Directors, Officers and Advisers

Executive Directors

Nicholas Vetch, Executive Chairman, was a co-founder of Big Yellow in September 1998. Prior to that, he was joint Chief Executive of Edge Properties plc, which he co-founded in 1989, was subsequently listed on the Official List of the London Stock Exchange in 1996 and then sold to Grantchester Properties plc in 1998. He is also a Non-Executive Director of Local Shopping REIT plc and a Trustee of Global Human Rights and Global Human Rights UK.

James Gibson, Chief Executive Officer and co-founder of Big Yellow in September 1998. He is a Chartered Accountant by background having trained with Arthur Andersen & Co. where he specialised in the property and construction sectors, before leaving in 1989. He was Finance Director of Heron Property Corporation Limited and then Edge Properties plc which he joined in 1994. Edge Properties was listed on the Official List of the London Stock Exchange in 1996 and then sold to Grantchester Properties plc in 1998. He is also a Non-Executive Director and shareholder of AnyJunk Limited, a Non-Executive Director and shareholder of CityStasher Limited, a Non-Executive Director and investor in Moby Self Storage, a Brazilian Self Storage business, and a Trustee of the London Children's Ballet.

Adrian Lee, Operations Director, was previously a Senior Executive at Edge Properties plc, which he joined in 1996. Prior to that he was a corporate financier at Lazard for five years, having previously qualified as a surveyor at Knight Frank. He was appointed to the Board in May 2000.

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

Non-Executive Directors

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

Richard Cotton, Non-Executive Director, headed the real estate corporate finance team at JP Morgan Cazenove until April 2009, and subsequent to that was a Managing Director of Forum Partners. Richard is currently the Senior Independent Director of Helical plc as well as a Member of the Commercial Development Advisory Group of Transport for London. Richard joined the Board in July 2012, and is the Senior Independent Director and Chairman of the Nominations Committee.

Georgina Harvey, Non-Executive Director, started her media career at Express Newspapers plc where she was appointed Advertising Director in 1994. She joined IPC Media Ltd in 1995 and went on to form IPC Advertising in 1998, where she was Managing Director. She was a member of the Board of IPC Media from 2000 and was Managing Director of the Regionals division of Trinity Mirror from 2005 to 2012, overseeing its transition to a digital platform. She is currently a Non-Executive Director of William Hill plc and the Senior Independent Non-Executive Director and Chair of the Remuneration Committee of McColl's Retail Group plc. She joined the Board in July 2013 and is Chair of the Remuneration Committee.

Dr Anna Keay, Non-Executive Director, has been CEO of the Landmark Trust since 2012, operating a portfolio of 200 historic buildings let for holidays. She has a PhD from London University, starting her career at Historic Royal Palaces and from 2002 to 2012 she was Curatorial Director of English Heritage. She was a trustee of Leeds Castle Foundation from 2009 to 2016. She writes and broadcasts widely, presenting on history and buildings for Channel 4. She is a member of the National Trust Collection and Interpretation Advisory Group and is a Governor and Chair of the Buildings and Projects Committee at Bedales School. She joined the Board in March 2018.

Steve Johnson, Non-Executive Director, started his career at Bain in the 1980s before joining Asda in 1993, where he carried out a number of roles, culminating in Marketing Director. He left Asda in 2000, to join GUS as a Sales & Marketing Director, departing in 2002 to take up his first CEO role at Focus DIY, where he remained until 2007. He joined Woolworths as part of the final turnaround team in late 2008. He has most recently been working as an operating executive for TPG, and was also the Executive Chairman of Dreams plc between July 2011 and October 2012. He is currently Executive Chairman of Poundworld. He joined the Board in September 2010.

Vince Niblett, Non-Executive Director, was the Global Managing Partner Audit for Deloitte. He previously held a number of senior leadership roles within Deloitte including as a member of the UK Board of Partners and of the Global Executive Group and the UK Executive Group before his retirement from Deloitte in May 2015. He was appointed to the Board in June 2017 and is the Chairman of the Audit Committee.

Company Secretary and Registered office
Shauna Beavis
2 The Deans
Bridge Road
Bagshot
Surrey
GU19 5AT

Company Registration No. 03625199

Bankers
Lloyds Bank plc
HSBC Bank plc
Aviva Commercial Finance Limited
M&G Investments Limited

Solicitors
CMS Cameron McKenna Nabarro Olswang LLP
Lester Aldridge LLP
Slaughter and May

Financial advisers and stockbrokers
J P Morgan Cazenove

Statutory Auditor
KPMG LLP
Chartered Accountant and Statutory Auditors

Valuers
Cushman & Wakefield LLP
Jones Lang LaSalle

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report for the year ended 31 March 2018. The Report on Corporate Governance on pages 60 to 63 forms part of this report.

