directors' Remuneration on pages 53 to 60. No changes took place in the interests of the Directors between 31 March 2010 and 14 May 2010.

Biographical details of the Executive and Non-Executive Directors are set out on page 62.

## 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, Adrian Lee and Jonathan Short offer themselves for re-election in accordance with the articles of association of the Company.

The biographies of all Directors standing for re-election are included on page 62.

## Directors' and Officers' Liability Insurance

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

## 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 2010 were 28 days (2009: 33 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.

## Properties

The changes in investment and development property during the year and details of property valuations at 31 March 2010 are shown in notes 13a and 14 to the financial statements. Further commentary on our investment property portfolio is contained in the Business Review and Financial Review.

## Donations

Charitable donations totalling £17,000 (2009: £28,000) were made to UK resident charities in the year. The Group also provided free storage to charities during the year worth £277,000.

No political donations were made in either year.

The Group encourages employee involvement in charitable giving and frequently matches any amounts raised by individuals. Key management have been allocated budgets to support local charitable causes and the community.

## Substantial Shareholdings

On 14 May 2010, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company.

	No. of ordinary shares	Percentage of voting rights and issued share capital
Directors	18,828,756	14.37%
Fortis Investment Management SA	8,070,505	6.16%
Cohen & Steers Inc	7,966,181	6.08%
Morgan Stanley Invs Mgmt Ltd	5,731,207	4.38%

# Directors' Report (continued)

## 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 frequently 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, the publication of a quarterly newsletter, and the publication of a weekly operations bulletin. The Group carries out annual surveys of employee satisfaction.

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

The Group was pleased to be awarded 25th place in the 2010 Sunday Times 100 Best Companies to Work For survey.

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.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## Annual General Meeting

The notice for the 2010 Annual General Meeting is distributed as a separate document. The meeting will be held at 20 Moorgate, London EC2R 6DA on 5 July 2010.

## 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, Operations Director, 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.

A review of health and safety for the year is included within the Corporate Social Responsibility Report on pages 36 to 49.

## 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 Company's 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.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Deloitte 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

14 May 2010

# Remuneration Report

## Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. 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 relating to Directors' remuneration in the Combined Code. 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 Accounting Regulations. 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 at the year end were Tim Clark, Mark Richardson and Jonathan Short. Tim Clark and Mark Richardson are both independent Non-Executive Directors, hence the Committee has a majority of independent Non-Executive Directors. The Committee is chaired by Tim Clark.

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. During the year the Committee also received benchmarking advice on structuring and salary levels of the Directors' remuneration packages from PricewaterhouseCoopers LLP and Deloitte LLP. Deloitte LLP are also the Company's external 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. Individual remuneration packages are structured to align rewards with the performance of the Company and the interests of the shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee in consultation with the Executive Chairman, save for discussions on his remuneration package. No Director is involved in setting his own remuneration. The remuneration of the Non-Executive Directors is determined by the full Board.

The benchmarking advice received by the Committee concluded that overall remuneration of the Executive Directors was at the lower end of market practice and in some areas significantly behind the market. The report highlighted that base salaries were between 30% and 50% below the market median; the 2008 long term incentive awards were around 40% below market median and the maximum annual bonus potential and pension provision were both around 30% below the market. The actual bonus payout to the Executive Directors has been around 75% below the market (albeit in 2009 the Executive Directors waived their bonus). The Committee has therefore made some changes to the structure of the overall remuneration package which was approved at the Group's Annual General Meeting in July 2009.

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

Element	Purpose
Salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company.
Annual head office bonus	Incentivises achievement of annual objectives which support the short to medium term strategy of the Company and applies across the head office team.
Long term share incentives	Long Term Incentive Plan incentivises Executives to achieve superior returns to shareholders over a three year period. Retain key individuals and align interests with shareholders.
Long term bonus performance plan	To ensure that the total remuneration package is more competitive and supports the Company's long term strategy. Incentivises and "locks-in" Executives and aligns interests with shareholders.
Pension	Provide competitive post retirement benefits.

Each component of Executive remuneration is explained below.

### 1. Basic salary

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. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting. Salaries are reviewed annually with changes taking effect on 1 April each year, taking into account individual performance, market data and levels of increases applicable to other employees in the Company. The Directors did not receive an increase to their basic salary for the year commencing 1 April 2009, due to the prevailing economic conditions.

# Remuneration Report (continued)

## Remuneration Policy (continued)

### 1. Basic salary (continued)

The salaries for the Executive Directors for the financial years beginning on 1 April 2009 and 2010 are as follows:

Director	1 April 2010	1 April 2009	% increase
James Gibson	£262,600	£257,460	2%
Nicholas Vetch	£239,450	£234,800	2%
Adrian Lee	£194,400	£190,600	2%
John Trotman	£135,000	£125,000	8%

### 2. Annual head office bonuses

Executive Directors participate in the Company's annual head office bonus arrangements. There is no separate bonus plan for Executive Directors. Bonuses are discretionary and are performance related. They are assessed annually, determined by the Remuneration Committee and based on corporate performance during the year. The bonus arrangements are structured so as not to encourage inappropriate risk taking. The bonuses 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. The maximum bonus potential is 25% of annual basic salary.

The Committee approved the payment of the head office bonus of 10% of basic salary for the head office staff, including the Executive Directors, for the year ended 31 March 2010. For the year ended 31 March 2009, the Executive Directors waived their bonus payments. Executive Directors bonuses were 10% of salary for the year ended 31 March 2008 and 15% for the year ended 31 March 2007.

### 3. Pension arrangements

Pension contributions of 10% of basic salary are paid into a personal pension plan for each Director.

### 4. Share incentives

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

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

The Remuneration Committee has determined that an 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; and
- > the reduced volatility of nil-priced options to general share price movements.

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

The first awards under the LTIP to Directors were made in June 2005. Initial awards were designed to incentivise the Executive team for the period between 2005 and 2010, although awards are made under the LTIP on an annual basis.

Individual grants of options to Executive Directors since the inception of the LTIP scheme have been determined by the Committee. All awards to date have been approved by shareholders, through approval of the Company's Remuneration Report.

In respect of the current year and in all future grants to Executive Directors, 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 Committee awarded options under the LTIP at a level of between 75% and 100% of salary in 2009. For 2010, it is proposed that the awards are set at 100% of salary for all Executive Directors. This remains at the lower end of the market, particularly in light of salary levels for the Executive Directors. The most recent awards are shown in the table below.

Director	Option grant No. of shares 3 August 2009
James Gibson	76,200
Nicholas Vetch	69,500
Adrian Lee	42,300
John Trotman	27,800

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.

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

# Remuneration Report (continued)

## Remuneration Policy (continued)

### 4. Share incentives (continued)

The extent to which awards granted under the LTIP vest and become exercisable is determined by reference to the Company's total shareholder return ("TSR") relative to a comparator group. The level of vesting is set out below:

Total Shareholder Return Performance Level	Amount of Award Vesting %
Upper Quartile	Full vesting (100%)
Median to Upper Quartile	Pro rata vesting on a straight line basis (0 to 100%)
Median and below	Nil

The LTIP vesting is also subject to the adjusted earnings per share ("EPS") growth over three years exceeding inflation. This EPS underpin target must be satisfied before any part of the LTIP award can vest.

For awards made in 2005, 2006 and 2007 the Committee selected the companies in the FTSE All Share Index as the comparator group because they enable the Company's performance to be compared to a broad index that reflects the corporate performance of UK companies. The Committee reviewed the relevance of this comparator group in 2008. It was noted that the performance of the index was heavily influenced by the financial, energy and pharmaceutical sectors and as a result had less relevance to the financial performance of the Company. The Committee therefore concluded that the performance of companies in the FTSE Real Estate Index was a more relevant benchmark of the Company's performance. As a result the LTIP awards made in 2008 and 2009 are, and the proposed awards for 2010 will be, based on the performance of the Company compared to companies in the FTSE Real Estate Index. The Committee employs a third party to report to it on whether the performance targets in respect of TSR have been met.

The Committee has considered these reports on the performance of the 2005 and 2006 LTIP option grants and determined that the criteria have been met, and the awards have therefore vested. In 2005 the Company's TSR performance was 75th out of 574 companies, and in 2006 the Company's TSR performance was 96th out of 499 companies. The 2007 awards will be tested in July 2010 on the third anniversary of their award.

The Committee reserves 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.

The Committee has been advised that zero vesting for median performance is below the market average but there are currently no plans to change this.

### Sharesave Scheme

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

### The Long Term Bonus Performance Plan

#### Background

The Committee believes a key strength of the Executive team has been its ability to react quickly to changing market conditions, revising business strategy and direction as needed. This can be illustrated by the Pramerica joint venture at the end of 2007 and the successful early refinancing in 2008 of facilities due to expire in 2010. The Committee continues to believe it has the right Executive team in place to take the business forward but is concerned to ensure that they remain incentivised and locked in to the business through a competitive total remuneration package.

The Committee therefore concluded that the best way to achieve this, whilst as far as possible minimising any additional cash cost to the Group was to introduce a new performance based plan, the Long Term Bonus Performance Plan (the "Plan" or the "LTBPP"). The Committee instructed PricewaterhouseCoopers LLP to work with it to implement the Plan. Shareholders approved the Plan at the Company's Annual General Meeting in July 2009.

#### Mechanics

##### 1) Summary

The Plan is structured as a share plan and operates in a similar way to a deferred bonus. Awards are subject to performance over a three year period during which the value accruing to participants can be clawed back. Participants will be partly or wholly rewarded in shares with any shortfall delivered in cash. Cash shortfall payments under the Plan cannot exceed 50% of any total payout due and at least 50% of any payout will be in shares and will be subject to a further lock in. Further detail is provided below.

##### 2) Nature of interests and performance conditions

Under the Plan, the Executive Directors have been awarded restricted interests in ordinary shares in the Company. The interest entitles a participant to benefit from the growth in the value (if any) of a number of ordinary shares in the Company over which the interest is acquired. The participant's interest is capped at growth in value of £2.00 per share measured from the share price at the date of award which was 368.8 pence. Vesting of interests will be subject to performance conditions. The Committee sets a range of performance conditions each year, both financial and non-financial. Total shareholder return will not be used; this will remain the measure for LTIP awards. The Committee annually identifies suitable indicators of future performance against which Executive Directors should be measured. The Committee then sets the performance targets for the Plan, on the basis of business needs and priorities it has identified. At the end of each year, the Committee indicates the extent to which interests have provisionally vested under the Plan on the basis of the performance targets which have been set. The Committee will have the right to adjust targets and, where appropriate, introduce new targets if business needs change.

# Remuneration Report (continued)

## Remuneration Policy (continued)

### 4. 2) Nature of interests and performance conditions (continued)

Where appropriate the Committee may claw-back any awards that have already provisionally vested if subsequent performance during the three year period is below the targets. Interests under the Plan will not vest until the end of the three year performance period and nothing will be paid out within this three year period other than in exceptional circumstances (eg a good leaver). The Committee feels the flexibility in the Plan will allow it to adapt to a rapidly changing environment. It will also ensure that any gain made by the Executive Directors is commensurate with their performance over the period and the financial and other performance of the Company. The Plan should avoid the disadvantage inherent in many longer term incentive arrangements, namely being constrained by performance measures set at the outset which subsequently can prove to be out of step with the objectives of the business.

