Company Registration No. 05166173

.Big Yellow Self Storage Company Limited

Annual Report and Financial Statements

For the year ended 31 March 2012

.Big Yellow Self Storage Company Limited

Annual report and financial statements 2012

Contents

Page

.Big Yellow Self Storage Company Limited

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.Big Yellow Self Storage Company Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2012

Business review and principal activities

Big Yellow Self Storage Company Limited ("Big Yellow", "the company") is a wholly owned subsidiary of Big Yellow Group PLC

The principal activity of the company is the rental of self storage units and provision of ancillary services from the properties, such as the sale of packaging materials and contents insurance in the UK

We have seen another year of steady occupancy growth against a backdrop of muted economic growth Store revenue for the year grew by 8%

VAT change

The rental of self storage units is currently exempt from VAT as a licence to occupy land in the same way as the rental of commercial property The March 2012 Budget included a proposed change of legislation which would require VAT to be applied to storage rent from 1 October 2012

HMRC invited consultation on this proposed change and we, with the help of our tax advisors actively engaged in discussions with them, however they announced in July 2012 that the legislation would come into effect This is an industry wide issue, and affects around 70% of the total self storage market, including all of our major competitors

From 1 October we will be able to recover VAT on our ongoing operating expenses, and would be entitled to a refund of previously irrecoverable VAT on capital expenditure under the Capital Goods Scheme, amounting to approximately £12 million for the company Our business customers will be largely unaffected by the proposed change as the majority are able to recover VAT In addition, we will be passing on a minimum of half of the VAT to our domestic customers We have a flexible yield management system and our licence agreement allows us to move customers' rents at 28 days' notice Notice of the VAT change was sent out to all customers at the end of August, and takes effect from 1 October

Valuations

The valuer has taken into account its estimate of the proposed introduction of VAT from 1 October 2012 on the asset valuation This has led to a revaluation fall of the investment property portfolio in the year of £51 5 million

The valuer also reported to us on the valuation of the portfolio assuming the VAT change was not implemented The valuation of the 53 wholly owned open stores under this valuation is £773 0 million, £46 6 million higher than the value recorded in the financial statements, which would represent a revaluation deficit of only £2 9 million in the year

As can be seen above the majority of the 6% fall is following adjustments made due to VAT The movement in the valuations before the impact of VAT is largely due to the net effect of the following operational factors

- an increase in operating costs assumed in the cash flows, principally down to business rates,
- a reduction in the long term rental growth assumptions to reflect the current trading patterns,
- a reduction in the stabilised occupancy level assumed in the valuations from 83 1% to 82 4%, and
- improved current cash flow following the occupancy growth recorded in the year

Going concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the current uncertain economic conditions and concluded that it is appropriate More information is provided in note 2 to the financial statements

.Big Yellow Self Storage Company Limited

Directors' Report

Business objectives

Our main strategic objective is to grow the occupancy in our stores from the current level of 63 5% to 85% over the medium term We will achieve this through

- an unwavering focus on customer service,
- excellent operational and financial management,
- innovative and creative marketing,
- recruiting and retaining quality people in the business,
- an entrepreneurial and passionate culture, with accessible senior management encouraging innovation and dialogue throughout all levels of the business, and
- having stores located in visible, convenient and accessible locations

Our other key objectives are

- the selective build out of freehold stores in major urban conurbations throughout the UK, but focused principally on London, and
- mortgage financing secured against our prime freehold portfolio

Financing objectives

The company's activities are financed by its parent, Big Yellow Group PLC

Store performance

In all Big Yellow stores, the occupancy growth in the current year was 218,000 sq ft, against an increase of 117,000 sq ft in the prior year This growth across the 53 stores represents an average of 4,113 sq ft per store (2011 2,294 sq ft per store)

During the year we opened two stores in New Cross and Eltham, both in South East London Since the year end, we have opened our flagship store in Chiswick, West London These openings bring the number now trading in the Company to 54 stores

Store occupancy summary

	Occupancy 31 March 2012 000 sq ft	Occupancy 31 March 2011 000 sq ft	**Occupancy growth for year to 31 March 2012 000 sq ft**	Occupancy growth for year to 31 March 2011 000 sq ft
32 established stores	**1,442**	1,381	**61**	31
21 lease-up stores	**691**	534	**157**	86
Total – 53 stores	**2,133**	1,915	**218**	117

The 32 established stores are 74 3% occupied compared to 71 1% at the same time last year The 21 lease-up stores have grown in occupancy from 41 5% to 48 8%, and overall store occupancy has increased in the year from 59 3% to 63 5% Like for like occupancy, excluding Eltham and New Cross which opened in the year, increased from 59 3% to 64 9%

For the first time since the onset of the economic downturn in 2007, the occupancy in the Company's store portfolio at March was above the high enjoyed in the previous September, thus recouping all the normal seasonal occupancy losses incurred in the December quarter

Directors' Report (continued)

The table below illustrates the seasonality of the business with move-ins to the like-for-like portfolio of 51 stores, which were up 9% on the prior year

Move-ins	Year ended 31 March 2012	Year ended 31 March 2011	Increase
April to June	11,081	10,991	1%
July to September	12,661	11,981	6%
October to December	10,195	8,845	15%
January to March	10,149	8,685	17%
Total	44,086	40,502	9%

Move-ins in April 2012 were up 17% on April 2011

Of the 53 stores open at the year end all are trading profitably at the EBITDA level, with the exception of New Cross, which opened in February 2012

73% of our current revenue derives from within the M25, for London and the South East, the proportion of current revenue rises to 89% The performance of our stores in London has been more resilient over the past five years than those outside London

The average net rental achieved across the 53 stores was £26 81 per sq ft per annum (the average rent in London is higher at £28 80 per sq ft per annum) The stores in lease-up achieved a higher average rental (£27 49 per sq ft) than the 32 established stores (£26 52 per sq ft), reflecting the greater London weighting of the lease-up store portfolio

Our key focus over the next two to three years is to drive occupancy and hence revenue in the stores During the downturn we increased the level of promotional offers in the business, resulting in more muted rental growth over the past couple of years As the stores lease-up, and the number of vacant rooms in particular sizes reduce, our pricing model will automatically reduce the level of discounts offered, leading to an increase in net achieved rents In our higher occupancy stores within the established portfolio, we have seen net rental growth of 4-5% in the current year We have a rolling programme of price increases to existing storage customers, in most cases providing an annual increase in storage rents of 6%

Store operations

The Big Yellow store model is well established The "typical" store has 60,000 sq ft of net lettable storage area and takes some 3 to 5 years to achieve 75% to 80% plus occupancy in the current macroeconomic environment Some stores have taken longer than this given they opened just before or during the downturn The average room size occupied in the portfolio is currently 66 sq ft, an increase from 65 sq ft in the prior year

The store is open seven days a week and 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

Directors' Report (continued)

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 table below illustrates the average key metrics across the store portfolio for the year ended 31 March 2012

	Established stores	Lease-up stores
Number of stores	32	21
Store capacity	60,656	67,476
Sq ft occupied per store at 31 March 2012	45,063	32,905
% occupancy	74 3%	48 8%
Revenue per store	£1,369,000	£975,000
EBITDA per store	£887,000	£589,000
EBITDA margin	65%	60%