Details of significant events since the balance sheet date are included in note 25 to the financial statements. An indication of likely future developments in the business of the Company is included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 18 to the financial statements.

Dividends

The Directors are recommending the payment of a final dividend of 15.5 pence per share for the year (2017: 14.1 pence per ordinary share). An interim dividend of 15.3 pence per share was paid in the year (2017: 13.5 pence per share).

A property income dividend of 27.5 pence is payable for the year, of which 15.3 pence per share was paid with the interim dividend, and 12.2 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 19 July 2018, the final dividend will be paid on 27 July 2018. The Ex-div date is 21 June 2018 and the Record date is 22 June 2018.

From April 2016 dividend tax credits have been replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. This reduces further to £2,000 per annum from 1 April 2018. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid by Big Yellow Group PLC and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability. This change was announced by the Chancellor, as part of the UK government Budget, in July 2015.

Disclosure of Greenhouse Gas ("GHG") Emissions

Companies Act 2006; Climate Change, the GHG Emissions Director's Reports Regulations 2013

From October 2013, all listed companies are required to report annual quantities of GHG emissions (measured as Carbon Dioxide Equivalent (CO_2e)) as follows:

- **Scope 1** – significant direct emission sources, such as our flexi-office gas heating and air conditioner coolant replacement – currently fit out 'gas oil' use emissions and one Company van diesel fuel use emissions are assessed as 'not material';
- **Scope 2** – significant indirect or offsite power station electricity supply emissions to our stores; and
- **Scope 3** – Electricity supplier 'transmission and distribution' emissions – currently, voluntary GHG emissions, from our waste and water supply chains are assessed as 'not material'.

Summary of Scope 1 and 2 Total Carbon Footprint (GHG carbon equivalent emissions (tCO_2e))

Including store electricity, gas, coolant, generator gas oil and van diesel

Year	2013	2014	2015	2016	2017	**2018**
Total Scope 1 and 2 GHG Emissions (tCO_2e)	6,470.0	5,681.8	4,908.0	4,456.2	4,126.9	**3,520.5**
Scope 3 Electricity Transmission Losses	501	445	417	355	357	**312**
Kg CO_2e / Annual Revenue (£)	0.09	0.08	0.06	0.04	0.04	**0.03**
Kg CO_2e / Customer Occupancy (m^2)	26.5	22.6	17.3	14.6	12.7	**10.2**
Kg CO_2e/GIFA m^2	11.1	9.8	7.7	7.2	6.6	**5.3**

Note: Our materiality threshold for carbon emissions is > 5%

Further information on GHG emissions and on other sustainability initiatives at Big Yellow is provided in our Corporate Social Responsibility Report.

Capital structure

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

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

Details of employee share schemes are set out in note 23, and details of shares held by the Company's Employee Benefit Trust are set out in note 22.

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Corporate Governance Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Report on Corporate Governance on page 60.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

During the year the Company issued 687,707 shares to satisfy the exercise of share options (2017: 513,580).

Directors' Report (continued)

Directors

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

Tim Clark	Non-Executive Director
Richard Cotton	Senior Independent Director
James Gibson	Chief Executive Officer
Georgina Harvey	Non-Executive Director
Steve Johnson	Non-Executive Director
Anna Keay	Non-Executive Director (appointed 1 March 2018)
Adrian Lee	Operations Director
Vince Niblett	Non-Executive Director (appointed 1 June 2017)
Mark Richardson	Non-Executive Director (resigned 20 July 2017)
John Trotman	Chief Financial Officer
Nicholas Vetch	Executive Chairman

Biographical details of the Executive and Non-Executive Directors standing for re-election are set out on page 56.

Directors' indemnities

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

Political contributions

No political donations were made by the Company in either the current or preceding financial year.

Substantial shareholdings

The Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company at 31 March 2018 and 21 May 2018.