### 3) Vesting

If the performance conditions are satisfied and the awards vest, shares will be transferred to the Executive Directors equal to the growth in value of the shares under award (subject to the £2.00 cap on growth in value). If there is insufficient value in these share interests to deliver the required payout, the Executive Directors will first be entitled to exercise an option to acquire further shares to make up the shortfall, and if this is still insufficient to deliver the required payout, a top-up cash payment will be made. However, any cash payment cannot exceed 50% of the overall payment due to the Executive Directors.

The maximum payout in shares and cash to the Executive Directors as a whole at the end of the three year period will be up to a total of £3 million. Based on current salary levels this represents a maximum potential reward for each Executive Director of circa 110% of salary for each performance year. The awards that were approved at the Annual General Meeting in July 2009 were as follows:

Director	Number of shares in which Director has an interest	Maximum value of award after three years
James Gibson	500,000	£1,000,000
Nicholas Vetch	500,000	£1,000,000
Adrian Lee	250,000	£500,000
John Trotman	250,000	£500,000

As noted above any payout will be delivered in shares as far as possible. Shares equal to 50% of the value of any payout (after permitted sales to meet tax liabilities) will be subject to further restrictions. The Executive Directors will be required to hold half of these shares for a further year following vesting and the other half for a further two years. During this holding period the Executive Directors will not be entitled to sell their shares. This ensures that the interests of the Executive Directors and shareholders remain aligned for up to five years.

The performance targets for the LTBP are not disclosed for the year ahead, given the commercially sensitive nature of a number of the targets. The Committee reports on their assessment of the key prior year targets, excluding any that are still commercially sensitive, and whether or not management has been able to meet these targets. The report on these targets, which were not amended during the financial year, is summarised in the table below:

Objective	Committee Comment
Raise new capital to fund continued growth in the business whilst maintaining gearing at the current levels.	This was achieved via an 9.9% placing in May 2009, raising £31.5 million (net of expenses).
Work with HSH Nordbank AG on syndicating the core banking facility and develop relationships with key UK banks.	Lloyds TSB Bank plc joined the Group's core banking syndicate during the year, taking a participation of £100 million. HSBC Bank plc have also joined, taking an initial participation of £25 million.
Maintain same store occupancy above 70%.	The closing and average occupancy for the 32 same store portfolio was 70%. During the year, the occupancy did dip below 70% during the seasonally weaker winter period.
Grow net rent per square foot across the wholly owned stores from £25.57 per square foot to in excess of £26.50 per square foot by the end of the financial year.	The closing rent per square foot across the portfolio was £26.85, a growth of 5% from £25.57.
Meet budgeted revenue and profit targets.	Revenue and profit for the year ended 31 March 2010 are ahead of budget.
Control costs across the Group.	Salaries were frozen across the Group in April 2009. Total store operating costs and have been reduced by 7% year on year for the 32 same stores.  Capex has been controlled with expenditure (£12.6 million) significantly reduced from the prior year (£35.8 million).

# Remuneration Report (continued)

## Remuneration Policy (continued)

### 4. 3) Vesting (continued)

Objective	Committee Comment
Meet or exceed the recurring profit before tax targets of the average consensus of the analyst community.	The consensus of the analyst community following the May results was £14.4 million. This consensus was upgraded to £15.0 million in September. The actual recurring profit before tax for the year was £16.5 million.
Comply with all banking covenants and maintain income cover comfortably in excess of two, and maintain a net worth in excess of £500 million.	All covenants have been met in the year. The income cover per the banking covenant at March 2010 is 3.75x. Net worth is £547.3 million.
Sell at least £6 million of the £25 million of surplus land in the current year, or two of the surplus sites.	Surplus land has been sold at Twickenham for £3.2 million during the year. No other land sales had been contracted at the year end.
Secure planning consent on the Richmond surplus land and Blackheath in the current year and on Camberley and Stockport within Big Yellow Limited Partnership.	Consent on Camberley and Stockport have been achieved. Richmond and Blackheath are still in progress.
Maintain the Group's brand leadership to be measured by third party survey in September.	The September 2009 survey showed the Group's brand awareness at 80% in London and 45% throughout the UK, still three times ahead of our nearest competitor.
Remain in the Top 100 Best Companies to work for (mid-size).	Big Yellow was ranked 25th in the Top 100 Best Companies this year, up from 68th in 2009.

Following careful consideration of the performance targets and actual performance of the Group and the Executive Directors, the Committee has considered that the award in respect of the financial year ended 31 March 2010 has provisionally vested as to 85% of its potential amount. As highlighted above, this award is subject to clawback, and may also be adjusted upwards, in future years.

## Directors' Contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term, providing for one year's notice. All Executive Directors have contracts which reflect this policy. If a contract is terminated at short notice, the Company has not waived any right which it may have at law to require the Executive Director to mitigate his loss although the Company is entitled (at its discretion) to pay the salary to which the Executive Director would otherwise be entitled, in lieu of notice.

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

Nicholas Vetch	25 September 1998
James Gibson	25 September 1998
Adrian Lee	31 March 2000
John Trotman	25 September 2007

## Non-Executive Directors

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

The dates of appointment of the Non-Executive Directors are as follows:

Philip Burks	30 March 2007 (previously an Executive Director)
Tim Clark	1 August 2008
Mark Richardson	1 July 2008
Jonathan Short	16 February 2000

# Remuneration Report (continued)

### External Appointments

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Remuneration Committee is received. The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are normally permitted to accept external appointments with the approval of the Board and may retain the fees for this appointment.

Nicholas 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. James Gibson is a Non-Executive Director of AnyJunk Limited. Nicholas Vetch receives a Non-Executive fee of €38,000 per annum from Blue Self Storage S.L and £30,000 per annum from The Local Shopping REIT plc. James Gibson does not receive any fees for his services.

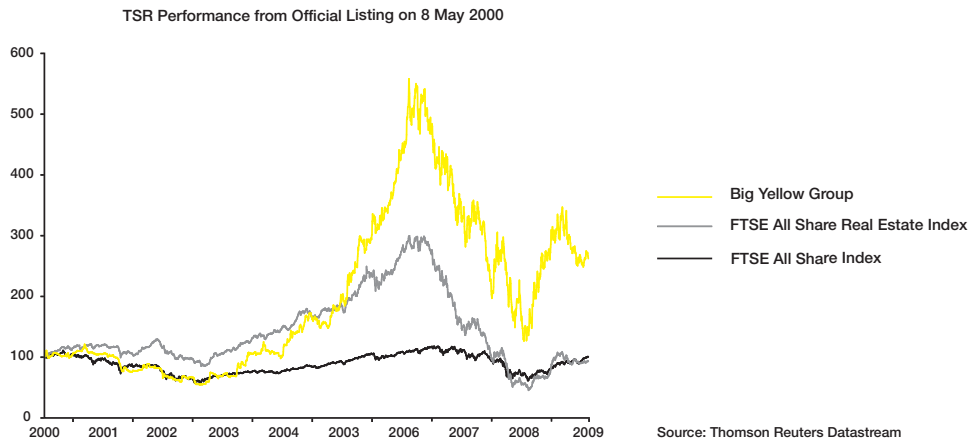
### Non-Executive Directors' Remuneration

The remuneration of the Non-Executive Directors is determined by the Board taking into account independent surveys of fees paid to Non-Executive Directors of 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:

	2010 £	2009 £
Emoluments	1,051,740	965,268
Gains on exercise of share options	5,924,060	–
Money purchase pension contributions	80,786	80,786
	7,056,586	1,046,054

# Remuneration Report (continued)

## Directors' Remuneration

	Salary/fees £	Annual Bonus £	2010 Taxable benefits £	Sub total £	Pension £	2010 Total £	2009 Total £
<b>Executive</b>							
Nicholas Vetch	234,800	23,480	8,493	266,773	23,480	290,253	261,023
James Gibson	257,460	25,746	9,140	292,346	25,746	318,092	286,574
Adrian Lee	190,600	19,060	5,875	215,535	19,060	234,595	212,516
John Trotman	125,000	12,500	4,586	142,086	12,500	154,586	139,207
<b>Non-Executive</b>							
Tim Clark*	37,500	–	–	37,500	–	37,500	25,000
Philip Burks	32,500	–	–	32,500	–	32,500	32,500
Mark Richardson*	32,500	–	–	32,500	–	32,500	24,375
Jonathan Short	32,500	–	–	32,500	–	32,500	32,500
David White**	–	–	–	–	–	–	9,692
David Ross**	–	–	–	–	–	–	22,667
Aggregate emoluments	942,860	80,786	28,094	1,051,740	80,786	1,132,526	1,046,054

\* Appointed as Non-Executive Directors during the year ended 31 March 2009

\*\* Retired as Directors during the year ended 31 March 2009

## Directors' Interests

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

	At 31 March 2010 No.	At 31 March 2009 No.
Ordinary shares of 10p each		
Nicholas Vetch (including trusts)	8,767,524	9,417,000
Philip Burks (including trusts)	6,620,849	7,370,849
James Gibson (including trusts)	2,418,119	2,374,260
Adrian Lee (including trusts)	889,267	889,267
Jonathan Short	100,471	91,700
Tim Clark	15,000	15,000
Mark Richardson	10,263	5,000
John Trotman	7,263	2,000

None of the Directors had any direct interests in the share capital of any of the subsidiary undertakings of the Company in the year. The interests shown above exclude those shares over which the Directors have a partial interest in as part of the Group's Long Term Bonus Performance Plan as follows:

	At 31 March 2010 No.	At 31 March 2009 No.
Ordinary shares of 10p each		
Nicholas Vetch	500,000	–
James Gibson	500,000	–
Adrian Lee	250,000	–
John Trotman	250,000	–
Total	1,500,000	–

# Remuneration Report (continued)

## 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. During the year gains of £5.9 million were made on the exercise of share options by the Company's Directors. There were no share option exercises by Directors during the course of the prior year.

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 2009	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares under option at 31 March 2010	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
<b>Nicholas Vetch</b>	5 May 2000	243,000	–	(243,000)	–	–	100p	390p	5 May 2003	4 May 2010
	4 June 2001	300,000	–	(300,000)	–	–	131.5p	390p	4 June 2004	3 June 2011
	15 May 2002	300,000	–	(300,000)	–	–	102p	375p	15 May 2005	14 May 2012
	16 Dec 2002	185,000	–	(185,000)	–	–	81.5p	368p	16 Dec 2005	15 Dec 2012
	13 July 2007	133,333	–	–	–	133,333	nil p	–	13 July 2010	13 July 2017
	9 July 2008	55,000	–	–	–	55,000	nil p	–	9 July 2011	9 July 2018
	3 August 2009	–	69,500	–	–	69,500	nil p	–	3 August 2012	3 August 2019
<b>Philip Burks</b>	6 June 2005	66,667	–	–	–	66,667	nil p	–	6 June 2008	6 June 2015
	9 June 2006	66,667	–	–	–	66,667	nil p	–	9 June 2009	9 June 2016
<b>James Gibson</b>	6 June 2005	166,667	–	(166,667)	–	–	nil p	390p	6 June 2008	6 June 2015
	9 June 2006	166,667	–	(166,667)	–	–	nil p	374p	9 June 2009	9 June 2016
	13 July 2007	166,666	–	–	–	166,666	nil p	–	13 July 2010	13 July 2017
	9 July 2008	60,000	–	–	–	60,000	nil p	–	9 July 2011	9 July 2018
	3 August 2009	–	76,200	–	–	76,200	nil p	–	3 August 2012	3 August 2019
<b>Adrian Lee</b>	5 May 2000	30,000	–	(30,000)	–	–	100p	390p	5 May 2003	4 May 2010
	4 June 2001	221,000	–	(221,000)	–	–	131.5p	390p	4 June 2004	3 June 2011
	15 May 2002	191,590	–	(191,590)	–	–	102p	368p	15 May 2005	14 May 2012
	16 Dec 2002	106,470	–	(106,470)	–	–	81.5p	368p	16 Dec 2005	15 Dec 2012
	6 June 2005	50,000	–	(50,000)	–	–	nil p	368p	6 June 2008	6 June 2015
	9 June 2006	50,000	–	(50,000)	–	–	nil p	368p	9 June 2009	9 June 2016
	13 July 2007	50,000	–	–	–	50,000	nil p	–	13 July 2010	13 July 2017
	9 July 2008	45,000	–	–	–	45,000	nil p	–	9 July 2011	9 July 2018
	3 August 2009	–	42,300	–	–	42,300	nil p	–	3 August 2012	3 August 2019
<b>John Trotman</b>	13 July 2007	21,750	–	–	–	21,750	nil p	–	13 July 2010	13 July 2017
	9 July 2008	29,000	–	–	–	29,000	nil p	–	9 July 2011	9 July 2018
	3 August 2009	–	27,800	–	–	27,800	nil p	–	3 August 2012	3 August 2019

Options shown with a nil exercise price are LTIPs. 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 Committee has considered the performance of the 2005 and 2006 LTIP option grants and determined that the criteria have been met, and the awards have therefore vested.