Revenue per available square foot (REVPAF) across the portfolio, including the 69,000 sq ft store at Eltham, London, which opened in April 2011, and the 60,000 sq ft store at New Cross, London, which opened in February 2012, increased from the last year by 5 2% to £19 43 (2011 £18 47)

The average store size in the UK market is approximately 40,000 sq ft according to the 2012 Self Storage Association Survey The upside from filling our larger than average sized stores is, in our view, only possible in large metropolitan markets, where self storage drivers from domestic and business customers are highest

Of the customers moving into the business in the last year, our surveys indicate approximately 58% are linked to the housing market, of which 18% are customers renting storage space whilst using the rental sector, and 40% moving within the owner occupied sector During the year 11% of our customers who moved in took storage space as a spare room for decluttering and approximately 22% 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 These proportions of demand are in line with last year

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

We have a dedicated national accounts team for business customers who wish to occupy space in multiple stores These accounts are billed and managed centrally We have three full time members of staff working on growing and managing our national account customers The national accounts team can arrange storage at short notice at any location for our customers

Business customers typically stay longer than domestic customers, and also on average occupy larger rooms Whilst only representing 9% of new customers during the year, businesses represent 19% of our overall customer numbers, occupying 35% of the space in our stores The average room size occupied by business customers is 120 sq ft, against 53 sq ft for domestic customers

The demand from business customers 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

The split between business and domestic customers for the 53 stores is as follows

	Sq ft occupied at 31 March 2012	%	No of customers at 31 March 2012	%	% of storage revenue for the year
Business customers	752,000	35%	6,116	19%	30%
Domestic customers	1,381,000	65%	26,220	81%	70%
Total	2,133,000		32,336		100%

Directors' Report (continued)

The net rent per sq ft for domestic customers is approximately 46% higher than for business customers, reflecting the smaller average unit size occupied for domestic customers

For the 32 established stores, the average split between business and domestic customers is shown in the table below

	Domestic	Business	Total
% of occupied space	64 9%	35 1%	100%
Sq ft occupied per store at 31 March	29,246	15,817	45,063
Revenue per store for the year	£958,000	£411,000	£1,369,000

At 31 March 2012 the average length of stay for existing customers was 18 9 months in line with the prior year For the stores that have been open more than five years, the average length of stay increases to 21 7 months For all customers, including those who have moved out of the business, the average length of stay has remained at 8 5 months This translates into a loyal customer base In our 32 established store portfolio, 37% of our customers by occupied space have been storing with us for over three years A further 15% of customers in these stores have been in the business for between one and three years

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 online customer reviews, which give an average customer service score of 4 7 out of 5 We have in place a team of Area Managers who have on average worked for Big Yellow for nine 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

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 branded 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 cost of sales This excludes makeovers, which typically take place every four years, at a cost of approximately £15,000 to £20,000 per store

We have continued to manage the ten freehold stores branded as Armadillo Self Storage alongside our Big Yellow stores using the same operating model The management contract expires in February 2014 and our key objective within the Armadillo portfolio remains driving occupancy, revenue and cash flow

.Big Yellow Self Storage Company Limited

Directors' Report (continued)

PORTFOLIO SUMMARY

Wholly owned stores	March 2012 Established [1]	March 2012 Lease-up	March 2012 Total	March 2011 Established	March 2011 Lease-up	March 2011 Total
Number of stores	32	21	53	32	19	51
At 31 March						
Total capacity (sq ft)	1,941,000	1,417,000	3,358,000	1,941,000	1,288,000	3,229,000
Occupied space (sq ft)	1,442,000	691,000	2,133,000	1,381,000	534,000	1,915,000
Percentage occupied	74 3%	48 8%	63 5%	71 1%	41 5%	59 3%
Net rent per sq ft	£26 44	£26 78	£26 49	£26 34	£27 92	£26 78
Annualised revenue (£000)	44,062	22,077	66,139	42,154	17,801	59,955
For the year						
REVPAF[2]	£22 56	£14 99	£19 43	£21 93	£13 26	£18 47
Average occupancy	73 3%	43 7%	60 8%	71 6%	38 8%	58 5%
Average annual rent psf	£26 52	£27 49	£26 81	£26 32	£28 22	£26 82
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Self storage income	37,729	17,005	54,734	36,589	14,101	50,690
Other storage related income [3]	5,995	3,368	9,363	5,908	2,936	8,844
Ancillary store rental income	69	107	176	61	27	88
Total store revenue	43,793	20,480	64,273	42,558	17,064	59,622
Direct store operating costs (excluding depreciation)	(13,366)	(8,064)	(21,430)	(13,046)	(7,415)	(20,461)
Short and long leasehold rent[4]	(2,039)	(45)	(2,084)	(1,990)	(45)	(2,035)
Store EBITDA[5]	28,388	12,371	40,759	27,522	9,604	37,126
Store EBITDA margin[6]	64 8%	60 4%	63 4%	64 7%	56 3%	62 3%
Cumulative capital expenditure	**£m**	**£m**	**£m**			
To 31 March 2012	164 5	217 1	381 6			
To complete	-	3 7	3 7			
Total capital expenditure	164 5	220 8	385 3			

(1) The 32 established stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn The lease-up stores have yet to trade at their stabilised occupancy levels Of the 21 lease-up stores, three stores opened before 31 March 2006, six stores opened in the year ended 31 March 2007, six stores opened in the year ended 31 March 2008 and six have opened since 1 April 2008

(2) Total store revenue divided by the average maximum lettable area in the year

Directors' Report (continued)

(3) Packing materials, insurance and other storage related fees

(4) Rent for seven established short leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 431,000 sq ft, and a long leasehold lease-up store with a capacity of 64,000 sq ft

(5) Earnings before interest, tax, depreciation and amortisation

(6) Of the established stores, the seven leasehold stores achieved a store EBITDA of £4 5 million and EBITDA margin of 44% The 25 freehold stores achieved a store EBITDA of £23 9 million and EBITDA margin of 71%

Sales and marketing

This year our strategy has focussed on driving customer response through our online platforms Our You Gov surveys conducted in recent years show our national brand awareness remaining at three times the level of our nearest competitor, and awareness levels of 80% in London and 42% outside of London Although Big Yellow leads the industry in terms of brand preference, there is still an opportunity to improve our brand awareness, in particular in regional cities outside London where we have recently opened stores

(Source YouGov September 2011)

Online

The website continues to grow in strength, with online prospects now accounting for 80% of all sales leads where details are first recorded on our operating system Telephone is the first point of contact for 12% of prospects and walk-in enquiries, where we have had no previous contact with a prospect, represent 8%

The Big Yellow website continues to evolve and we are constantly improving the user journey and prospect conversion throughout the site Web analytics allow us to remove barriers to conversion in the web journey and to test new web page design to help increase conversion

Mobile

With the huge growth in the use of smart phones and web browsing on mobile devices, we launched a dedicated mobile site in October 2011 This site is optimised for mobile phone use and presents the user with a simpler version of the main website Conversion from a web visit to prospect through the mobile platform has exceeded the main website The mobile site accounted for 23% of our total web traffic in April 2012

Online customer reviews

Consistent with our strategy of putting the customer at the heart of our business, our online customer reviews continue to generate real-time feedback from customers as well as providing positive word of mouth to prospective customers We ask our new customers to rate our product and service These reviews are published on the website

The reviews published indicate we are consistently delivering a very high standard of service