	No. of ordinary shares 31 March 2018	Percentage of voting rights and issued share capital 31 March 2018	No. of ordinary shares 21 May 2018	Percentage of voting rights and issued share capital 21 May 2018
Blackrock Inc	13,755,183	8.67%	13,748,770	8.67%
Standard Life Aberdeen	8,945,746	5.64%	9,051,814	5.70%
Old Mutual Plc	8,516,661	5.37%	8,129,690	5.13%
Cohen & Steers Inc	7,286,788	4.59%	8,262,030	5.20%
Ameriprise Financial Inc	7,269,648	4.58%	6,698,495	4.22%
PGGM Investments	5,490,776	3.46%	5,531,776	3.49%
The Vanguard Group Inc	5,447,394	3.44%	5,490,922	3.46%

The interest of the Directors in the share capital of the Company is shown on page 82 of the Remuneration Report.

Purchase of own shares

The Company was granted authority at the AGM in 2017 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

Employee consultation

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

The Board is cognisant of the new Corporate Governance proposals for more formal employee engagement, requiring it to gather the views of the workforce. The options current proposed involve (i) having a designated Non-Executive Director to gather the views from, for example, an employee forum; or (ii) appointing a formal workforce advisory panel; or (iii) having a Director appointed from the workforce. The Group is assessing these options and will report further in next year's annual report.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses. 50% of eligible employees participate in the Group's Sharesave Scheme.

The Group's recruitment policy is committed to promote equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation, nor political opinion and to treat all stakeholders fairly.

Disabled employees

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

Human Rights

Big Yellow respects Human Rights and aims to provide assurance to internal and external stakeholders that we are committed to human rights and the principles of the Universal Declaration of Human Rights.

We are committed to creating and maintaining a positive and professional work environment that reflects and respects the basic rights of freedom to lead a dignified life, free from fear or want, and where stakeholders are free to express their independent beliefs. Our employment policies and practices reflect a culture where decisions are made solely on the basis of individual capability and potential in relation to the needs of the business.

Modern Slavery Act

The Group is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Anti-slavery Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Our policy is published in full on our website.

Auditor

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

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he/she might have reasonably been expected to take as a Director in order to make himself/herself 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 s418 of the Companies Act 2006.

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

Shauna Beavis
Company Secretary
21 May 2018

Corporate Governance Report

INTRODUCTION

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code that was issued in 2014 by the Financial Reporting Council ("the Code") for which the Board is accountable to shareholders. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

At Big Yellow, we aim to create a culture in which integrity, openness and fairness are rewarded.

We continue to review the composition of the Board to ensure that it has the appropriate skills, knowledge and balance for the effective stewardship of the Company. The Board has overall responsibility for the manner in which the Company runs its affairs.

Statement of compliance with the Code

Throughout the year ended 31 March 2018, the Company has been in compliance with the Code provisions set out in section 1 of the 2014 UK Corporate Governance Code.

Statement about applying the principles of the Code

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

LEADERSHIP

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.

Chairman and Chief Executive

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

- the Chairman's role is to provide continuity, experience, governance and strategic advice, while the Chief Executive provides leadership, drives the day-to-day operations of the business and works with the Chairman on overall strategy;
- the Chairman, working with the Senior Independent Non-Executive Director, is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders;
- the Board believes that the Chairman and the Chief Executive work together to provide effective and complementary stewardship;
- the Chairman:
  - takes overall responsibility for the composition and capability of the Board;
  - takes overall executive responsibility for the property development team; and
  - consults regularly with the Chief Executive and is available on a flexible basis for providing advice, counsel and support to the Chief Executive.
- the Chief Executive:
  - manages the Executive Directors and the Group's day-to-day activities;
  - prepares and presents to the Board strategic options for growth in shareholder value;
  - sets the operating plans and budgets required to deliver agreed strategy; and
  - ensures that the Group has in place appropriate risk management and control mechanisms.

The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership within a framework of sound controls which enables risk to be assessed and managed. The Board is responsible for setting the Group's strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals. The Board ensures that its obligations to shareholders and other stakeholders are understood and met. The Board also regularly reviews the performance of management.

EFFECTIVENESS

Composition of the Board

The Nominations Committee is responsible for reviewing the Board Composition, and makes recommendations to the Board on the appointment of Directors. There are presently six independent Non-Executive Directors on the Board, with Richard Cotton being the Senior Independent Director. The Company complies with the Combined Code in that at least half of The Board is comprised of independent Non-Executive Directors.