The market price of the Company's shares at 31 March 2010 was 340p. The highest market price during the year was 437.5p per share, the lowest market price during the year was 201.3p, and the average price during the year was 344.8p. 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 14 May 2010 and signed on its behalf by:

**Tim Clark**

Committee Chairman

# Officers and Professional Advisers

**Directors**

Philip Burks  
Tim Clark  
James Gibson  
Adrian Lee  
Mark Richardson  
Jonathan Short  
John Trotman  
Nicholas Vetch

**Secretary**

Michael Cole

**Registered Office**

2 The Deans  
Bridge Road  
Bagshot  
Surrey  
GU19 5AT

**Bankers**

HSH Nordbank AG  
155 Moorgate  
London  
EC2M 6UJ

Lloyds TSB Bank plc  
25 Gresham Street  
London  
EC2V 7HN

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

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

**Solicitors**

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

**Financial Advisers and Stockbrokers**

J P Morgan Cazenove  
20 Moorgate  
London  
EC2R 6DA

**Auditors**

Deloitte LLP  
Chartered Accountants  
2 New Street Square  
London  
EC4A 3BZ

# Biographies of Directors and Senior Management

## Non-Executive Directors

**Tim Clark**, aged 58, Non Executive Director. He was a partner in Slaughter and May, one of the leading international law firms in the world, for 25 years; initially working as a corporate and M&A adviser to a range of companies and institutions and then for the last seven years as senior partner (before retiring in April 2008). He is also Deputy Chairman of G3, a Non-Executive Director of Mint Equities Limited and a Director/trustee of the COIF charitable funds. He is also a Senior Adviser to Chatham House and a member of the International Chamber of Commerce UK Governing Body, the Advisory Board of Uria Menendez, the Board of the Royal National Theatre and the Development Committee of the National Gallery. He is a trustee of the Economist Trust. He was appointed to the Board in August 2008.

**Jonathan Short**, aged 48, Non Executive Director, Founding Partner and Executive Chairman of Internos Real Investors LLP, a pan European real estate investment management business. Non-Executive Director of Great Portland Estates plc, Independent Director to the Grosvenor Shopping Centre Fund and Trustee and UK Chairman of the Urban Land Institute. He was appointed to the Board in February 2000.

**Philip Burks**, aged 51, 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.

**Mark Richardson**, aged 53, Non-Executive Director, retired from Deloitte in 2008 after a career there of 29 years, the last 19 as an audit partner specialising in clients in the Real Estate and Construction sectors. Mark is a co-opted member of the Audit and Risk Committee of the Natural History Museum and he has recently been appointed a trustee of the children's communication charity ICAN. He was appointed to the Board in July 2008 and is chairman of the Audit Committee.

## Executive Directors

**Nicholas Vetch**, aged 49, 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. He is also a Non-Executive Director of Blue Self Storage S.L – a self storage operation in Spain, and a Non-Executive Director of Local Shopping REIT plc.

**James Gibson**, aged 49, Chief Executive Officer, 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 44, 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 for five years, having previously qualified as a surveyor at Knight Frank. He was appointed to the Board in May 2000.

**John Trotman**, aged 32, Chief Financial Officer, is a Chartered Accountant having trained with Deloitte LLP, where he specialised in the real estate sector and self storage. On leaving Deloitte in 2005, John worked for a subsidiary of the Kajima Corporation and joined Big Yellow in June 2007, and was appointed to the Board in September 2007.

## Senior Management Biographies

**Michael Cole**, aged 44, 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.

**Paul Donnelly**, aged 56, Corporate Social Responsibility Manager joined Big Yellow in August 2007 and is an Associate Member of the Institute of Environmental Management and Assessment. Paul was previously the Sustainable Development Manager at Crest Nicholson PLC. Prior to that he was also Environmental Manager at John Laing PLC.

**Stuart Grinnall**, aged 35, 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 46, Construction Director, joined Big Yellow in January 2000. He is a chartered surveyor with over 18 years experience in the construction industry, both overseas and in the UK, principally in the retail and industrial sectors.

**Cheryl Hathaway**, aged 44, Head of Human Resources, 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 in stores.

**Chris Herbert**, aged 55, 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 43, Head of Store Operations, 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 46, Head of Facilities, joined Big Yellow in June 2000. He 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 40, 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 41 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.

**Tom Wilcockson**, aged 53, International Franchise Director and Head of Business Development, joined Big Yellow in July 2007. He has over 16 years experience of international franchising, having previously played a key role in the international success of both Bhs and Early Learning Centre.

# 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 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

## Opinion on the financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- > the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- > the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- > adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- > the Directors' statement contained within the business review in relation to going concern; and
- > the part of the Corporate Governance Statement relating to the Company's compliance with the nine provision of the June 2008 Combined Code specified for our review.



**Jason Davies (Senior Statutory Auditor)**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Reading, United Kingdom  
14 May 2010

# Consolidated Income Statement

Year ended 31 March 2010

	Note	2010 £000	2009 £000
<b>Revenue</b>	3	<b>57,995</b>	58,487
Cost of sales		<b>(22,067)</b>	(21,781)
<b>Gross profit</b>		<b>35,928</b>	36,706
Administrative expenses		<b>(6,860)</b>	(5,760)
<b>Operating profit before gains and losses on property assets</b>		<b>29,068</b>	30,946
Loss on the revaluation of investment properties	13a, 14	<b>(3,558)</b>	(52,848)
Net losses on non-current assets	10	<b>–</b>	(11,583)
Losses on surplus land	15	<b>(2,073)</b>	–
<b>Operating profit/(loss)</b>		<b>23,437</b>	(33,485)
Share of profit/(loss) of associate	13e	<b>1,320</b>	(1,598)
Investment income	7	<b>386</b>	381
Finance costs – interest payable	8	<b>(12,259)</b>	(17,473)
– refinancing costs	8	<b>–</b>	(1,347)
– fair value movement of derivatives	8, 18	<b>(2,675)</b>	(17,967)
<b>Profit/(loss) before taxation</b>		<b>10,209</b>	(71,489)
Taxation	9	<b>–</b>	(1,150)
<b>Profit/(loss) for the year (attributable to equity shareholders)</b>	5	<b>10,209</b>	(72,639)
<b>Basic earnings/(loss) per share</b>	12	<b>8.11p</b>	(62.86)p
<b>Diluted earnings/(loss) per share</b>	12	<b>8.03p</b>	(62.34)p

Adjusted earnings per share are shown in Note 12.

All items in the income statement relate to continuing operations.

# Consolidated Balance Sheet

31 March 2010

	Note	2010 £000	2009 £000
<b>Non-current assets</b>			
Investment property	13a	761,570	735,060
Investment property under construction	13a	33,960	–
Development property	13a	–	73,618
Interests in leasehold property	13a	21,998	21,852
Plant, equipment and owner-occupied property	13b	2,833	3,095
Goodwill	13c	1,433	1,433
Investment in associate	13e	12,105	9,285
		<b>833,899</b>	844,343
<b>Current assets</b>			
Surplus land	15	20,237	–
Inventories		295	338
Trade and other receivables	16	11,097	8,362
Cash and cash equivalents		30,619	3,222
Assets classified as held for sale	13d	–	3,200
		<b>62,248</b>	15,122
<b>Total assets</b>		<b>896,147</b>	859,465
<b>Current liabilities</b>			
Trade and other payables	17	(19,459)	(18,413)
Obligations under finance leases	21	(1,958)	(1,984)
		<b>(21,417)</b>	(20,397)
<b>Non-current liabilities</b>			
Derivative financial instruments	18	(7,980)	(5,550)
Bank borrowings	19	(297,816)	(308,672)
Obligations under finance leases	21	(20,040)	(19,868)
Other payables	17	(1,609)	(2,661)
		<b>(327,445)</b>	(336,751)
<b>Total liabilities</b>		<b>(348,862)</b>	(357,148)
<b>Net assets</b>		<b>547,285</b>	502,317
<b>Equity</b>			
Called up share capital	22	13,099	11,559
Share premium account		43,384	41,663
Reserves		490,802	449,095
<b>Equity shareholders' funds</b>		<b>547,285</b>	502,317

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2010. They were signed on its behalf by:

**James Gibson**  
Director

**John Trotman**  
Director

Company Registration No. 03625199

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

	2010 £000	2009 £000
Current and deferred tax recognised in equity	–	(240)
Net expense recognised directly in equity for the year	–	(240)
Profit/(loss) for the year	<b>10,209</b>	(72,639)
Total recognised income and expense for the period attributable to equity shareholders	<b>10,209</b>	(72,879)

# Consolidated Statement of Changes in Equity

Year ended 31 March 2010

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Other distributable reserve £000	Own shares £000	Total £000
At 1 April 2009	11,559	41,663	1,653	449,338	–	(1,896)	502,317
Total comprehensive income for the period	–	–	–	10,209	–	–	10,209
Issue of share capital	1,540	1,721	–	–	30,373	–	33,634
Credit to equity for equity-settled share based payments	–	–	–	1,125	–	–	1,125
<b>At 31 March 2010</b>	<b>13,099</b>	<b>43,384</b>	<b>1,653</b>	<b>460,672</b>	<b>30,373</b>	<b>(1,896)</b>	<b>547,285</b>

The other distributable reserve arose from merger relief under S612 of Companies Act 2006, following the Group's placing of 11.5 million shares in the year.