- Over 6,300 reviews have been published
- Over 60% have awarded a score of 5 out of 5
- Our average overall rating is 4 6 out of 5
- Our average customer service score is 4 7 out of 5

In our view, real time customer reviews which have been independently and externally obtained are much more persuasive to prospects than scripted testimonials We also gain real time insight from customers publishing Google reviews and from monitoring mentions of Big Yellow with the social mediums of Twitter and general online forums

Directors' Report (continued)

Driving online traffic

Search engines continue to be the most important acquisition tool for us, accounting for nearly 70% of all traffic to the website We continue to make ongoing investment into search engine optimisation ("SEO") techniques both on and off the site This helps us maintain the number one position for the popular and high volume search terms "storage" and "self storage" in the organic listings on Google We have also been optimising our business pages and now appear high on Google's listings for the most popular business storage related search terms providing a good source of business prospects into the site at low cost

The sponsored search listings remain the largest source of paid for traffic and we ensure our prominence in these listings is balanced with effective landing pages to maximise site conversion

This year, we have also continued with online display advertising on websites which are contextually and geographically targeted to our core audience groups This activity performs both a direct response and branding role

Efficiencies in all online spend are continuing into 2012/13, ensuring return on investment is maximised from all our different online traffic sources

Online marketing budgets will continue to remain fluid and be directed towards the media with the best return on investment

Social media

Social media continues to be complementary to our existing marketing channels

With over 24,000 'likes', our Facebook channel allows us to keep engaged with our target audiences, keeping the brand front of mind and allowing a forum for their feedback and dialogue The Big Yellow You Tube channel is being used to showcase our stores to web prospects through a video store tour We use both domestic and business versions to help prospects experience the quality of the product without the need for them to visit the store in person

We also continue to develop a substantial amount of online blog content Advice and tips for packing, storage and de-cluttering are published weekly on the site and posted through our Facebook and Twitter channels This provides useful and engaging content for visitors

Sales promotion

We have continued our sales promotion offer throughout the year of "50% off for up to your first 8 weeks storage" across all stores, coupled with a Price Promise for comparable local competition We continue to manage pricing dynamically, taking account of customer demand and local competition

Budget

During the year the Company spent approximately £2 2 million (3 3% of revenue) on marketing, the same as the previous year We have held thc budget for the year ended 31 March 2013 at £2 2 million with a focus on driving our revenue through delivering more prospects to the website

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 which include flexitime, staggered hours, home working and sabbaticals We provide a comprehensive range of medical support and advice

Directors' Report (continued)

though our occupational health providers and have arranged corporate gym membership on a national basis, as well as a Cycle to Work Scheme

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

In March of this year we were delighted to have been recognised as one of the Sunday Times 100 Best Companies to Work For 2012 and also to have achieved "Two Star Status" for the Best Companies Accreditation

We had 310 full-time, part-time and casual employees in the business at the year end (2011 301 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 745 days training to employees in the last year, equating to an average of approximately 2 4 days training per employee In the stores, two thirds of the managerial posts have been filled by internal promotions

Property and development

During the year our property team has focussed on building out selected sites within our development pipeline, and selling surplus land held in our balance sheet

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 56 stores and sites of which 53 are currently open

Development pipeline

There are three freehold sites with planning for Big Yellow stores to be developed The status of the development pipeline is summarised in the table below

Wholly owned sites	Location	Status	Anticipated capacity
Gypsy Corner, West London	Highly visible site on A40 in Acton, West London	Consent granted	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

Our landmark wholly owned store at Chiswick, with strong visibility from the M4 flyover, opened in April Chiswick is our only planned store opening for the financial year ending 31 March 2013

The Company 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 was £19 2 million, including £4 4 million in relation to the Richmond hotel development

.Big Yellow Self Storage Company Limited

Directors' Report (continued)

Risk management and internal control

The Company operates a rigorous system of risk management and 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 Company, including those matters which are reserved specifically for the Board

The Board regularly reviews the effectiveness of the Company's risk management and internal control systems 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 risk management and internal control arising during the period covered by the report, including the work carried out by the Company's Store Compliance team The Audit Committee assists the Board in discharging its review responsibilities

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 risk management and internal control systems, 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

The principal areas of risk that the Company faces are considered below

Self storage market risk

The UK economy has continued its slow recovery from the recession The demand for self storage has slowed since the liquidity crisis began in August 2007, however we believe that the structural need for self storage remains We saw an increase in demand in the financial year, with move-ins in our wholly owned portfolio up 9% on the prior year

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

.Big Yellow Self Storage Company Limited

Directors' Report (continued)

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 start of the downturn, and over the last couple of years new store openings within the sector have slowed to a trickle

Our performance during the downturn has been relatively resilient, although not immune We believe that the resilience of our performance is due to a combination of factors including

- a prime portfolio of freehold self storage properties,
- a focus on London and the South East, which has proved more resilient during the downturn and where the drivers in the self storage market are at their strongest and the barriers to competition are at their highest,
- the strength of operational and sales management,
- continuing innovation to deliver the highest levels of customer service,
- the UK's leading self storage brand, with high public awareness and online strength, and
- strong cash flow generation and high operating margins

We have a large current storage customer base of over 32,000 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 economic environment, this has remained a seasonal business and typically we see growth over the spring and the summer months, with the seasonally weaker periods being the winter months

The performance in terms of occupancy, revenue and EBITDA of our stores can be seen from the Portfolio Summary on page 7

Property risk

Our 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 current 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 Company 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

Interest cover and balance sheet risk

The Company 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 Company is therefore not exposed to a significant credit risk 79% of our current customers pay by direct debit, however of new customers moving into the business in the last year 85% have paid by direct debit Businesses often prefer to pay by cheque or BACS Since the start of the downturn in economic activity, we have not seen an increase in the levels of bad debts and arrears Indeed, we have seen an improvement in the current year, with our bad debt expense representing 0 03% of revenue in the year (2011 0 12%)

Directors' Report (continued)

Taxation risk

The Company 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 We are currently in consultation with HMRC over the proposed change to the VAT status of self storage

Real Estate Investment Trust ("REIT") risk

The Company converted to a REIT in January 2007 The Company is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation The Company 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

Our staff are key to our success and we are exposed to a risk of high staff turnover, and a risk of the loss of key personnel 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 Company

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 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 are the only major operator in the UK self storage industry that has every room in every store individually alarmed

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

Internal audit

The Company does not have a formal internal audit function because the Board has concluded that the internal controls systems discussed above are sufficient for the Company at this time However, the Company employs a Store Compliance Manager responsible for reviewing store operational and financial controls He reports to the Chief Financial Officer 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 Company'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

Directors' Report (continued)

Corporate Social Responsibility

The Board employs a Corporate Social Responsibility Manager, who reports to the Board through the Operations Director Our detailed Corporate Social Responsibility report is published in the Group's 2012 Annual report on page 34 Our policy on Corporate Social Responsibility is set out on our website bigyellow co uk/csr

Our CSR programme for 2012 committed to focus on our most significant environmental challenge of energy efficiency and carbon reduction In order to achieve these twin objectives we