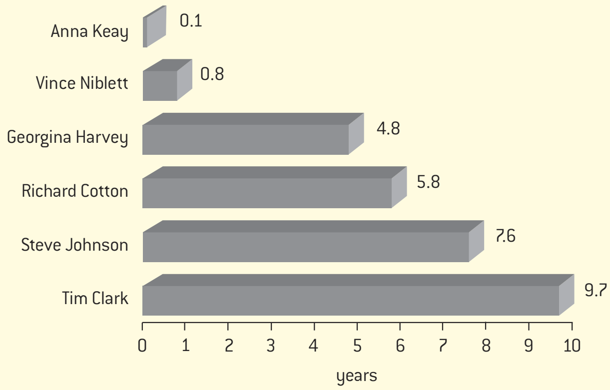
All of the Non-Executive Directors bring considerable knowledge, judgement and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non-pensionable. The Non-Executive Directors are encouraged to communicate directly with Executive Directors between formal Board meetings. The Non-Executive Directors meet at least once a year without the Executive Directors being present.

The Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They are required to satisfy themselves on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration for Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning.

EFFECTIVENESS (continued)

Composition of the Board (continued)

The tenure of the independent Non-Executive Directors at 31 March 2018 is set out below:



Changes to the Board and its Committees

Mark Richardson retired from the Board at the 2017 Annual General Meeting. Vince Niblett was appointed to the Board in June 2017, succeeding Mark Richardson as Audit Committee Chairman.

The Board also appointed Anna Keay in March 2018 to serve as an independent Non-Executive Director.

Tim Clark has informed the Board of his decision to retire from the Board with effect from the forthcoming Annual General Meeting.

THE BOARD AND ITS COMMITTEES

Standing committees of the Board

The Board has Audit, Remuneration and Nominations Committees, each of which has written terms of reference. They deal clearly with the authorities and duties of each Committee and are formally reviewed annually. Copies of these terms of reference are available on the Company's website. Each of these Committees is comprised of Independent Non-Executive Directors of the Company who are appointed by the Board on the recommendation of the Nominations Committee.

All of the Committees are authorised to obtain legal or other professional advice as necessary; to secure, where appropriate, the attendance of external advisers at its meetings and to seek information required from any employee of the Company in order to perform its duties.

The Chairman of each Committee reports the outcome of the meetings to the Board. The Company Secretary is secretary to each Committee.

Attendance at meetings of the individual Directors at the Board Meetings that they were eligible to attend is shown in the table below:

Director	Position	Number of meetings attended
Tim Clark	Non-Executive Director	●●●●●●
Richard Cotton	Non-Executive Director	●●●●●●
James Gibson	Chief Executive Officer	●●●●●●
Georgina Harvey	Non-Executive Director	●●●●●●
Steve Johnson	Non-Executive Director	●●●●●●
Anna Keay	Non-Executive Director	●
Adrian Lee	Operations Director	●●●●●●
Vince Niblett	Non-Executive Director	●●●●●
Mark Richardson	Non-Executive Director	●
John Trotman	Chief Financial Officer	●●●●●●
Nicholas Vetch	Executive Chairman	●●●●●●

● attended
○ absent

THE BOARD AND ITS COMMITTEES (continued)

Standing committees of the Board (continued)

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

There is a formal schedule of matters reserved for the Board's attention including the approval of Group strategy and policies; major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the normal course of business. The Board also considers matters of non-financial risk as part of its review of the Group's risk register.

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

Information and professional development

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

All Directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditor where appropriate. The professional development requirements of Executive Directors are identified and progressed as part of each individual's annual appraisal. All new Directors are provided with a full induction programme on joining the Board.

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

ACCOUNTABILITY

Risk management and internal control

The Group 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 Group, including those matters which are reserved specifically for the Board.

The Board has applied principle C.2 of the UK Corporate Governance Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with provision C.2.1 of the Code, the Board regularly reviews the effectiveness of the Group'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 Group'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 this 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 to business 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, consistent with the prior year. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

GOING CONCERN

The Group's activities, and a fair review of the business, are included in the Strategic Report on pages 16 to 28. The financial position of the Group, including its cash flow, liquidity, and committed debt facilities are discussed in the Financial Review on pages 29 to 38.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue operations for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

SHAREHOLDER RELATIONS

The Board aims to achieve clear reporting of financial performance to all shareholders and acknowledges the importance of an open dialogue by both Executive and Non-Executive Directors with its institutional shareholders. The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Company has an active dialogue with its shareholders through a programme of investor meetings which include formal presentation of the full and half year results. The Executive Directors have participated in investor conferences and meetings during the year throughout the United Kingdom, and also in the United States and the Netherlands. During the year ended 31 March 2018, the Chief Executive and other Executive Directors carried out 196 meetings with UK and overseas institutional shareholders and potential investors. These meetings comprised group and individual presentations and tours of our stores.