Year ended 31 March 2009

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2008	11,551	41,645	1,653	527,933	(1,896)	580,886
Total comprehensive income for the period	–	–	–	(72,639)	–	(72,639)
Issue of share capital	8	18	–	–	–	26
Dividends	–	–	–	(6,309)	–	(6,309)
Credit to equity for equity-settled share based payments	–	–	–	593	–	593
Deferred tax on share-based payment transactions	–	–	–	(240)	–	(240)
At 31 March 2009	11,559	41,663	1,653	449,338	(1,896)	502,317

# Consolidated Cash Flow Statement

Year ended 31 March 2010

	Note	2010 £000	2009 £000
Operating profit/(loss)		23,437	(33,485)
Loss on the revaluation of investment properties	13a, 14	3,558	52,848
Loss on non-current assets	10	–	11,583
Losses on surplus land	15	2,073	–
Depreciation	13b	631	729
Depreciation of finance lease capital obligations	13a	815	690
Employee share options	6	1,664	593
Decrease/(increase) in inventories		43	(7)
Increase in receivables		(1,233)	(1,013)
Increase in payables		283	136
<b>Cash generated from operations</b>		<b>31,271</b>	<b>32,074</b>
Interest paid		(12,292)	(38,606)
Interest received		84	496
REIT conversion charge		–	(90)
<b>Cash flows from operating activities</b>		<b>19,063</b>	<b>(6,126)</b>
<b>Investing activities</b>			
Sale of non-current assets		–	3,825
Sale of land held for resale		1,927	–
Purchase of non-current assets		(13,213)	(33,863)
Additions to surplus land		(360)	–
Sale of assets to associate		–	22,778
Investment in associate	13e	(1,500)	(5,429)
<b>Cash flows from investing activities</b>		<b>(13,146)</b>	<b>(12,689)</b>
<b>Financing activities</b>			
Issue of share capital		33,634	26
Payment of finance lease liabilities	13a	(815)	(690)
Equity dividends paid	11	–	(6,309)
Increase in borrowings – RBS facility		–	7,000
Repayment of RBS facility		–	(291,000)
(Reduction)/increase in borrowings – HSH facility		(11,339)	311,339
<b>Cash flows from financing activities</b>		<b>21,480</b>	<b>20,366</b>
<b>Net increase in cash and cash equivalents</b>		<b>27,397</b>	<b>1,551</b>
<b>Opening cash and cash equivalents</b>		<b>3,222</b>	<b>1,671</b>
<b>Closing cash and cash equivalents</b>		<b>30,619</b>	<b>3,222</b>

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

Year ended 31 March 2010

	Note	2010 £000	2009 £000
Net increase in cash and cash equivalents in the year		27,397	1,551
Cash outflow/(inflow) from decrease/(increase) in debt financing		11,339	(27,339)
Change in net debt resulting from cash flows		38,736	(25,788)
<b>Movement in net debt in the year</b>		<b>38,736</b>	<b>(25,788)</b>
Net debt at the start of the year		(308,117)	(282,329)
Net debt at the end of the year	18	269,381	(308,117)

# Notes to the Financial Statements

Year ended 31 March 2010

## 1. GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The nature of the Group's operations and its principal activities are set out in note 4 and in the Business Review on pages 14 to 21.

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

### Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

### Standards affecting the reported results and financial position

#### Presentation

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included as a primary statement, showing changes in each component of equity for each period presented. In addition, the revised standard requires the presentation of a third balance sheet, where certain changes in accounting policies are applied retrospectively.

#### Development properties

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. The Group's date of adoption was 1 April 2009. The impact of the adoption of IAS 40 (revised) was a) the reclassification of property under construction into investment property (previously held within development property), and b) the reclassification of surplus land elements into surplus land current assets (previously held within development property). In accordance with IAS 40 the prior year comparatives have not been restated to reflect this change in accounting policy. The Group's investment property under construction and surplus land accounting policies are included below.

In the past, where the Group had assets in the course of construction, these had been held at cost, and an assessment made of the anticipated surplus to be achieved on the opening and leasing up of a Big Yellow self storage facility within the branded portfolio. If this supported the existing book cost, taking account of projected costs to complete, no provision was made against the cost. The external valuation takes a different approach, and in effect is assuming a sale to a third party of an asset in the course of construction, assuming contingencies on construction costs, assessment of alternative use where planning risk remains and a level of developer's profit. An external valuation also has to consider market evidence, which is clearly limited in the current economic climate.

As a result, and given this is the first time this standard has been applied by the Group, a deficit has been booked of £13.3 million against the Group assets, and a £0.2 million deficit has been included as our share in Big Yellow Limited Partnership.

#### IFRS 7

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for this additional disclosure in the current year, in accordance with the transitional reliefs included in the amendments.

### Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

- > Amendments to IFRS 2 Share-based Payment; effective for accounting periods beginning on or after 1 January 2009
- > IFRS 8 Operating segments; this did not affect the Group's disclosure as the requirements of the standard were already being met
- > IFRIC 15 Agreements for the Construction of Real Estate; effective for accounting periods commencing on or after 1 January 2009
- > IFRIC 16 Hedges of a Net Investment in a Foreign Operation; effective for accounting periods commencing on or after 1 October 2008
- > Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements; effective for accounting periods commencing on or after 1 January 2009
- > Amendments to IAS 39 permit an entity to reclassify non-derivative financial assets from 'fair value through profit or loss' (FVTPL) and 'available for sale' (AFS) categories in limited circumstances.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

At the date of approval of these financial statements, the following standards and guidance relevant to the Group were in issue but not yet effective:

- > IFRS 3 (revised) Business Combinations; effective for accounting periods beginning on or after 1 July 2009
- > IFRS 9 Financial Instruments – Classification and Measurement, effective for accounting periods beginning on or after 1 January 2013
- > IFRIC 17 Distributions of Non-cash Assets to Owners, effective for accounting periods beginning on or after 1 July 2009
- > IFRIC 18 Transfers of Assets from Customers, effective for transfers received on or after 1 July 2009
- > IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective for accounting periods beginning on or after 1 July 2010
- > Amendments to IAS 27 Consolidated and Separate Financial Statements; effective for accounting periods beginning on or after 1 July 2009
- > Amendments to IAS 28 Investments in Associates; effective for accounting periods beginning on or after 1 July 2009
- > Various other amendments made as part of the IASB's 2009 Annual Improvements programme effective for accounting periods beginning on or after 1 January 2010.

These pronouncements, when applied, will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after the period commencing 1 April 2010.

### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Other than the adoption of IAS 40 (Revised) as described earlier, 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. Certain comparative amounts in the cash flow statement have been classified to ensure comparability with the current year.

### Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 14 to 27 of the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Business and Financial Review.

After reviewing Group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ended 31 March 2011 and projections contained in the longer term business plan which covers the period to March 2016. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment, the ongoing shortage of credit available in the bank finance market in particular and the other principal risks to the Group's performance. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The Group accounts consolidate the accounts of Big Yellow Group PLC and all of its subsidiaries at the year end using acquisition accounting principles. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

### Investment in subsidiaries

These are recognised at cost less provision for any impairment.

### Investment in associate

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale (see below). Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

### 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.

### 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.

### 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 room is occupied by the customer. The Group recognises non-storage income over the period in which it is earned.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Management fees earned are recognised over the period for which the services are provided. Franchise fees are recognised in the income statement as they fall contractually due to the Group.

### Operating leases

Rentals payable under operating leases are charged to the income statement 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.

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals 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.

### Finance costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. Commencement of capitalisation is the date when the Group incurs expenditure for the qualifying asset, incurs borrowing costs and undertakes activities that are necessary to prepare the assets for their intended use when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. In the case of suspension of activities during extended periods, the Group suspends capitalisation. The Group ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Operating profit

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

### 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 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 substantively enacted at the balance sheet date 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 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 charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold property	50 years
Freehold improvements	20 years
Leasehold improvements	Over period of the lease
Plant and machinery	10 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.

### Investment property

The criterion used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. 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 IAS 40, 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 IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Leasehold properties that are leased under operating leases are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception, and is shown within note 13a. Lease payments are apportioned between finance charges and a reduction of the outstanding lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment property under construction

Investment property under construction is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers.

Gains or losses arising from the changes in fair value of investment property under construction are included in the income statement in the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

### Surplus land

Surplus land is recognised at the lower of cost and net realisable value. Any gains and losses on surplus land are recognised through the income statement.

### 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 (ie the net present value of its future cash flows discounted at the Group's average pre-tax interest rate that reflects the borrowing costs and risk for the asset).

### 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.

#### A – 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 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.

Derivatives are initially recognised at fair value and are subsequently reviewed at each balance sheet date. The fair value of interest rate derivatives at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract.

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.

The outstanding derivative financial instruments mature in 2015, accordingly they have been transferred to non-current liabilities and the comparative amounts adjusted accordingly.

#### B – Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### C – Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### D – Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amounts of these assets approximates to the fair value.

#### E – Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **F – Equity instruments**

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

### **G – 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.

### **H – Trade payables**

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

### **Retirement benefit costs**

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

### **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 the Black Scholes 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.

### **Critical accounting estimates and judgements**

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *a) Estimate of Fair Value of Investment Properties and Investment Property Under Construction*

The Group's self storage centres and stores under development are valued using a discounted cash flow methodology which is based on projections of net operating income. The Group employs expert external valuers, Cushman & Wakefield LLP, who report on the values of the Group's stores on a biannual basis. Principal assumptions underlying management's estimation of the fair value are those related to: stabilised occupancy levels; the absorption period to these stabilised 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) Surplus land*

The Group's surplus land is held in the balance sheet at historic cost less provisions for impairment and is not valued externally. The Directors review all surplus land assets for impairment at each balance sheet date, considering all available evidence as to the likely proceeds receivable from the sale of the surplus land.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 3. REVENUE

Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 28.

	2010 £000	2010 £000	2009 £000	2009 £000
<b>Open stores</b>				
Self storage revenue	46,763		47,206	
Other storage related revenue	8,282		7,964	
Ancillary store rental revenue	89		96	
		55,134		55,266
<b>Stores under development</b>				
Non-storage income	1,232		1,636	
		1,232		1,636
<b>Fee income</b>				
Fees earned from Big Yellow Limited Partnership	1,198		1,368	
Other management fees earned	406		67	
		1,604		1,435
<b>Franchise income</b>				
Franchise fees received	25		150	
		25		150
<b>Revenue per income statement</b>		57,995		58,487
Investment income (see note 7)		386		381
<b>Total revenue per IAS 18</b>		58,381		58,868

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

## 4. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Given the nature of the Group's business, there remains one segment, which is the provision of self storage accommodation and related services.

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 in the current year (2009: £150,000 of income which arose in the Emirate of Dubai).

## 5. PROFIT/(LOSS) FOR THE YEAR

a) Profit/(loss) for the year has been arrived at after:

	2010 £000	2009 £000
Depreciation of plant, equipment and owner-occupied property	631	729
Finance lease depreciation	815	690
Decrease in fair value of investment property	3,558	52,848
Cost of inventories recognised as an expense	764	751
Employee costs (see note 6)	9,649	8,333
Operating lease rentals	80	80
Auditors' remuneration for audit services (see below)	143	142

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 5. PROFIT/(LOSS) FOR THE YEAR (continued)

### b) Analysis of auditors' remuneration:

	2010 £000	2009 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	136	135
Other services – audit of the Company's subsidiaries' annual accounts	7	7
Total audit fees	143	142
Tax services – compliance	43	40
Tax services – advisory	47	78
Other services – independent review of interim report	30	28
Total non-audit fees	120	146

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

## 6. EMPLOYEE COSTS

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

	2010 Number	2009 Number
Sales	209	194
Administration	43	45
	252	239

At 31 March 2010 the total number of Group employees was 287 (2009: 273).

	2010 £000	2009 £000
Their aggregate remuneration comprised:		
Wages and salaries	6,948	6,727
Social security costs	719	709
Other pension costs	318	304
Share-based payments	1,664	593
	9,649	8,333

Details of Directors' Remuneration is given on pages 53 to 60.