- Continued our lighting efficiency programmes to gain an absolute carbon (CO_2) emission reduction of 5 5%,
- Reduced carbon intensity emissions by 10 1% per store gross internal area and by 18 6% per customer occupied space, with three new stores opening and an increase of 16 1% in occupied space,
- Increased our annual solar electricity generation 15 3% to 123,489 kWh and saved carbon emissions equivalent to 64 4 tCO_2 in the year ended 31 March 2012,
- Generated cumulative solar PV electricity of 374 MWh since the first installation in March 2008, an increase of 49 4% on last year's cumulative total, and
- Generated total Feed in Tariff income, displaced electricity costs and carbon tax reductions of £90,000 since 1 April 2010

During the year we were awarded a Queen's Award for Enterprise in 'Sustainable Development', and also obtained a place in the Sunday Times Best 60 Green Companies to Work for

Share capital

The authorised and issued share capital of the Company at the beginning and end of the year are £1,000

Results and dividends

The income statement is set out on page 19 of the financial statements The directors do not recommend the payment of a dividend (2011 £nil)

Directors

The directors of the Company who served throughout the year and to the date of this report are shown on page 1

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

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

Deloitte LLP were appointed as auditors for the Company on 30 June 2004

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an AGM

.Big Yellow Self Storage Company Limited

Directors' Report (continued)

Post balance sheet events

On 26 April 2012 the company sold 15 properties to a fellow subsidiary of Big Yellow Group Plc, Big Yellow Self Storage Company A Limited for a consideration of £242 million This was in connection with a new 15 year £100 million loan that Big Yellow Self Storage Company A Ltd drew from Aviva Commercial Finance Ltd

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

Shauna Beavis
Secretary

2 October 2012

.Big Yellow Self Storage Company Limited

Statement of directors' responsibilities

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Internatıonal Fınancıal Reportıng Standards (IFRSs) as adopted by the European Unıon Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, Internatıonal Accountıng Standard 1 requıres that dırectors

- properly select and apply accountıng polıcıes,
- present ınformatıon, ıncludıng accountıng polıcıes, ın a manner that provıdes relevant, relıable, comparable and understandable ınformatıon,
- provıde addıtıonal dısclosures when complıance wıth the specıfic requırements ın IFRSs are ınsufficıent to enable users to understand the ımpact of partıcular transactıons, other events and condıtıons on the entıty's financıal posıtıon and financıal performance, and
- make an assessment of the Company's abılıty to contınue as a goıng concern

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

The dırectors are responsıble for the maıntenance and ıntegrıty of the corporate and financıal ınformatıon ıncluded on the company's websıte Legıslatıon ın the Unıted Kıngdom governıng the preparatıon and dıssemınatıon of financıal statements may dıffer from legıslatıon ın other jurısdıctıons

Independent auditor's report to the members of .Big Yellow Self Storage Company Limited

We have audited the financial statements of Big Yellow Self Storage Company Limited for the year ended 31 March 2012 which comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes 1 to 22 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 Chapter 3 of Part 16 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 auditor

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 and express an opinion on 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 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 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our support

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

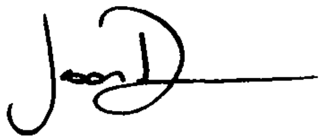
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of .Big Yellow Self Storage Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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



Jason Davies ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK

2 October 2012

Income statement
For the year ended 31 March 2012

	Note	2012 £000	2011 £000
Revenue	3	65,626	61,201
Cost of sales		(23,361)	(22,638)
Gross profit		42,265	38,563
Administrative expenses		(6,302)	(6,402)
Operating profit before losses on investment properties and other non-current assets	5	35,963	32,161
Losses on revaluation of investment properties	9c	(51,495)	(17,017)
(Loss)/ gains on surplus land	10	(500)	71
Operating (loss)/ profit		(16,032)	15,215
Finance costs	7	(12,602)	(12,411)
(Loss)/ profit before tax		(28,634)	2,804
Tax	8	-	-
(Loss)/ profit for the year		(28,634)	2,804

All items in the income statement relate to continuing activities

.Big Yellow Self Storage Company Limited

Balance sheet
As at 31 March 2012

	Note	2012 £000	2011 £000
Non-current assets			
Investment property	9a	726,390	745,840
Investment property under construction	9a	30,920	35,260
Interests in leasehold properties	9a	22,394	21,242
Plant, equipment and owner-occupied property	9b	1,125	1,123
Investment in subsidiaries		1	1
		780,830	803,466
Current assets			
Inventories		299	319
Surplus land	10	10,634	6,734
Trade and other receivables	12	10,333	11,396
Cash and cash equivalents		5,004	15
		26,270	18,464
Total assets		807,100	821,930
Current liabilities			
Trade and other payables	13	(24,060)	(21,987)
Obligations under finance leases	15	(1,946)	(1,947)
		(26,006)	(23,934)
Net current assets		264	(5,470)
Non-current liabilities			
Trade and other payables	13	(641,027)	(631,440)
Obligations under finance leases	15	(20,448)	(19,295)
		(661,475)	(650,735)
Total liabilities		(687,481)	(674,669)
Net assets		119,619	147,261
Equity			
Called up share capital	16	1	1
Reserves		119,618	147,260
Shareholders' funds		119,619	147,261

These financial statements were approved and authorised for issue by the Board of Directors on 2 October 2012

Signed on behalf of the Board of Directors

John Trotman
Director

Company Registration No. 05166173

.Big Yellow Self Storage Company Limited

Statement of comprehensive income
Year ended 31 March 2012

	2012 £000	2011 £000
Current and deferred tax recognised in equity	-	-
Net expense recognised directly in equity for the year	-	-
(Loss)/ profit for the year	(28,634)	2,804
Total comprehensive (loss)/ income for the year attributable to equity shareholder	(28,634)	2,804

Statement of changes in equity
Year ended 31 March 2012

	Share capital £000	Retained earnings £000	Total £000
At 1April 2011	1	147,260	147,261
Total comprehensive loss for the year	-	(28,634)	(28,634)
Credit to equity for equity-settled share based payments	-	992	992
At 31 March 2012	1	119,618	119,619

	Share capital £000	Retained earnings £000	Total £000
At 1 April 2010	1	143,392	143,393
Total comprehensive income for the year	-	2,804	2,804
Credit to equity for equity-settled share based payments	-	1,064	1,064
At 31 March 2011	1	147,260	147,261

.Big Yellow Self Storage Company Limited

Cash flow statement
Year ended 31 March 2012

	2012 £000	2011 £000
Operating (loss)/ profit	(16,032)	15,215
Loss on revaluation of investment properties	51,495	17,017
Loss/ (gain) on non-current assets	500	(71)
Depreciation	515	579
Repayment of finance lease capital obligations	853	910
Share option expense	1,532	1,640
Decrease/ (increase) in inventories	19	(23)
Decrease/ (increase) in receivables	1,107	(1,635)
Increase / (decrease) in payables	9,218	(4,610)
Cash flows from operating activities	49,207	29,022
Interest paid	(13,637)	(13,262)
Net cash from operating activities	35,570	15,760
Investing activities		
Purchase of non-current assets	(26,240)	(2,993)
Additions to surplus land	(4,400)	(312)
Sale of surplus land	912	3,297
Purchase of assets from other group company	-	(15,180)
Cash used by investing activities	(29,728)	(15,188)
Financing activities		
Repayment of finance lease capital obligations	(853)	(910)
Cash used by financing activities	(853)	(910)
Net decrease in cash and cash equivalents	4,989	(338)
Opening cash and cash equivalents	15	353
Closing cash and cash equivalents	5,004	15