The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the Annual General Meeting is an ideal forum at which to communicate with investors and the Board encourages their participation. At each Board Meeting, the Board is updated on any shareholding meetings that have taken place, and any views expressed or issues raised by the shareholders in these meetings.

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

Report of the Nominations Committee

Introduction

The Committee is responsible for reviewing the Composition of the Board. It also makes recommendations for membership of the Board and considers succession planning for Directors. The Committee is also responsible for evaluating Board and Committee performance.

Committee members and attendance

Member	Position	Number of meetings attended
Tim Clark	Member	●●●
Richard Cotton	Chairman and Senior Independent Director	●●●
Georgina Harvey	Member	●●●
Steve Johnson	Member	●●●
Anna Keay	Member (from 1 March 2018)	●
Vince Niblett	Member (from 1 June 2017)	●●
Mark Richardson	Member (to 20 July 2017)	●

● attended
○ absent

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

The terms and conditions of appointment for the Non-Executive Directors is available for inspection at the Company's Head Office during normal working hours. They are also available for inspection at the Company's AGM.

During the year, Vince Niblett's and Anna Keay's appointments to the Board were approved by the Nominations Committee.

Board performance evaluation

During the prior year the Board engaged Lomond Consulting to undertake an evaluation of the performance of the Board and its Committees. The aim was to seek to identify areas where the performance and the procedures of the Board may be improved. The scope of the review was agreed between the Chairman of the Committee and the Chief Executive.

Each Director completed a questionnaire on the performance of the Board, its Committees and the Chairman. Each Director was then interviewed in person by Lomond Consulting. The responses were anonymous to enable an open and honest sharing of views. Lomond Consulting then produced a report showing the results of the review.

The key topic discussed as part of the review was succession planning, which is further discussed in the section below, albeit the Committee considered no further action was necessary.

During the current year, the Executive Chairman evaluated the performance of the other Executive Directors, and the performance of the Chairman was evaluated by the Senior Independent Non-Executive Director. It was considered that the individuals, the Committees and the Board as a whole were operating effectively, with appropriate procedures put in place for minor areas identified for improvement.

Succession planning

The Board comprises a team of four Executive Directors, two of whom were co-founders of the Company, complemented by Non-Executive Directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy. Continuity of experience and knowledge, particularly of self storage, within the executive team is particularly important in a focussed long-term business such as Big Yellow.

It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that any future changes in the Board's composition are foreseen and effectively managed. In the event of unforeseen changes, the Committee ensures that management and oversight of the Group's business and long-term strategy will not be affected.

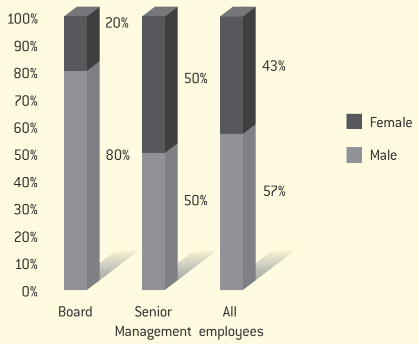
The Committee also addresses the development and continuity of the Senior Management team below Board level.

Policy on diversity

All aspects of diversity, including gender are considered at every level of recruitment. All appointments to the Board are made on merit. The Board's policy states that the Board seeks a composition with the right balance of skills and diversity to meet the demands of the business. The Board considers it is important to increase the representation of women on the Board, and intends to increase the proportion of women on the Board in the medium term, but does not consider that quotas are appropriate and has therefore chosen not to set targets. The Board has recruited a female Non-Executive Director, Anna Keay, to replace Tim Clark who retires from the Board in July.

Gender diversity of the Board and Company is set out below (senior management are defined to be Heads of Department):

	Male	Female	Total
Board	8	2	10
Senior Management	6	6	12
All employees	214	162	376



Directors standing for re-election

All of the Directors will retire in accordance with the UK Corporate Governance Code and, with the exception of Tim Clark, will offer themselves for re-election at the Annual General Meeting.

Following a performance appraisal process, the Board has concluded that the Directors retiring are effective, committed to their roles and operate as effective members of the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on page 56.

Richard Cotton
Nominations Committee Chairman

Remuneration Report

Year ended 31 March 2018

INTRODUCTION

This report details the activities of the Remuneration Committee for the period from 1 April 2017 to 31 March 2018.