## 7. INVESTMENT INCOME

	2010 £000	2009 £000
Interest receivable	386	381
	386	381

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 8. FINANCE COSTS

	2010 £000	2009 £000
Interest on bank borrowings	11,379	18,075
Capitalised interest	(268)	(1,924)
Interest on obligations under finance leases	1,147	1,319
Other interest payable	1	3
Total interest payable	12,259	17,473
Refinancing costs	–	1,347
Change in fair value of interest rate derivatives (see below)	2,675	17,967
Total finance costs	14,934	36,787

Included within the £2,675,000 reported above for the year ended 31 March 2010 is £245,000 in respect of derivative positions that were extended in March 2010. Included within the £17,967,000 reported above for the year ended 31 March 2009, is £14,892,000 in respect of derivative positions that were closed out in March 2009.

## 9. TAXATION

On 15 January 2007, the Group converted to a REIT. As a result the Group no longer pays 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 was paid. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

	2010 £000	2009 £000
UK current tax		
Current tax:		
– Current year	–	1
– Adjustment in respect of prior year	–	(146)
Deferred tax (see note 20):		
– Current year	–	1,091
– Adjustment in respect of prior year	–	204
	–	1,150

A reconciliation of the tax charge/(credit) is shown below:

	2010 £000	2009 £000
Profit/(loss) before tax	10,209	(71,489)
Tax charge/(credit) at 28% (2009 – 28%) thereon	2,858	(20,017)
Effects of:		
Adjustment in respect of prior year	–	204
Revaluation of investment properties	996	14,798
Share of results of associate	(55)	–
Permanent differences	(972)	4,930
Profits from the tax exempt business	(4,321)	478
Losses not utilised in the year	1,318	–
Losses utilised in the year	–	(105)
Release of deferred tax	–	1,091
Land remediation relief	–	(146)
Temporary timing differences	176	(83)
<b>Total tax charge</b>	<b>–</b>	<b>1,150</b>

	2010 £000	2009 £000
<b>Analysis of deferred tax charge</b>		
On losses and interest rate derivatives	–	1,295
<b>Deferred tax charge</b>	<b>–</b>	<b>1,295</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 10. ADJUSTED PROFIT BEFORE TAX

	2010 £000	2009 £000
Profit/(loss) before tax	10,209	(71,489)
(Gain)/loss on revaluation of investment properties – wholly owned	3,558	52,848
– in associate	(2,036)	885
Change in fair value of interest rate derivatives – Group (see below)	2,675	17,967
– in associate	65	650
Losses on non-current assets	–	11,583
Losses on surplus land (including £30,000 gain in associate)	2,043	–
Refinancing costs	–	1,347
Adjusted profit before tax	16,514	13,791
Net bank and other interest	10,726	15,773
Depreciation	631	729
Adjusted EBITDA	27,871	30,293

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

The net losses on non-current assets in 2009 of £11,583,000 comprised of a provision against development property of £11,588,000 and a provision against non-current assets held for sale of £800,000, offset by an £805,000 profit on the disposal of other development assets.

## 11. DIVIDENDS

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2009 of nil p (2008: 5.5p) per share.	–	6,309
Interim dividend for the year ended 31 March 2010 of nil p (2009: nil p) per share.	–	–
	–	6,309
Proposed final dividend for the year ended 31 March 2010 of 4p (2009: nil p) per share.	5,163	–

Subject to approval by shareholders at the Annual General Meeting to be held on 5 July 2010, the proposed final dividend of 4 pence per ordinary share will be paid on 14 July 2010 to shareholders on the Register on 11 June 2010.

There is no Property Income Dividend ("PID") payable for the current year. Included in the final dividend paid for the year ended 31 March 2008 is a PID of 0.15 pence per share.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 12. EARNINGS/(LOSS) AND NET ASSETS PER SHARE

### Earnings/(loss) per ordinary share

	Year ended 31 March 2010			Year ended 31 March 2009		
	Earnings £m	Shares million	Pence per share	(Loss)/ earnings £m	Shares million	Pence per share
<b>Basic</b>						
Adjustments:	<b>10.21</b>	<b>125.83</b>	<b>8.11</b>	(72.64)	115.55	(62.86)
Dilutive share options	–	<b>1.31</b>	<b>(0.08)</b>	–	0.96	0.52
<b>Diluted</b>	<b>10.21</b>	<b>127.14</b>	<b>8.03</b>	(72.64)	116.51	(62.34)
Adjustments:						
Loss on revaluation of investment properties	<b>3.56</b>	–	<b>2.80</b>	52.85	–	45.36
Change in fair value of interest rate derivatives	<b>2.67</b>	–	<b>2.10</b>	17.97	–	15.42
Loss on non-current assets	–	–	–	11.58	–	9.94
Losses on surplus land	<b>2.07</b>	–	<b>1.63</b>	–	–	–
Refinancing costs	–	–	–	1.35	–	1.16
Share of associate non-recurring (gains)/losses	<b>(2.00)</b>	–	<b>(1.57)</b>	1.54	–	1.32
Deferred tax	–	–	–	1.30	–	1.11
Tax effect of non-recurring items*	–	–	–	(0.09)	–	(0.08)
<b>Adjusted – diluted</b>	<b>16.51</b>	<b>127.14</b>	<b>12.99</b>	13.86	116.51	11.89
<b>Adjusted – basic</b>	<b>16.51</b>	<b>125.83</b>	<b>13.12</b>	13.86	115.55	11.99

\* This takes into account the tax effect of the change in fair value of derivatives and the refinancing costs.

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

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 12. EARNINGS/(LOSS) AND NET ASSETS PER SHARE (continued)

### Net assets per share

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of net assets per share information and this is shown in the table below:

	As at 31 March 2010 £000	As at 31 March 2009 £000
<b>Analysis of net asset value</b>		
Basic net asset value	547,285	502,317
Exercise of share options	594	2,584
Diluted net asset value	547,879	504,901
<b>Adjustments:</b>		
Fair value of derivatives	7,980	5,550
Fair value of derivatives – share of associate	770	705
EPRA net asset value	556,629	511,156
Basic net assets per share (pence)	424.0	437.6
Diluted net assets per share (pence)	418.3	424.3
EPRA net assets per share (pence)	425.0	429.5
EPRA net asset value (as above) (£000)	556,629	511,156
Valuation methodology assumption (see note 14) (£000)	37,127	32,660
Adjusted net asset value (£000)	593,756	543,816
Adjusted net assets per share (pence)	453.3	457.0
	<b>No. of shares</b>	<b>No. of shares</b>
Shares in issue	130,990,837	115,592,541
Own shares held	(1,905,000)	(815,000)
Basic shares in issue used for calculation	129,085,837	114,777,541
Exercise of share options	1,897,685	4,221,550
Diluted shares used for calculation	130,983,522	118,999,091
<b>Adjustment for placing<sup>(1)</sup></b>		<b>No. of shares</b>
Diluted shares at 31 March 2009		118,999,091
Shares issued in placing		11,549,000
Revised shares		130,548,091
		<b>£000</b>
Adjusted net assets at 31 March 2009		543,816
Placing proceeds (net)		31,534
Adjusted net assets at 31 March 2009 proforma post placing		575,350
Adjusted net assets per share at 31 March 2009 proforma post placing		440.7p

<sup>(1)</sup> Big Yellow issued 9.9% of its share capital in May 2009, raising £31.5 million (net of expenses). A proforma adjusted net assets per share has been produced as if the placing had taken place on 31 March 2009. Applying the effects of the placing to basic net assets per share for the year ended 31 March 2009, the basic net asset value increases to £533,851,000, and basic shares in issue increases to 126,326,541, giving a basic net asset per share of 422.6p.

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 Benefit Trust are excluded from both net assets and the number of shares.

Adjusted net assets per share include:

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 13. NON-CURRENT ASSETS

### a) Investment property, development property and interests in leasehold property

	Investment property £000	Investment property under construction £000	Development property £000	Interests in leasehold property £000
At 31 March 2008	750,910	–	104,139	22,274
Additions	8,423	–	22,947	–
Reclassifications	28,575	–	(28,575)	–
Transfer from assets held for sale	–	–	9,432	–
Revaluation (see note 14)	(52,848)	–	–	–
Adjustment to present value	–	–	–	268
Impairment	–	–	(11,588)	–
Disposals	–	–	(475)	–
Disposal to associate	–	–	(22,262)	–
Depreciation	–	–	–	(690)
<b>At 31 March 2009</b>	<b>735,060</b>	<b>–</b>	<b>73,618</b>	<b>21,852</b>
Reclassification to investment property under construction	–	51,741	(51,741)	–
Reclassification to surplus land	–	–	(21,877)	–
Additions	2,368	9,919	–	–
Adjustment to present value	–	–	–	961
Transfer to investment property	14,437	(14,437)	–	–
Revaluation (see note 14)	9,705	(13,263)	–	–
Depreciation	–	–	–	(815)
<b>At 31 March 2010</b>	<b>761,570</b>	<b>33,960</b>	<b>–</b>	<b>21,998</b>

See note 2 for details of the reclassification to investment property under construction.

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 28.

The total investment property balance per IAS 40 amounts to £817,528,000 (2009: £756,912,000), being the sum of investment property, investment property under construction and interests in leasehold property shown above.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 13. NON-CURRENT ASSETS (continued)

### b) 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 31 March 2008	1,858	44	607	4,613	7,122
Additions	–	–	58	577	635
Disposal to associate	–	–	(14)	(53)	(67)
At 31 March 2009	1,858	44	651	5,137	7,690
Additions	17	–	32	320	369
<b>At 31 March 2010</b>	<b>1,875</b>	<b>44</b>	<b>683</b>	<b>5,457</b>	<b>8,059</b>
<b>Depreciation</b>					
At 31 March 2008	(90)	(32)	(276)	(3,468)	(3,866)
Charge for the year	(35)	(2)	(116)	(576)	(729)
At 31 March 2009	(125)	(34)	(392)	(4,044)	(4,595)
Charge for the year	(34)	(3)	(63)	(531)	(631)
<b>At 31 March 2010</b>	<b>(159)</b>	<b>(37)</b>	<b>(455)</b>	<b>(4,575)</b>	<b>(5,226)</b>
<b>Net book value</b>					
<b>At 31 March 2010</b>	<b>1,716</b>	<b>7</b>	<b>228</b>	<b>882</b>	<b>2,833</b>
At 31 March 2009	1,733	10	259	1,093	3,095

### c) Goodwill

Goodwill relates to the purchase of Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment. The carrying value of £1,433,000 remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

### d) Assets classified as held for sale

In the prior year the Group had land at one site with a total historic cost of £4 million, carried at £3.2 million, after a provision for impairment in the prior year of £0.8 million against the site. Land at this site was surplus to requirements and has subsequently been sold, with completion of the sale taking place in October 2009.

### e) Investment in associate

The Group has a 33.3% interest in Big Yellow Limited Partnership. This interest is accounted for as an associate, using equity accounting. The Partnership commenced trading on 1 December 2007.

	31 March 2010 £000	31 March 2009 £000
At the beginning of the year	9,285	5,454
Subscription for partnership capital and advances	1,500	5,429
Share of results (see below)	1,320	(1,598)
	<b>12,105</b>	9,285

The Group has subscribed for cumulative partnership capital and advances of £12,632,000 to 31 March 2010 (2009: £11,132,000).