.Big Yellow Self Storage Company Limited

Notes to the financial statements
Year ended 31 March 2012

1. **General information**

Big Yellow Self Storage Company Limited is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 1 The nature of the company's operations and its principal activities are set out on page 2

The results and financial position of the company are expressed in pounds sterling which is the functional currency of the company, and the presentational currency for the financial statements

2. **Significant accounting policies**

Adoption of new and revised standards

In the current year, there were no new or revised Standards or Interpretations that have been adopted and have affected the amounts reported in these financial statements

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted but have had no impact in the current year

- Revised IAS 24 Related party disclosures, effective for accounting periods beginning on or after 1 January 2011
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement, effective for accounting periods beginning on or after 1 January 2011
- IFRS 2010 Improvements, effective for accounting periods beginning on or after 1 January 2011
- Amendments to IFRS 7 Financial Instruments Disclosures, effective for accounting periods beginning on or after 1 January 2011

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

2. Significant accounting policies (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

- Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets, effective for accounting periods beginning on or after 1 January 2012
- Amendments to IAS 1 Presentation of items of other comprehensive income, effective for accounting periods beginning on or after 1 July 2012
- Amendments to IAS 19 Employee benefits, effective for accounting periods beginning on or after 1 January 2013
- IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2015
- IFRS 10 Consolidated financial statements, effective for accounting periods beginning on or after 1 January 2013
- IFRS 11 Joint Arrangements, effective for accounting periods beginning on or after 1 January 2013
- IFRS 12 Disclosure of interests in other entities, effective for accounting periods beginning on or after 1 January 2013
- IFRS 13 Fair value measurement, effective for accounting periods beginning on or after 1 January 2013
- IAS 27 Separate financial statements (2011), effective for accounting periods beginning on or after 1 January 2013
- IAS 28 Investments in associates and joint ventures (2011), effective for accounting periods beginning on or after 1 January 2013
- Improvements 2011 Improvements to IFRSs 2011, effective for accounting periods beginning on or after 1 January 2013
- Amendments to IFRS 7 Disclosures - Offsetting financial assets and financial liabilities, effective for accounting periods beginning on or after 1 January 2013
- Amendments to IAS 32 Offsetting financial assets and financial liabilities, effective for accounting periods beginning on or after 1 January 2014
- Amendments to IFRS 1 Government Loans, effective for accounting periods beginning on or after 1 January 2013

With the exception of IFRS 9, IFRS 10, IFRS 11, IFRS 12 and IFRS 13, IAS 27 and IAS 28 which the Company is currently evaluating, we do not expect there to be a material impact from the adoption of these standards

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 company 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

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 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

.Big Yellow Self Storage Company Limited

Notes to the financial statements
Year ended 31 March 2012

2. **Significant accounting policies (continued)**

Basis of accounting (continued)

Exemption from consolidation

The company is exempt from the obligation to prepare and deliver group accounts as it is included in the consolidated financial statements of its ultimate parent company Big Yellow Group plc, a company incorporated in the United Kingdom, which comply with IFRS

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 15 The financial position of the company, its cash flows and liquidity position, as shown in the balance sheet, cash flow statement and notes to the financial statements, is such that it is in a net assets position with limited exposure to liquidity or credit risk and is financed by an intercompany loan from Big Yellow PLC, as disclosed in note 14

On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Investment in subsidiaries

These are recognised at cost less provision for any 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

Revenue recognition

Revenue represents amounts derived from the provision of services which fall within the company'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 company 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

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

Notes to the financial statements
Year ended 31 March 2012

2. Significant accounting policies (continued)

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 company 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 company suspends capitalisation The company ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete

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

Tax

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 company'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 company 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 tax authority and the company intends to settle its current tax assets and liabilities on a net basis

Notes to the financial statements
Year ended 31 March 2012

2. Significant accounting policies (continued)

Plant, equipment and 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 company 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 company 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 9a 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

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 company 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

2. Significant accounting policies (continued)

Impairment of assets

At each balance sheet date, the company 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 company'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 company's balance sheet when the company becomes a party to the contractual provisions of the instrument

A - Derivative financial instruments and hedge accounting

There are no derivative financial instruments in the company

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

2. **Significant accounting policies (continued)**

E - Financial liabilities and equity

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

F - Equity instruments

There are no equity instruments in the company

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 company

Share-based payments

The company 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 company 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 company'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 company'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

Notes to the financial statements
Year ended 31 March 2012

2. Significant accounting policies (continued)

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

The company'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 company employs expert external valuers, Cushman & Wakefield LLP, who report on the values of the company'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 company's investment properties is set out in note 9 to the accounts

b) *Surplus land*

The company'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
Year ended 31 March 2012

3. Revenue

	2012 £000	2012 £000	2011 £000	2011 £000
Open stores				
Self storage income	54,734		50,538	
Other storage related income	9,363		8,844	
Ancillary store rental income	176		88	
		64,273		59,470
Stores under development				
Non-storage income	233		405	
		233		405
Fee income				
Fees earned from Big Yellow Limited Partnership	714		920	
Other management fees earned	406		406	
		1,120		1,326
Revenue per income statement		65,626		61,201

4 Segmental information

Revenue represents amounts derived from the provision of self storage accommodation and related services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The company'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

Notes to the financial statements
Year ended 31 March 2012

5. Operatıng (loss)/profit

(Loss)/profit for the year has been arrıved at after

	2012 £000	2011 £000
Depreciatıon of plant, equıpment and owner-occupıed property	515	579
Fınance lease depreciatıon	853	910
Decrease ın faır value of ınvestment property	51,495	17,017
Cost of ınventorıes recognısed as an expense	914	822
Employee costs (see note 6)	10,255	9,867
Operatıng lease rentals	164	78

The audıtors' remuneratıon for the audıt of the company's accounts was £120,000 (2011 £118,000) The audıtors' remuneratıon was borne by the company's parent company

Amounts payable to Deloıtte LLP by the company ın respect of non audıt servıces were £nıl (2011 £nıl)

6. Dırectors' remuneratıon and employee costs

The total amounts for Dırectors' remuneratıon were as follows

	Salary /fees £	Annual Bonus £	2012 Taxable benefits £	Sub total £	Pensıon £	2012 Total £	2011 Total £
Nıcholas Vetch	244,300	24,430	10,229	278,959	24,430	303,389	297,667
James Gıbson	267,900	26,790	10,874	305,564	26,790	332,354	325,968
Adrıan Lee	198,300	19,830	7,596	225,726	19,830	245,556	239,991
John Trotman	150,000	15,000	5,420	170,420	15,000	185,420	167,167
	860,500	86,050	34,119	980,669	86,050	1,066,719	1,030,793

Dırectors' share optıons

Aggregate emoluments dısclosed above do not ınclude any amounts for the value of optıons to acquıre ordınary shares ın the parent company granted to or held by the Dırectors Durıng the year there were gaıns of £0 5 mıllıon made on the exercıse of share optıons by the Company's Dırectors There were no share optıon exercıses by Dırectors durıng the course of the prıor year