The report has been prepared by the Remuneration Committee and approved by the Board.

It sets out the proposed Remuneration Policy for which the Committee is seeking approval at the forthcoming AGM and remuneration details for the Executive and Non-Executive Directors of the Company (both in terms of how the existing Policy has been operated and how the proposed Policy will operate). It has been prepared in accordance with Schedule 8 of the Large and Medium-size Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 (the "Regulations").

The report is divided into three main sections:

> **The Annual Statement** – which summarises the remuneration outcomes in the year ended 31 March 2018, the proposed new Remuneration Policy and how it will be operated in the year ending 31 March 2019;
> **The Remuneration Policy Report** – which sets out the proposed Remuneration Policy for which shareholder approval will be sought at the 2018 AGM; and
> **The Annual Report on Remuneration** – which sets out how the Committee intends to operate the Remuneration Policy for the year ending 31 March 2019, the link between Company performance and remuneration for the year ended 31 March 2018 and payments and awards made to the Directors in respect of the year just ended.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in the report. The Annual Statement by the Remuneration Committee Chair and the Remuneration Policy Report are not subject to audit.

The Committee and its Work During the Year

Committee Chair: Tim Clark (to 19 July 2017), Georgina Harvey (from 20 July 2017)

Committee members: Tim Clark (from 20 July 2017), Richard Cotton, Georgina Harvey (until 19 July 2017), Steve Johnson, Mark Richardson (until 20 July 2017), Vince Niblett (from 1 June 2017) and Anna Keay (from 1 March 2018)

Terms of Reference: www.corporate.bigyellow.co.uk/investors/governance/remuneration-policy.aspx

The Committee met four times during the year under review.

The Committee's main activities during the year ended 31 March 2018 (full details are set out in the relevant sections of this report) included:

> Agreeing Executive Director base salary increases from 1 April 2017 (2%);
> Agreeing the annual bonus pay-out for the year ended 31 March 2017 and setting the targets for the annual bonus for the year ended 31 March 2018;
> Reviewing the interim performance targets in respect of the Long Term Bonus Performance Plan ("LTBPP") awards which had a three-year performance period ended 31 March 2018;
> Reviewing the EPS and Total Shareholder Return ("TSR") performance targets and determining the percentage vesting for the 2014 LTIP awards which vested in 2017;
> Reviewing the Company's Gender Pay calculations and draft disclosures; and
> Reviewing the Remuneration Policy and consulting with the Company's major shareholders and representative bodies in respect of the proposed Remuneration Policy which will be taken to shareholders for approval at the 2018 AGM.

ANNUAL STATEMENT

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2018. This is my first report as Chair of the Committee and I would like to thank Tim Clark, who chaired the Committee for nine years, for all of his hard work.

At the 2018 AGM, we will be tabling a binding resolution to seek shareholder approval to update our existing Directors' Remuneration Policy, for which shareholder approval was originally obtained in 2015. A binding resolution will also be tabled to seek approval for the establishment of a Deferred Share Bonus Plan to enable part of the annual bonus to be deferred into shares for a period of time. In addition, the regular advisory resolution to approve the Annual Report on Remuneration will also be tabled.

Performance, Decisions and Reward Outcomes for the year ended 31 March 2018

The business conditions and performance of the Group in the year ended 31 March 2018 are described more fully in the Chairman's Statement and the Operating and Financial Review of this Annual Report. In summary:

> The business of the Group performed strongly;
> Big Yellow is the clear UK brand leader in self storage and delivered growth in occupancy, cash flow and earnings for the ninth year in a row;
> Revenue, cash flow and adjusted profit before tax increased by 7%, 13% and 12% respectively;
> Like-for-like occupancy increased by 3.9 ppts; and
> Dividends are being increased by 12%.

This strong performance has been reflected in the annual bonus award and share awards which vested in the year ended 31 March 2018.

Performance, Decisions and Reward Outcomes for the year ended 31 March 2018 (continued)

Payments made to the Executive Directors under the annual bonus plan amounted to 12.9% of salary (out of a maximum of 25% of salary), based on performance against pre-set targets for occupancy, store profitability, store audits and customer satisfaction. The targets set, and the out-turn were consistent with the average bonus awarded across the stores and head office.

As a result of the Long Term Bonus Performance Plan (LTBPP) awards reaching the end of the three-year performance period to 31 March 2018, 93.3% of the awards are expected to vest in August 2018 based on strong performance against financial and non-financial performance targets linked to the business plan.