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 13. NON-CURRENT ASSETS (continued)

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

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
<b>Big Yellow Limited Partnership</b>		
<b>Income statement (100%)</b>		
Revenue	1,880	892
Cost of sales	(2,645)	(843)
Administrative expenses	(75)	(135)
Operating loss	(840)	(86)
Gain/(loss) on the revaluation of investment properties	6,109	(2,656)
Gain on the disposal of surplus land	91	–
Net interest payable	(1,204)	(103)
Fair value movement of interest rate derivatives	(196)	(1,949)
Profit/(loss) before and after tax	3,960	(4,794)
<b>Balance sheet (100%)</b>		
Investment property	79,660	32,650
Investment property under construction	12,850	–
Development property (including land held for resale)	–	35,016
Other fixed assets	753	208
Current assets	1,398	108
Current liabilities	(1,569)	(2,189)
Derivative financial instruments	(2,310)	(2,114)
Non-current liabilities	(54,467)	(35,825)
<b>Net assets (100%)</b>	<b>36,315</b>	<b>27,854</b>
<b>Group share of (33.3%)</b>		
Operating loss	(280)	(29)
Gain/(loss) on the revaluation of investment properties	2,036	(885)
Gain on the disposal of surplus land	30	–
Net interest payable	(401)	(34)
Fair value movement of interest rate derivatives	(65)	(650)
Profit/(loss) for the year	1,320	(1,598)
Associate net assets	12,105	9,285

The Partnership has in place a loan of £75 million, secured from a syndicate of banks, involving Royal Bank of Scotland plc, HSBC Bank plc and HSH Nordbank AG. The loan has a five year term and expires in 2013. £29.8 million of the £55.1 million drawn down at 31 March 2010 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 5.67%. The balance of the drawn debt is currently paying one month LIBOR plus applicable margin. The weighted average interest cost post margin at 31 March 2010 of the facility was 4.2%.

The Partnership loan has a loan to value covenant, which is first tested in November 2010, and requires the gross loan to the value of the Partnership's investment property assets to be no more than 60%.

The Group has an option at 31 March 2013, and certain dates thereafter, provided certain Internal Rate of Return ("IRR") hurdles are met, to acquire the assets within the Partnership or the remaining interest in the Partnership not held by the Group. The price payable is based on the market value of the Partnership's assets and liabilities, and is subject to certain promotes, dependent on the IRR achieved.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 14. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
<b>Freehold stores*</b>			
As at 1 April 2009	307,222	372,098	679,320
Movement in period	16,692	14,348	31,040
<b>As at 31 March 2010</b>	<b>323,914</b>	<b>386,446</b>	<b>710,360</b>
<b>Leasehold stores</b>			
As at 1 April 2009	15,396	40,344	55,740
Movement in period	113	(4,643)	(4,530)
<b>As at 31 March 2010</b>	<b>15,509</b>	<b>35,701</b>	<b>51,210</b>
<b>Total of open stores</b>			
As at 1 April 2009	322,618	412,442	735,060
Movement in period	16,805	9,705	26,510
<b>As at 31 March 2010</b>	<b>339,423</b>	<b>422,147</b>	<b>761,570</b>
<b>Investment property under construction</b>			
As at 1 April 2009	—	—	—
Movement in period	47,223	(13,263)	33,960
<b>As at 31 March 2010</b>	<b>47,223</b>	<b>(13,263)</b>	<b>33,960</b>
<b>Valuation of all investment property</b>			
As at 1 April 2009	322,618	412,442	735,060
Movement in period	64,028	(3,558)	60,470
<b>As at 31 March 2010</b>	<b>386,646</b>	<b>408,884</b>	<b>795,530</b>

\* Includes one long leasehold property

The freehold and leasehold investment properties have been valued at 31 March 2010 by external valuers, Cushman & Wakefield LLP (“C&W”). The valuation has been carried out in accordance with the RICS Valuation Standards published by The Royal Institution of Chartered Surveyors (“the Red Book”). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of 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 been carrying out this bi-annual 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%.
- > The fee payable to C&W is a fixed amount per store, and is not contingent on the appraised value.

### Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn, which have caused a low number of transactions in the market for self storage property. C&W note that, although there were a number of self storage transactions in 2007, the only two significant transactions since 2007 are the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008 and the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the “credit crunch”, however they have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 14. VALUATION OF INVESTMENT PROPERTY (continued)

### Valuation methodology

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

#### *Freehold and long leasehold*

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

#### *Assumptions*

- A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- B. The net operating income in future years is calculated assuming 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 51 open stores (both freeholds and leaseholds) at 31 March 2010 averages 84.20% (2009: 85.04%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the stores to trade at their maturity levels across the portfolio is 42 months (2009: 40 months); for the 32 same stores, the period to maturity is 37 months (2009: 34 months).
- C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the stabilised yield for the 51 stores pre administration expenses is 8.44% (2009: 8.55%).
- D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.35% (2009: 11.41%).
- E. Purchaser's costs of 5.75% (see below) have been assumed initially and sale plus purchaser's costs totalling 6.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

#### *Short leasehold*

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 15.8 years (March 2009: seven short leaseholds – 16.8 years).

#### *Investment properties under construction*

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

#### *Prudent lotting*

C&W have assessed the value of each property individually. However, with regard to ten recently opened stores which are loss making or have low cashflow (three wholly owned and seven in the Partnership) (2009: six stores, three wholly owned and three in the Partnership) C&W have prepared their valuation on the assumption that were these properties to be brought to the market then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Company in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of negative or low short term cash flow. C&W have not assumed that the entire portfolio of properties owned by the Group would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly from the aggregate of the individual values for each property in the portfolio, reflecting prudent lotting as described above.

### Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of 5.75% 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.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure.

The Group therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2010 of £831,170,000 (£35,640,000 higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4,460,000 higher than the value recorded in the financial statements, of which the Group's share is £1,487,000. The sum of these is £37,127,000 and translates to 28.3 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 15. SURPLUS LAND

	£000
At 1 April 2009	–
Reclassifications from development property	21,877
Additions	360
Impairment	(2,000)
<b>At 31 March 2010</b>	<b>20,237</b>

In addition to the impairment of £2,000,000 above, selling costs of £73,000 were incurred on the disposal of surplus land (previously classified as held for sale). The total income statement loss in respect of surplus land is therefore £2,073,000.

## 16. TRADE AND OTHER RECEIVABLES

	31 March 2010 £000	31 March 2009 £000
Trade receivables	1,796	1,546
Other receivables	1,592	154
Prepayments and accrued income	7,709	6,662
	<b>11,097</b>	<b>8,362</b>

Trade receivables are net of a bad debt provision of £29,000 (2009: £21,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The other receivables balance has increased since the prior year due to a deferred consideration of £1.2 million on the sale of surplus land at our site in Twickenham. This amount falls due in October 2010.

### Trade receivables

The Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. A late charge of 10% is applied to a customer's account if they are greater than 10 days overdue in their payment. The Group provides for receivables on a specific basis. There is a right of lien over the customers' goods, so if they have not paid within a certain time frame, we have the right to sell the items they store to recoup the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

For individual storage customers, the Group does not perform credit checks, however this is mitigated by the fact that all customers are required to pay in advance, and also to pay a deposit ranging from between 1 week's to 4 weeks' storage income. Before accepting a new business customer who wishes to use a number of the Group's stores, the Group uses an external credit rating to assess the potential customer's credit quality and defines credit limits by customer. There are no customers who represent more than 5 per cent of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £161,000 (2009: £155,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over the customers' goods if these debts are not paid. The average age of these receivables is 36 days past due (2009: 25 days past due).

Ageing of past due but not impaired receivables	2010 £000	2009 £000
0 – 30 days	98	108
30 – 60 days	38	30
60 + days	25	17
Total	<b>161</b>	<b>155</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 16. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts	2010 £000	2009 £000
Balance at the beginning of the year	21	4
Amounts provided in year	29	21
Amounts written off as uncollectible	(21)	(4)
Balance at the end of the year	29	21

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables	2010 £000	2009 £000
0 – 30 days	–	–
30 – 60 days	4	3
60 + days	25	18
Total	29	21

## 17. TRADE AND OTHER PAYABLES

	31 March 2010 £000	31 March 2009 £000
<b>Current</b>		
Trade payables	7,425	7,460
Other payables	2,510	1,891
Accruals and deferred income	8,472	7,834
VAT repayable under Capital Goods Scheme	1,052	1,228
	19,459	18,413
<b>Non current</b>		
VAT repayable under Capital Goods Scheme	1,609	2,661

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value. See note 19 for details of VAT repayable under Capital Goods Scheme. Included within accruals and deferred income is £540,000 in respect of the Long Term Bonus Performance Plan.

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

	2010 Carrying amount £000	2010 Estimated fair value £000	2009 Carrying amount £000	2009 Estimated fair value £000
VAT payable under capital goods scheme	2,661	2,490	3,889	3,578

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 18. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's banking facilities require hedging of 70% of the funds drawn under the investment tranche of its core banking facility. The Group has complied with this during the year.

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in interest rates, but are not employed for speculative purposes.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

### A. Balance sheet management

The Group's Board reviews the capital structure on an ongoing basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks to have a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

The gearing ratio at the year end is as follows:

	2010 £000	2009 £000
Debt	(300,000)	(311,339)
Cash and cash equivalents	30,619	3,222
Net debt	269,381	308,117
Balance sheet equity	547,285	502,317
Net debt to equity ratio	49.2%	61.3%

Debt is defined as long-term and short-term borrowings, as detailed in note 19. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. Net debt is defined as gross bank borrowings less cash and cash equivalents.

### B. Debt management

The Group borrows through a senior term loan, secured on its existing store portfolio. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged in the Group and in Big Yellow Limited Partnership through banks and financial institutions with whom the Group has a strong working relationship.

### C. Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group has two interest rate derivatives in place; £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) also until September 2015.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The loss in the income statement for the year of these interest rate swaps was £2,430,000 (2009: loss of £3,075,000).

A further income statement charge arose in the year of £245,000 in respect of the fair value movement of derivative positions that were extended in March 2010. A further income statement charge arose in the prior year of £14,892,000 in respect of the fair value movement of derivative positions that were closed out in March 2009.

The fair value of the above derivatives at 31 March 2010 was a liability of £7,980,000 (2009: liability of £5,550,000).

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 18. FINANCIAL INSTRUMENTS (continued)

### D. Interest rate sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings, without jeopardising its flexibility. Over the longer term, permanent changes in interest rates may have an impact on consolidated earnings.

At 31 March 2010, it is estimated that an increase of 0.5 percentage points in interest rates would have reduced the Group's annual profit before tax by £550,000 (2009: increased loss before tax by £606,500) and a decrease of 0.5 percentage points in interest rates would have increased the Group's annual profit before tax by £550,000 (2009: reduced loss before tax by £606,500). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end. In the prior year, a 1 percentage point increase/decrease was used, however, given monthly LIBOR is currently 0.54%, the Board considered it appropriate to reduce this measure.

The Group's sensitivity to interest rates has decreased during the year, following the repayment of floating rate debt from cash resources.

### E. Cash management and liquidity

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 19 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Short term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk.

### F. Foreign currency management

The Group does not have any foreign currency exposure.

### G. Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 16. The Group has no significant concentration of credit risk, with exposure spread over 30,500 customers in our stores.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### H. Financial maturity analysis

In respect of interest-bearing financial liabilities, the following table provides a maturity analysis for individual elements.