.Big Yellow Self Storage Company Limited

Notes to the financial statements
Year ended 31 March 2012

6. Directors' remuneration and employee costs (continued)

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

Name	Date option granted	No. of shares under option at 31 March 2011	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares under option at 31 March 2012	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
Nicholas Vetch	9 July 2008	55,000	-	(47,300)	(7,700)	-	nil p	247 0p	9 July 2011	9 July 2018
	3 August 2009	69,500	-	-	-	69,500	nil p	-	3 August 2012	3 August 2019
	12 July 2010	78,801	-	-	-	78,801	nil p	-	12 July 2013	12 July 2020
	19 July 2011	-	80,072	-	-	80,072	nil p	-	19 July 2014	18 July 2021
James Gibson	9 July 2008	60,000	-	(51,600)	(8,400)	-	nil p	301 3p	9 July 2011	9 July 2018
	3 August 2009	76,200	-	-	-	76,200	nil p	-	3 August 2012	3 August 2019
	12 July 2010	86,419	-	-	-	86,419	nil p	-	12 July 2013	12 July 2020
	19 July 2011	-	87,807	-	-	87,807	nil p	-	19 July 2014	18 July 2021
Adrian Lee	9 July 2008	45,000	-	(38,700)	(6,300)	-	nil p	301 3p	9 July 2011	9 July 2018
	3 August 2009	42,300	-	-	-	42,300	nil p	-	3 August 2012	3 August 2019
	12 July 2010	63,975	-	-	-	63,975	nil p	-	12 July 2013	12 July 2020
	19 July 2011	-	57,080	-	-	57,080	nil p	-	19 July 2014	18 July 2021
John Trotman	9 July 2008	29,000	-	(24,940)	(4,060)	-	nil p	301 3p	9 July 2011	9 July 2018
	3 August 2009	27,800	-	-	-	27,800	nil p	-	3 August 2012	3 August 2019
	12 July 2010	44,427	-	-	-	44,427	nil p	-	12 July 2013	12 July 2020
	19 July 2011	-	57,080	-	-	57,080	nil p	-	19 July 2014	18 July 2021

Four Directors received contributions to their money purchase pension plans (2011 four Directors) The Directors' pension entitlements are equivalent to 10% of their basic salary, unchanged from the prior year

No amounts were paid to third parties in respect of services provided by the Directors

The highest paid director in the year was Mr Gibson and details of his remuneration are disclosed above

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

	2012 No.	2011 No.
Sales	235	229
Administration	44	44
	279	273

Notes to the financial statements
Year ended 31 March 2012

6. Directors' remuneration and employee costs (continued)

At 31 March 2012 the total number of employees was 310 (2011 301) Their aggregate remuneration comprised

	2012 £000	2011 £000
Wages and salaries	7,605	7,133
Social security costs	791	768
Other pension costs	327	325
Share-based payments	1,532	1,641
	10,255	9,867

7. Finance costs

	2012 £000	2011 £000
Interest on obligations under finance leases	1,130	1,123
Intercompany interest	12,506	12,134
Capitalised interest	(1,034)	(851)
Other interest payable	-	5
	12,602	12,411

8. Tax

	2012 £000	2011 £000
UK current tax		
Current tax	-	-
	-	-

A reconciliation of the tax charge is shown below

	2012 £000	2011 £000
(Loss)/ profit before tax	(28,634)	2,804
Tax charge at 26% (2011 - 28%) thereon	(7,445)	785
Effects of		
Permanent differences	142	47
Temporary differences	(34)	(37)
Revaluations of investment properties	13,389	4,765
Revaluation of surplus land	130	-
Profits from the tax exempt business	(5,812)	(5,148)
Losses utilised in the period	(370)	(412)
Total tax charge	-	-

Notes to the financial statements
Year ended 31 March 2012

9 Non-current assets

a) Investment property and interests in leasehold property

	Investment property £000	Investment property under construction £000	Interests in leasehold property £000	Total £000
At 1 April 2011	745,840	35,260	21,242	802,342
Reclassification	27,371	(27,371)	-	-
Additions	2,723	16,032	-	18,755
Adjustment to present value			2,005	2,005
Revaluation	(49,544)	(1,951)	-	(51,495)
Transfer from other group company	-	8,950	-	8,950
Depreciation	-	-	(853)	(853)
At 31 March 2012	726,390	30,920	22,394	779,704

Included within additions is £1 0 million of capitalised interest, calculated at the Group's average borrowing cost of 3 7%

Investment property under construction of £8 95 million was transferred from another group company at fair market value

b) Plant, equipment and owner-occupied property

	Freehold Property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Total £000
Cost						
At 1 April 2011	133	26	741	25	3,886	4,811
Additions	-	-	35	-	478	513
Transfer with other group companies	-	-	4	-	-	4
At 31 March 2012	133	26	780	25	4,364	5,328
Depreciation						
At 1 April 2011	(2)	(24)	(516)	(3)	(3,143)	(3,688)
Charge for the year		(2)	(48)	(7)	(458)	(515)
Transfer with other group companies	-	-	-	-	-	-
At 31 March 2012	(2)	(26)	(564)	(10)	(3,601)	(4,203)
Net book value						
At 31 March 2012	131	-	216	15	763	1,125
At 31 March 2011	131	2	225	22	743	1,123

Notes to the financial statements
Year ended 31 March 2012

9 **Non-current assets (continued)**

c) Valuation of investment property

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
Freehold stores*			
As at 1 April 2011	325,353	373,177	698,530
Transfer from investment property under construction	30,650	(3,279)	27,371
Movement in year	2,564	(45,575)	(43,011)
As at 31 March 2012	358,567	324,323	682,890
Leasehold stores			
As at 1 April 2011	15,692	31,618	47,310
Movement in year	159	(3,969)	(3,810)
As at 31 March 2012	15,851	27,649	43,500
Total of open stores			
As at 1 April 2011	341,045	404,795	745,840
Transfer from investment property under construction	30,650	(3,279)	27,371
Movement in year	2,723	(49,544)	(46,821)
As at 31 March 2012	374,418	351,972	726,390
Investment property under construction			
As at 1 April 2011	40,279	(5,019)	35,260
Transfer from other group companies	8,950	-	8,950
Transfer to investment property	(30,650)	3,279	(27,371)
Movement in year	16,032	(1,951)	14,081
As at 31 March 2012	34,611	(3,691)	30,920
Valuation of all investment property			
As at 1 April 2011	381,324	399,776	781,100
Transfer from other group companies	8,950	-	8,950
Movement in year	18,755	(51,495)	(32,740)
As at 31 March 2012	409,029	348,281	757,310

* Includes one long leasehold property

The freehold and leasehold investment properties have been valued at 31 March 2012 by external valuers, Cushman & Wakefield LLP ("C&W") The valuation has been carried out in accordance with the RICS Valuation – Professional 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 either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential, as appropriate

Notes to the financial statements
Year ended 31 March 2012

9 **Non-current assets (continued)**

c) Valuation of investment property (continued)

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 significant transactions since 2007 are

1 The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008

2 The sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010, and

3 The purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard The price paid was 172 million Euros and the transaction was announced in March 2011 The two joint ventures owned 72 self storage properties

Four further smaller transactions took place in 2011 at West Molesey, Cambridge, Dartford and St Albans

C&W state that due to the lack of comparable market information in the self storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions

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

9. Non-current assets (continued)

c) Valuation of investment property (continued)