In respect of the Long-Term Incentive Plan (LTIP) awards granted in 2014, which vested in July 2017, three-year EPS and TSR performance resulted in 100% of awards vesting.

Further details of the targets, and performance against the targets, for annual bonus pay-outs and share award vesting levels are set out in the Annual Report on Remuneration.

Remuneration Policy Review

Big Yellow has sought to offer a remuneration policy for its Executive Directors close to, but generally below market levels. However, packages in practice and salary levels in particular, have been significantly below market levels in recent years. In addition, the Policy has been at the more complicated end of market practice due to the operation of three incentive plans, being an annual bonus, a conventional LTIP granted annually and LTBPP whereby awards have been granted every three years. It is against this background and the sensitivities surrounding the executive pay debate that the Committee has reviewed Big Yellow's Remuneration Policy, which has been in place since it was formally approved by shareholders at the 2015 AGM.

Following the completion of its review, the Committee has concluded that the current incentive arrangements are overly complicated in terms of administration and communication and the current salary positioning is no longer sustainable (and risks creating significant issues in future in respect of both retention and recruitment). As such, the Committee wishes to simplify the Remuneration Policy and align it to a more conventional approach in respect of fixed and variable pay which better reflects Big Yellow (in terms of maturity, size and complexity) and individual contributions (in terms of each individual's relative responsibilities and roles).

The Committee is therefore proposing: (i) a major simplification (and reduction, in percentage of salary terms) of Big Yellow's incentive arrangements; (ii) certain adjustments to Executive Director base salary levels to more appropriate and fair levels; (iii) a reduction to Executive Director pension provision in support of the Investment Association's encouragement for pension alignment internally; and (iv) additional/enhanced shareholder protections to update the Policy.

Summary of the Proposed Changes

While details of the proposed changes to the Remuneration Policy and its implementation are set out in detail in the Directors' Remuneration Policy and Annual Report on Remuneration, in summary, the key changes are:

> **Simplified incentive arrangements** – the LTBPP, whereby awards are granted every three years, with performance targets set annually and reviewed at the end of each financial year and end of the three-year period, will be replaced by a conventional deferred annual bonus arrangement. Rather than enabling a grant of up to 675% of salary every three years (providing the average award level across the four Executive Directors does not exceed 450% of salary award every three years), it is proposed that going forward, subject to shareholder approval, the LTBPP is consolidated into the annual bonus (albeit with significant deferral). As such, the annual bonus will be capped at 150% of salary with the existing 25% of salary continuing to be aligned to the workforce cash annual bonus (measured through occupancy growth, store profitability, store audits and customer satisfaction scores), and the remaining 125% of salary (measured against financial, operational, real estate and strategic targets) deferred into Big Yellow shares for three years (with vesting subject to continued employment).
>
> Full details of the performance targets set, and Big Yellow's performance against those targets with resulting pay-outs, will normally be disclosed in the relevant Remuneration Report for the year just ended. Alternatively, if the targets are considered to be commercially sensitive, they will be disclosed at the point the Committee considers that they have ceased to be so.

> **Phased base salary increases** – Executive Director base salaries will be increased over three years, to more closely reflect each Executive Director's role and contribution to Big Yellow and Big Yellow's size and complexity, which has increased significantly. While the Committee has operated a policy of targeting base salaries "close to (but generally just below) median" for some time, actual salaries have been set significantly below median levels. Following a review of Executive Director base salary levels as part of the Remuneration Policy review, the Remuneration Committee has concluded that current salary levels are no longer reflective of each individual's role and responsibilities in a company of Big Yellow's size and complexity given the increase in: (i) the number of stores; (ii) the geographical spread, (iii) the employee base; (iv) customers; (v) revenue; and (vi) profits over the last ten years). As such, and in connection with the simplification and de-gearing of incentive potential as part of the Remuneration Policy review, the following base salary increases are proposed:

	Chief Executive (James Gibson)	Executive Chairman (Nicholas Vetch)	Chief Financial Officer (John Trotman)	Operations Director (Adrian Lee)
Current	£302,000	£275,200	£223,700	£223,700
From 1 April 2018	**£350,000**	**£315,000**	**£260,000**	**£250,000**
From 1 April 2019	£400,000	£350,000	£300,000	£270,000
From 1 April 2020	£440,000	£375,000	£325,000	£285,000

Summary of the Proposed Changes (continued)

The Committee considers the proposed base salary levels to be more appropriate in light of each individual's role and contribution to Big Yellow and Big Yellow's size and complexity (although they remain conservatively positioned against the sector and market more generally). Further, in addition to his Executive Chairman role, it should also be noted that Nicholas Vetch has also taken on executive responsibility for the property team in the past year, covering both property acquisitions and development.
The proposed salary increases are neither post freeze catch-up awards, nor are they benchmarking driven and while the Committee had originally intended to increase salary levels from 1 April 2018 and 1 April 2019, the Committee has decided to phase the salary increases over three years following feedback received from a number of investors during consultation.