#### 2010 Maturity

	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Debt					
Bank loan payable at variable rate	110,000	–	–	110,000	–
Debt fixed by interest rate derivatives	190,000	–	–	190,000	–
<b>Total</b>	<b>300,000</b>	<b>–</b>	<b>–</b>	<b>300,000</b>	<b>–</b>

#### 2009 Maturity

	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Debt					
Bank loan payable at variable rate	121,339	–	–	121,339	–
Debt fixed by interest rate derivatives	190,000	–	–	190,000	–
<b>Total</b>	<b>311,339</b>	<b>–</b>	<b>–</b>	<b>311,339</b>	<b>–</b>

The Group's sensitivity to interest rates has reduced during the year, following the repayment of £11.3 million of floating rate debt during the year. The Board monitors closely the exposure to the floating rate element of our debt.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 18. FINANCIAL INSTRUMENTS (continued)

### I. Fair values of financial instruments

The fair values of the Group's cash and short term deposits and those of other financial assets equate to their book values. Details of the Group's receivables at amortised cost are set out in note 16. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables, including bank borrowings, are carried at amortised cost. Finance lease liabilities are included at the fair value of their minimum lease payments. Derivatives are carried at fair value.

### J. Maturity analysis of financial liabilities

The contractual maturities based on market conditions and expected yield curves prevailing at the year end date are as follows:

	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
<b>2010</b>					
From five to twenty years	–	(672)	–	25,254	24,582
From two to five years	–	355	317,387	5,995	323,737
From one to two years	1,609	3,304	10,431	1,998	17,342
Due after more than one year	1,609	2,987	327,818	33,247	365,661
Due within one year	19,459	5,039	10,431	1,998	36,927
<b>Total</b>	<b>21,068</b>	<b>8,026</b>	<b>338,249</b>	<b>35,245</b>	<b>402,588</b>

	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
<b>2009</b>					
From five to twenty years	–	(2,099)	–	27,348	25,249
From two to five years	1,610	(1,696)	339,654	6,029	345,597
From one to two years	1,051	2,256	11,522	2,028	16,857
Due after more than one year	2,661	(1,539)	351,176	35,405	387,703
Due within one year	18,413	4,392	11,522	2,028	36,355
<b>Total</b>	<b>21,074</b>	<b>2,853</b>	<b>362,698</b>	<b>37,433</b>	<b>424,058</b>

### K. Reconciliation of maturity analyses

The maturity analysis in note 18J shows non-discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 19 with the borrowings and interest column in the maturity analysis presented in note 18J.

	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
<b>2010</b>				
From two to five years	300,000	15,203	2,184	317,387
From one to two years	–	10,431	–	10,431
Due after more than one year	300,000	25,634	2,184	327,818
Due within one year	–	10,431	–	10,431
<b>Total</b>	<b>300,000</b>	<b>36,065</b>	<b>2,184</b>	<b>338,249</b>

	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
<b>2009</b>				
From two to five years	308,672	28,315	2,667	339,654
From one to two years	–	11,522	–	11,522
Due after more than one year	308,672	39,837	2,667	351,176
Due within one year	–	11,522	–	11,522
<b>Total</b>	<b>308,672</b>	<b>51,359</b>	<b>2,667</b>	<b>362,698</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 19. BANK BORROWINGS

	31 March 2010 £000	31 March 2009 £000
<b>Secured borrowings at amortised cost</b>		
Bank borrowings	<b>300,000</b>	311,339
Unamortised loan arrangement costs	<b>(2,184)</b>	(2,667)
	<b>297,816</b>	308,672

The Group has a £325 million senior debt facility in place, provided by HSH Nordbank AG, Lloyds TSB Bank plc, and HSBC Bank plc. The loan is due to expire on 15 September 2013.

The facility is secured on a first charge of 51 of the Group's properties and is subject to certain covenants. The facility is divided into two tranches, Tranche A, up to a maximum of £50 million is used to finance non-stabilised properties within the Group and carries a margin of 150 bps. Tranche B is used to finance stabilised Group properties, and carries a margin of between 112.5 bps and 150 bps dependent on the Tranche B income cover. The Group is currently paying a margin of 112.5 bps on this Tranche. As the properties within Tranche A stabilise, they can be transferred to Tranche B, reducing the margin payable.

The facility's principal covenant is an income cover covenant that requires Tranche B EBITDA to be greater than 1.4 times the interest cost in Tranche B. The Group is also required to retain consolidated net assets of £250 million; and a net debt to net assets ratio of less than 1.3 to 1. There is no loan to value covenant. At 31 March 2010 all covenants were complied with as illustrated in the table below:

	Covenant	At 31 March 2010
Minimum income cover	1.4 x	<b>3.75x</b>
Minimum net assets	£250 million	<b>£547.3 million</b>
Maximum gross loan to net assets gearing	1.3:1	<b>0.55:1</b>

The weighted average interest rate paid on the bank borrowings during the year was 3.6% (2009: 5.9%).

The Group has £25,000,000 in undrawn committed borrowing facilities at 31 March 2010 which expire between three and four years (2009: £13,661,000 expiring between four and five years).

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
<b>At 31 March 2010</b>						
<b>Gross financial liabilities</b>	<b>300,000</b>	<b>110,000</b>	<b>190,000</b>	<b>3.5%</b>	<b>6.0 years</b>	<b>4.7 years</b>
At 31 March 2009						
Gross financial liabilities	311,339	121,339	190,000	3.7%	5.5 years	5.2 years

The floating rate at 31 March 2010 was paying a margin of 1.125% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.19%. All monetary liabilities, including short term receivables and payables are denominated in sterling. The weighted average interest rate includes the effect of the Group's interest rate derivatives.

Narrative disclosures on the Group's policy for financial instruments are included within the Business Review and note 18.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 20. DEFERRED TAX

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

	Deduction for share options £000	Other £000	Total £000
<b>At 31 March 2008</b>	(444)	(1,091)	(1,535)
Recognised in income	–	1,091	1,091
Recognised in equity	444	–	444
<b>At 31 March 2009</b>	–	–	–
Recognised in income	–	–	–
Recognised in equity	–	–	–
<b>At 31 March 2010</b>	–	–	–

Deferred tax assets in respect of share based payments (£0.3 million), interest rate swaps (£4.7 million), losses (£1.5 million) and capital losses (£0.3 million) in respect of the residual business have not been recognised due to uncertainty over taxable profits in the short term within the residual business. Temporary differences arising in connection with interests in associate are insignificant.

## 21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2010 £000	2009 £000	2010 £000	2009 £000
<b>Amounts payable under finance leases:</b>				
Within one year	1,998	2,028	1,958	1,984
Within two to five years inclusive	7,993	8,057	6,836	6,805
Greater than five years	25,254	27,348	13,204	13,063
	35,245	37,433	21,998	21,852
Less: future finance charges	(13,247)	(15,581)		
Present value of lease obligations	21,998	21,852		

All lease obligations are denominated in sterling. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

## 22. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2010 £000	2009 £000	2010 £000	2009 £000
<b>Ordinary shares at 10 pence each</b>	20,000	20,000	13,099	11,559

	No.
<b>Movement in issued share capital</b>	
Number of shares at 1 April 2008	115,514,119
Exercise of share options – Share option scheme	78,422
Number of shares at 31 March 2009	115,592,541
Share placing	11,549,000
Issue to shares to Employee Benefit Trust	1,090,000
Exercise of share options – Share option schemes	2,759,296
<b>Number of shares at 31 March 2010</b>	<b>130,990,837</b>

The Company has one class of ordinary shares which carry no right to fixed income.

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 22. SHARE CAPITAL (continued)

At 31 March 2010 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 2010	Number of ordinary shares 2009
5 May 2000	100p	5 May 2003	4 May 2010	–	278,400
30 November 2000	137.5p	30 November 2003	29 November 2010	2,500	2,500
1 June 2001	125.5p	1 June 2004	31 May 2011	–	165,000
4 June 2001	131.5p	4 June 2004	3 June 2011	–	521,000
8 November 2001	98p	8 November 2004	7 November 2011	33,859	122,192
15 May 2002	102p	15 May 2005	14 May 2012	20,200	511,789
16 December 2002	81.5p	16 December 2005	15 December 2012	14,830	355,301
2 July 2003	82.5p	2 July 2006	1 July 2013	23,112	100,612
11 November 2003	96p	11 November 2006	10 November 2013	13,000	16,000
27 September 2004	nil p**	27 September 2007	26 September 2014	12,500	118,000
6 June 2005	nil p**	6 June 2008	5 June 2015	106,665	438,332
21 December 2005	225p*	21 December 2008	20 June 2009	–	831
9 June 2006	nil p**	9 June 2009	8 June 2016	109,165	460,832
18 August 2006	347p*	18 August 2009	17 February 2010	–	6,407
13 July 2007	nil p**	13 July 2010	12 July 2017	495,750	495,750
30 August 2007	409p*	30 August 2010	28 February 2011	2,772	3,049
6 March 2008	310p*	6 March 2011	5 September 2011	12,195	13,371
9 July 2008	Nil p**	9 July 2011	8 July 2018	373,000	373,000
22 August 2008	249p*	22 August 2011	21 February 2012	14,873	17,440
24 February 2009	141p*	24 February 2012	23 August 2012	246,889	262,842
3 August 2009	Nil p**	3 August 2012	2 August 2019	391,700	–
23 February 2010	255p*	22 February 2013	23 August 2013	27,447	–
				<b>1,900,457</b>	<b>4,262,648</b>

\* SAYE (see note 23)

\*\* LTIP (see note 23)

## Own Shares

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. 1,905,000 shares are held in the Employee Benefit Trust (2009: 715,000) and none are held in Treasury following the transfer of 100,000 shares to the Employee Benefit Trust from Treasury during the year (2009: 100,000 shares held in Treasury).

## 23. SHARE BASED PAYMENTS

The Company has four equity share-based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, an Employee Share Save Scheme ("SAYE") and a Long Term Bonus Performance Plan. The Group recognised a total expense in the year related to equity-settled share-based payment transactions since 7 November 2002 of £1,664,000 (2009: £593,000).

### 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 schemes 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, 9 June 2006, 13 July 2007, 9 July 2008 and 3 August 2009 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 55 of the Remuneration Report. The awards granted on 27 September 2004, 6 June 2005 and 9 June 2006 vested in full.

The weighted average share price at the date of exercise for options exercised in the year was 373 pence (2009: 297 pence).

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 23. SHARE BASED PAYMENTS (continued)

Share option scheme "ESO"	2010 No. of Options	2010 Weighted average exercise price (in £)	2009 No. of Options	2009 Weighted average exercise price (in £)
Outstanding at beginning of year	2,072,795	1.06	2,091,075	1.06
Exercised during the year	(1,965,293)	1.07	(18,280)	0.88
Outstanding at the end of the year	107,502	0.94	2,072,795	1.06
Exercisable at the end of the year	107,502	0.94	2,072,795	1.06

Options outstanding at 31 March 2010 had a weighted average contractual life of 2.4 (2009: 2.7) years.

LTIP scheme	2010 No. of Options	2009 No. of Options
Outstanding at beginning of year	1,885,914	1,559,914
Granted during the year	393,700	373,000
Forfeited during the year	(2,000)	(9,277)
Exercised during the year	(788,834)	(37,723)
Outstanding at the end of the year	1,488,780	1,885,914
Exercisable at the end of the year	228,330	556,332

The weighted average fair value of options granted during the period was £434,528 (2009: £298,813).

Options outstanding at 31 March 2010 had a weighted average contractual life of 7.3 years (2009: 7.5 years).