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 53 trading stores (both freeholds and leaseholds) open at 31 March 2012 averages 82 4% (31 March 2011 83 1%) The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth The average time assumed for the 32 established stores to trade at their maturity levels is 32 months (31 March 2011 36 months), for the 21 lease-up stores, the period to maturity is 44 months (31 March 2011 49 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 net initial yield pre administration expenses for the 32 established stores is 6 8% (31 March 2011 6 3%) rising to a stabilised net yield pre administration expenses of 8 1% (31 March 2011 8 2%) Also on a no growth and pre administration expenses basis the 21 lease-up stores have a net initial yield of 4 4% (31 March 2011 3 6%) rising to 8 6% (31 March 2011 8 7%) on stabilisation

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 23% (31 March 2011 11 29%)

E Purchaser's costs of 5 8% (see below) have been assumed initially and sale plus purchaser's costs totalling 6 8% 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 16 7 years (31 March 2011 16 2 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 and 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 One scheme does not yet have planning consent and C&W have reflected the planning risk in their valuation

Proposed VAT change

The Government has announced in the Budget Statement a proposed change to the VAT status of self storage from 1 October 2012 The rental of self storage units is currently exempt from VAT as a licence to occupy

9 **Non-current assets (continued)**

c) Valuation of investment property (continued)

land in the same way as the rental of commercial property The Government are proposing that self storage will be subject to standard rate VAT (20%)

C&W have prepared their valuation reflecting the potential impact of the proposed VAT Change

We also instructed C&W to prepare a valuation on the Special Assumption that the proposed VAT change is not reflected in the valuation

Immature stores value uncertainty

C&W have assessed the value of each property individually However, four of the stores in the portfolio are relatively immature and have low initial cash flow C&W have endeavoured to reflect the nature of the cash flow profile for these properties in their valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction

Please note C&W's comments in relation to market uncertainty in the self storage sector due to the lack of comparable market transactions and information The degree of uncertainty relating to the four immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios

C&W state that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short term cash flow This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk

C&W have not adjusted their opinion of Fair Value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually However, they highlight the matter to alert the Group to the manner in which the properties might be grouped or lotted in order maximise their attractiveness to the market place

C&W consider this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date – and which, if not adopted, could produce a material difference in value

C&W have not assumed that the entire portfolio of properties owned by the Entity 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 (either higher or lower) from the aggregate of the individual values for each property in the portfolio, reflecting the lotting assumption 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 8% 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

Notes to the financial statements
Year ended 31 March 2012

9 **Non-current assets (continued)**

c) Valuation of investment property (continued)

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 2012 of £794,169,000 (£33,874,000 higher than the value recorded in the financial statements)

10. Surplus land

	2012 £000
At 31 March 2011	6,734
Additions	4,400
Impairment loss	(500)
At 31 March 2012	10,634

The prior year gain of £71,000 was comprised of a write back of a prior year impairment on a site of £500,000, offset by a loss on disposal of £429,000

11. Deferred tax

There are no deferred tax assets or liabilities at the end of current or preceding year

Notes to the financial statements
Year ended 31 March 2012

12. Trade and other receivables

	2012 £000	2011 £000
Trade receivables	1,553	1,770
Other receivables	992	173
Prepayments and accrued income	7,788	9,453
	10,333	11,396

Trade receivables are net of a bad debt provision of £12,000 (2011 £25,000)

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

Trade receivables

The company does not typically offer credit terms to its customers and hence the company 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 customers' account if they are greater than 10 days overdue in their payment The company 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, the company has 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 from the sale of goods, determined by reference to past default experience

For individual storage customers, the company 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 company's stores, the company 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

12. Trade and other receivables (continued)

Included in the company's trade receivable balance are debtors with a carrying amount of £156,000 (2011 £155,000) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable The company holds a right of lien over the customers' goods if these debts are not paid The average age of these receivables is 31 days past due (2011 34 days past due)

Ageing of past due but not impaired receivables

	2012 £000	2011 £000
1 - 30 days	114	99
30 - 60 days	13	33
60 +days	29	23
Total	156	155

Movement in the allowance for doubtful debts

	2012 £000	2011 £000
Balance at the beginning of the year	25	29
Impairment losses recognised	11	69
Amounts written off as uncollectible	(24)	(73)
Balance at the end of the year	12	25

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

	2012 £000	2011 £000
1 - 30 days	-	-
30 - 60 days	1	4
60 + days	11	21
Total	12	25

Notes to the financial statements
Year ended 31 March 2012

13. Trade and other payables

	2012 £000	2011 £000
Current		
Trade payables	9,159	9,885
Tax and social security	232	244
VAT repayable on capital goods scheme	641	918
Other payables	1,776	1,777
Accruals and deferred income	12,250	8,986
Amounts owed to group undertakings	2	2
Amounts owed to other related parties	-	175
	24,060	21,987
Non- current		
Amounts owed to group undertakings	640,712	630,486
VAT repayable under Capital Goods Scheme	315	954
	641,027	631,440

The directors estimate the fair value of the company's VAT payable under the capital goods scheme as follows

	2012 £000	2011 £000
Carrying amount	956	1,872
Estimated fair value	913	1,791

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

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice Thereafter, interest is charged on the outstanding balances at various interest rates The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe

14. Financial instruments

The company is financed through an intercompany loan from ultimate parent company Big Yellow Group PLC Details of the group financing arrangements are disclosed in the group financial statements which are publicly available at Companies House

A. Debt management

The Group, of which the company is a part, borrows through a senior term loan, secured on its existing store portfolio, and in addition since the year end has arranged a 15 year loan with Aviva Commercial Finance Limited secured on a portfolio of 15 self storage assets Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity Funding is arranged in the Group through banks and financial institutions with whom the Group has a strong working relationship

14. Financial instruments (continued)

B. Interest rate risk management

The Group, of which the company is a part, 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, and 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

At 31 March 2012 the Group had 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

In April 2012, the Group announced the completion of a £100 million 15 year term fixed rate loan with Aviva Commercial Finance Limited, which was deployed to repay £100 million of existing bank debt At the same time, the Group also cancelled £100 million of the above interest rate derivatives at a cost of £9 2 million This left a £90 million interest rate swap in the core bank debt facility at 2 99% plus margin to September 2015, with the remaining £100 million of the core bank debt paying at floating rates plus margin, in addition to the Aviva fixed rate loan

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 statement of comprehensive income of the Group's financial statements

C. Interest rate sensitivity analysis

In managing interest rate risks the Group, of which the company is a part, 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 2012, it is estimated that an increase of 0 5 percentage points in interest rates would have reduced the Group's adjusted profit before tax by £470,000 (2011 reduced adjusted profit before tax by £425,000) and a decrease of 0 5 percentage points in interest rates would have increased the Group's adjusted profit before tax by £470,000 (2011 increased adjusted profit before tax by £425,000) 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

The Group's sensitivity to interest rates has increased during the year, following the drawing of additional floating rate debt from cash resources The Board monitors closely the exposure to the floating rate element of our debt

Notes to the financial statements
Year ended 31 March 2012

14. Financial instruments (continued)

D. 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 company's short, medium and long-term funding and liquidity management requirements The Group, of which the company is part, 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

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

E. Credit risk

The credit risk management policies of the company with respect to trade receivables are discussed in note 12 The company has no significant concentration of credit risk, with exposure spread over 36,000 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

15. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012	**2011**	**2012**	**2011**
	£000	**£000**	**£000**	**£000**
Amounts payable under finance leases:				
Within one year	1,984	1,987	1,946	1,947
Within two to five years inclusive	7,937	7,946	6,857	6,828
Greater than five years	25,436	23,187	13,591	12,467
	33,373	31,133	20,448	19,295
Total amount payable under finance leases	35,357	33,120	22,394	21,242
Less Future finance charges	(12,963)	(11,878)		
Present value of lease obligations	22,394	21,242		

All lease obligations are denominated in sterling The fair value of the company's lease obligations approximates their carrying amount

Notes to the financial statements
Year ended 31 March 2012

16. Called up share capital

	2012 £	2011 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid:		
1,000 ordinary shares of £1 each	1,000	1,000

17. Related party transactions

Included within these financial statements are assets with a net book value of £8,954,000 (2011 £15,181,000) which were transferred from other group companies at their net book value, an intercompany loan of £640,706,000 (2011 £630,488,000), and intercompany interest payable of £12,506,000 (2011 £12,134,000)

No dividends were received from any of the subsidiaries (2011 £nil)

The Group has a 33% interest in Big Yellow Limited Partnership ("the Partnership") and entered into transactions with the partnership during the year on normal commercial terms In the current year the Company earned fees from the Partnership of £714,000 (2010 £920,000) At 31 March 2012, the partnership owed £294,000 to the Company (2011 the Company owed £175,000 to the Partnership)

Dreams plc

Steve Johnson, a Non-Executive Director of the Group was appointed as Executive Chairman of Dreams plc in July 2011 During the year, the Company entered into a lease over a retail unit at its Eltham store with Dreams plc on normal commercial terms The contracted rent is £127,000 per annum

AnyJunk Limited

James Gibson is a Non-Executive Director and shareholder in AnyJunk Limited and Adrian Lee is a shareholder in AnyJunk Limited During the year AnyJunk Limited provided waste disposal services to the Group on normal commercial terms, amounting to £12,000

No other related party transactions took place during the years ended 31 March 2012 and 31 March 2011

18. Ultimate parent company and controlling party

The immediate and ultimate parent company, controlling party and only company that prepares group accounts into which the results of the company are consolidated, is Big Yellow Group PLC, a company incorporated in Great Britain and registered and operating in England and Wales The financial statements of Big Yellow Group PLC are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ

19. Share based payments

Big Yellow Group PLC, of which the company is a member, 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 £1,532,000 (2011 £1,640,000) The company employs all staff who are beneficiaries of the Group's share-based payment arrangements, therefore the cost is borne in the company accounts

Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved HMRC Share option schemes between November 1999 and 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

Notes to the financial statements
Year ended 31 March 2012

19. Share based payments (continued)

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 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 an annual basis since 2004 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 49 of the Group's annual report The awards granted in 2004, 2005 and 2006 vested in full The awards granted in 2007 lapsed, and the awards granted in 2008 partially vested

The weighted average share price at the date of exercise for options exercised in the year was 287 pence (2011 327 pence)

Share option scheme "ESO"	**2012 No. of Options**	**2012 Weighted average exercise price (in £)**	**2011 No. of Options**	**2011 Weighted average exercise price (in £)**
Outstanding at beginning of year	86,351	0 92	107,501	0 94
Exercised during the year	(43,938)	0 95	(21,150)	0 85
Outstanding at the end of the year	42,413	0 85	86,351	0 92
Exercisable at the end of the year	42,413	0 85	86,351	0 92

Options outstanding at 31 March 2012 had a weighted average contractual life of 1 2 years (2011 1 6 years)

LTIP scheme	**2012 No. of Options**	**2011 No. of Options**
Outstanding at beginning of year	1,377,709	1,488,780
Granted during the year	495,582	454,435
Forfeited during the year	(48,300)	(537,383)
Exercised during the year	(277,180)	(44,750)
Outstanding at the end of the year	1,547,811	1,361,082
Exercisable at the end of the year	220,550	202,330

The weighted average fair value of options granted during the year was £433,000 (2011 £453,000)

Options outstanding at 31 March 2012 had a weighted average contractual life of 7 8 years (2011 7 8years)

Notes to the financial statements
Year ended 31 March 2012

19. Share based payments (contınued)

Employee Share Save Scheme ("SAYE")	2012 No. of Optıons	2012 Weıghted average exercıse prıce (ın £)	2011 No of Optıons	2011 Weıghted average exercıse prıce (in £)
Outstandıng at begınnıng of year	302,599	1 73	304,176	1 66
Granted durıng the year	124,702	2 40	34,132	2 63
Forfeıted durıng the year	(35,225)	2 38	(31,924)	2 04
Exercısed durıng the year	(11,401)	2 66	(3,785)	1 41
Outstandıng at the end of the year	380,675	1 86	302,599	1 73
Exercısable at the end of the year	-	-	-	-

Optıons outstandıng at 31 March 2011 had a weıghted average contractual lıfe of 1 6 years (2011 1 6 years)

The ınputs ınto the Black-Scholes model are as follows

	ESO	LTIP	SAYE
Expected volatılıty	24%	41%	45%
Expected lıfe	3 years	3 years	3 years
Rısk-free rate	4 7%	2 2%	1 9%
Expected dıvıdends	3 2%	4 4%	4 9%

Expected volatılıty was determıned by calculatıng the hıstorıcal volatılıty of the Group's share prıce over the year prıor to grant

Long term bonus performance plan

The Group has a joınt share ownershıp plan ın place Thıs ıs accounted for as a compound ınstrument, wıth 50% accrued as a lıabılıty as thıs proportıon of the award may be cash settled The balance ıs recognısed as a credıt to equıty, recognısıng the equıty settled element The plan was set up ın August 2009 Dırectors and senıor employees have a partıal ınterest ın 1,885,117 shares wıth the Group's Employee Benefit Trust The faır value of each award ıs £2 subject to the vestıng crıterıa as set out ın the Dırectors' Remuneratıon Report of the Group's annual report At 31 March 2012 the weıghted average contractual lıfe was 0 4 years (2011 1 4 years)

20. Capıtal commitments

Amounts contracted but not provıded ın respect of the company's propertıes as at 31 March 2012 were £4 9m (2011 £3 4m)

.Big Yellow Self Storage Company Limited

Notes to the financial statements
Year ended 31 March 2012

21. Events after the balance sheet date

As disclosed in note 14, in April 2012 the Group, of which the company is a part, entered into a £100 million 15 year loan with Aviva Commercial Finance Limited At the same time the Group spent £9 2 million to cancel £100 million of the Group's interest rate derivatives

On 26 April 2012 the company sold 15 properties to a fellow subsidiary of Big Yellow Group Plc, Big Yellow Self Storage Company A Limited for a consideration of £242 million This was in connection with a new 15 year £100 million loan that Big Yellow Self Storage Company A Ltd drew from Aviva Commercial Finance Ltd

22. Subsidiaries

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held
Speed 8546 Limited	UK	100%	100%
Silicon Investments Limited	UK	100%	100%
Big Yellow Self Storage (GP) Ltd	UK	51%	51%

The investments in Speed 8546 Limited and Silicon Investments Limited had been impaired in previous years to the nominal value of the shares The investment in Big Yellow Self Storage (GP) Ltd has been stated at cost