Employee Share Save Scheme ("SAYE")	2010 No. of Options	2010 Weighted average exercise price (in £)	2009 No. of Options	2009 Weighted average exercise price (in £)
Outstanding at beginning of year	303,939	1.62	157,919	2.94
Granted during the year	27,447	2.55	387,943	1.76
Forfeited during the year	(22,042)	1.81	(219,504)	2.82
Exercised during the year	(5,169)	3.47	(22,419)	1.56
Outstanding at the end of the year	304,175	1.66	303,939	1.62
Exercisable at the end of the year	—	—	831	2.25

Options outstanding at 31 March 2010 had a weighted average contractual life of 1.6 years (2009: 2.3 years).

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

	ESO	LTIP	SAYE
Expected volatility	24%	34%	36%
Expected life	3 years	3 years	3 years
Risk-free rate	4.7%	4.7%	4.1%
Expected dividends	3.2%	3.9%	4.1%

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 23. SHARE BASED PAYMENTS (continued)

### Long term bonus performance plan

The Group has a joint share ownership plan in place. This is accounted for as a compound instrument, with 50% accrued as a liability as this proportion of the award may be cash settled. The balance is recognised as a credit to equity, recognising the equity settled element. The plan was set up in August 2009. Directors and senior employees have a partial interest in 1,905,000 shares with the Group's Employee Benefit Trust, which were granted during the year. The fair value of each award is £2 subject to the vesting criteria as set out in the Directors' Remuneration Report. At 31 March 2010 the weighted average contractual life was 2.4 years.

## 24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties as at 31 March 2010 were £5.0 million (2009: £6.6 million).

## 25. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after the balance sheet date.

## 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.

### Transactions with Big Yellow Limited Partnership

As described in note 13, the Group has a 33.3% interest in Big Yellow Limited Partnership ("the Partnership"), and entered into transactions with the Partnership during the year on normal commercial terms.

In the prior year the Group sold property with a book value of £22.3 million to the Partnership, for a total profit of £0.4m. In the current year the Group earned fees from the Partnership of £1,198,000 (2009: £1,368,000). At 31 March 2010, the Group was owed £140,000 by the Partnership (2009: Group was owed £14,000 by the Partnership).

No other related party transactions took place during the years ended 31 March 2010 and 31 March 2009.

The remuneration of the Executive and Non-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 Directors' Remuneration Report on pages 58 to 60.

	31 March 2010 £000	31 March 2009 £000
Short term employee benefits	1,052	965
Post employment benefits	81	81
Share based payments	5,924	–
	7,057	1,046

# Company Balance Sheet

Year ended 31 March 2010

	Note	2010 £000	2009 £000
<b>Non-current assets</b>			
Plant, equipment and owner-occupied property	29	1,569	1,597
Investment in subsidiary companies	29	4,575	3,450
		6,144	5,047
<b>Current assets</b>			
Trade and other receivables	30	677,999	407,129
Cash and cash equivalents		30,266	2,412
		708,265	409,541
<b>Total assets</b>		<b>714,409</b>	<b>414,588</b>
<b>Current liabilities</b>			
Trade and other payables	31	(777)	(734)
		(777)	(734)
<b>Non-current liabilities</b>			
Derivative financial instruments	32	(7,980)	(5,550)
Bank borrowings	32	(297,816)	(308,672)
		(305,796)	(314,222)
<b>Total liabilities</b>		<b>(306,573)</b>	<b>(314,956)</b>
<b>Net assets</b>		<b>407,836</b>	<b>99,632</b>
<b>Equity</b>			
Called up share capital	22	13,099	11,559
Share premium account		43,384	41,663
Reserves		351,353	46,410
Equity shareholders' funds		407,836	99,632

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2010. They were signed on its behalf by:

**James Gibson**  
Director

**John Trotman**  
Director

Company Registration No. 03625199

# Company Cash Flow Statement

Year ended 31 March 2010

	2010 £000	2009 £000
Operating loss	(603)	(281)
Depreciation	34	34
Increase in receivables	(271,196)	(40,782)
Increase in payables	43	53
<b>Cash used by operations</b>	<b>(271,722)</b>	<b>(40,976)</b>
Dividends received from subsidiary companies	275,426	40,000
Interest paid	(11,142)	(38,606)
Interest received	13,002	19,305
<b>Cash flows from operating activities</b>	<b>5,564</b>	<b>(20,277)</b>
<b>Investing activities</b>		
Purchase of non-current assets	(5)	–
	(5)	–
<b>Financing activities</b>		
Issue of share capital	33,634	26
Equity dividends paid	–	(6,309)
Increase in borrowings – RBS facility	–	7,000
Repayment of RBS loan	–	(291,000)
Increase in borrowings – HSH facility	(11,339)	311,339
<b>Cash flows from financing activities</b>	<b>22,295</b>	<b>21,056</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,854</b>	<b>779</b>
<b>Opening cash and cash equivalents</b>	<b>2,412</b>	<b>1,633</b>
<b>Closing cash and cash equivalents</b>	<b>30,266</b>	<b>2,412</b>

# Company Statement of Changes in Equity

Year ended 31 March 2010

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Other distributable reserve £000	Own shares £000	Total £000
At 1 April 2009	11,559	41,663	1,653	46,653	–	(1,896)	99,632
Total comprehensive income for the period	–	–	–	273,445	–	–	273,445
Issue of share capital	1,540	1,721	–	–	30,373	–	33,634
Credit to equity for equity-settled share based payments	–	–	–	1,125	–	–	1,125
<b>At 31 March 2010</b>	<b>13,099</b>	<b>43,384</b>	<b>1,653</b>	<b>321,223</b>	<b>30,373</b>	<b>(1,896)</b>	<b>407,836</b>

The other distributable reserve arose from merger relief under S612 of Companies Act 2006, following the Group's placing of 11.5 million shares in the year.

The Company's share capital is disclosed in note 22.

The own shares balance represents amounts held by the Employee Benefit Trust (see note 22).

Year ended 31 March 2009

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2008	11,551	41,465	1,653	31,213	(1,896)	84,166
Total comprehensive income for the period	–	–	–	21,156	–	21,156
Issue of share capital	8	18	–	–	–	26
Dividends	–	–	–	(6,309)	–	(6,309)
Credit to equity for equity-settled share based payments	–	–	–	593	–	593
<b>At 31 March 2009</b>	<b>11,559</b>	<b>41,663</b>	<b>1,653</b>	<b>46,653</b>	<b>(1,896)</b>	<b>99,632</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 27. PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, 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 £273.4 million (2009: profit of £21.2 million).

## 28. BASIS OF ACCOUNTING

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

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. See note 23 for details of share based payments affecting the Company.

### Going concern

See note 2 for the review of going concern for the Group and the Company.

### IFRIC 11, IFRS 2 Group and Treasury Share Transactions

The Company makes equity settled share based payments to certain employees of certain subsidiary undertakings. Equity settled share based payments that are made to the employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest. This is the only addition to investment in subsidiaries in the current year.

## 29. NON CURRENT ASSETS

### Investments in subsidiary companies

	Investment in subsidiary undertakings £000
Cost	
At 31 March 2009	3,450
Additions	1,125
<b>At 31 March 2010</b>	<b>4,575</b>

Details of the Company's principal subsidiary companies at 31 March 2010 and 31 March 2009 are as follows:

Name of subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
.Big Yellow Self Storage Company Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 6 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
.Big Yellow Self Storage (GP) Limited	UK	51	51	General Partner

Details of the Company's principal associate at 31 March 2010 and 31 March 2009 are as follows:

Name of associate	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Big Yellow Limited Partnership	UK	33.3	33.3	Self storage

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 29. NON CURRENT ASSETS (continued)

### Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Total £000
<b>Cost</b>			
At 31 March 2009	1,720	17	1,737
Additions	6	–	6
<b>At 31 March 2010</b>	<b>1,726</b>	<b>17</b>	<b>1,743</b>
<b>Accumulated depreciation</b>			
At 31 March 2009	(123)	(17)	(140)
Charge for the year	(34)	–	(34)
<b>At 31 March 2010</b>	<b>(157)</b>	<b>(17)</b>	<b>(174)</b>
<b>Net book value</b>			
<b>At 31 March 2010</b>	<b>1,569</b>	<b>–</b>	<b>1,569</b>
At 31 March 2009	1,597	–	1,597

## 30. TRADE AND OTHER RECEIVABLES

	31 March 2010 £000	31 March 2009 £000
Amounts owed by Group undertakings	677,657	407,057
Prepayments and accrued income	342	72
	<b>677,999</b>	<b>407,129</b>

## 31. TRADE AND OTHER PAYABLES

	31 March 2010 £000	31 March 2009 £000
<b>Current</b>		
Other payables	137	15
Accruals and deferred income	640	719
	<b>777</b>	<b>734</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2010

## 32. BANK BORROWINGS AND FINANCIAL INSTRUMENTS

### Interest rate swaps

The Company has two interest rate derivatives in place; £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) until September 2015.

The floating rate at 31 March 2010 was paying a margin of 1.125% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.19%.

The Group's policy on risk management is set out in the Business Review from page 19.

	31 March 2010 £000	31 March 2009 £000
Bank borrowings	300,000	311,339
Unamortised loan arrangement costs	(2,184)	(2,667)
	<b>297,816</b>	308,672

The bank loans are secured on 51 of the Group's properties.

### Maturity profile of financial liabilities

	2010 Financial liabilities £000	2009 Financial liabilities £000
Between two and five years	300,000	311,339
Gross financial liabilities	<b>300,000</b>	311,339

The fair value of interest rate derivatives at 31 March 2010 was a liability of £7,980,000 (2009: liability of £5,550,000). See note 18 for detail of the interest rate profile of financial liabilities.

## 33. FINANCIAL INSTRUMENTS

The disclosure relating to the Company's financial instruments are disclosed in note 17 to the Group financial statements. These disclosures are relevant to the Company's bank borrowings and derivative financial instruments. In addition, the Company has other payables of £137,000 in the current year, which are held at amortised cost in the financial statements.

## 34. RELATED PARTY TRANSACTIONS

Included within these financial statements are amounts owing from Group undertakings of £677,657,000 (2009: £407,057,000), including intercompany interest receivable of £13,305,000 (2009: £19,553,000). A dividend was received from wholly owned subsidiaries of £275,426,000 (2009: £40,000,000).

# Five Year Summary

Year ended 31 March 2010

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
<b>Results</b>					
Revenue	<b>57,995</b>	58,487	56,870	51,248	41,889
Operating profit before gains and losses on property assets	<b>29,068</b>	30,946	29,342	27,067	21,645
Profit/(loss) before taxation	<b>10,209</b>	(71,489)	102,618	152,837	118,547
Adjusted profit before taxation	<b>16,514</b>	13,791	15,006	14,233	12,601
Net assets	<b>547,285</b>	502,317	580,886	487,979	244,319
Adjusted earnings per share	<b>12.99p</b>	11.89p	11.72p	10.01p	8.86p
Declared total dividend per share	<b>4.0p</b>	0p	9.5p	9.0p	5.0p
<b>Key statistics</b>					
Number of stores open*	<b>60</b>	54	48	43	37
Square footage occupied*	<b>1,915,000</b>	1,775,000	1,850,000	1,835,000	1,672,000
Number of customers*	<b>30,500</b>	28,500	30,500	30,100	27,800
Average number of employees during the year	<b>252</b>	239	218	191	178

\* includes stores operating in Big Yellow Limited Partnership

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