Further, in line with best practice, the increases from 1 April 2019 and 1 April 2020 are not guaranteed but will be subject to satisfactory Group and individual performance during the years ending 31 March 2019 and 31 March 2020. Other than for a material role change, subsequent salary increases are expected to be in line with the general workforce increases.

> **Reduced pension provision** – Reflecting the proposed base salary increases and the Investment Association's recent encouragement for company pension provision to be aligned to that provided to the general workforce (as a percentage of salary), Executive Director pension provision will be reduced from 15% of salary (with a policy maximum of 20% of salary) to 10% of salary (being the pension provided for the Company's Department Heads).
> **Enhanced shareholder protection** – A two-year post vesting holding period will be introduced on future LTIP awards granted to Executive Directors following the 2018 AGM. Further, withholding and recovery provisions (malus and clawback) will be added to the annual (and deferred) bonus plan and the existing provisions in the LTIP will be updated and enhanced where necessary. Shareholding guidelines will remain at 200% of salary.

Shareholder Consultation Exercise and 2018 AGM Resolutions

The Remuneration Committee has carefully considered the proposed policy on executive remuneration and the implementation of the approach underlying that policy during the year ending 31 March 2019. This has included an extensive consultation exercise with Big Yellow's top 15 investors and the major shareholder representative bodies and I would like to take this opportunity to thank them for their constructive and very positive feedback on the proposals, which the Committee considered and which helped formulate the final policy that is being put to shareholders for approval.

I therefore hope that, at the AGM on 19 July 2018, you will support:

> the binding resolution on the revised Directors' Remuneration Policy contained within this Remuneration Report;
> the binding resolution on the establishment of a Deferred Share Bonus Plan to enable a significant part of the annual bonus to be deferred into shares for a period of time; and
> the advisory resolution on the remuneration paid to the Directors in the last financial year, and implementation of the new Remuneration Policy for the forthcoming year as set out in the Annual Remuneration Report section of this Remuneration Report.

Finally, I would like to extend my thanks to my fellow colleagues on the Committee for their support and work in 2017/18.

Georgina Harvey
Chair of the Remuneration Committee
21 May 2018

REPORT ON DIRECTORS' REMUNERATION POLICY

This section of the Remuneration Report contains details of the Company's Directors' Remuneration Policy (the "Policy") which will govern the Company's approach to remuneration. Following a remuneration review conducted by the Committee, a revised Remuneration Policy is being proposed which will be put to shareholders for approval at the Company's AGM on 19 July 2018.

It is the policy of the Company to ensure that the executive remuneration packages are designed to attract, motivate and retain Directors of a high calibre and reward the executives for enhancing value to shareholders.

As a result, a substantial element of the remuneration of the Executive Directors is structured to be dependent on the performance of the Company. The policy aims to support a performance culture where there is appropriate reward for the achievement of strong Company performance without creating incentives which will encourage excessive risk-taking or unsustainable Company performance.

Policy Scope

The Policy applies to the Executive Directors and Non-Executive Directors.

Policy Duration

The new Directors' Remuneration Policy Report will be put to a binding shareholder vote at the AGM on 19 July 2018 and, subject to receiving majority shareholder support, the Policy will apply from the date of approval and is intended to remain in place for a maximum of three years. That said, the Remuneration Committee will keep the Policy under review to ensure that it continues to remain appropriate.

Changes from 2015 Remuneration Policy

The main changes from the 2015 Remuneration Policy are summarised below:

- **Simplified incentive arrangements.** The Long Term Bonus Performance Plan ("LTBPP"), whereby awards are granted every three years, with performance targets set annually and reviewed at the end of each financial year and at the end of the three year period, will be consolidated into the annual bonus arrangement albeit with significant deferral. Rather than enabling a grant of up to 675% of salary every three years (providing the average award level across the four Executive Directors does not exceed 450% of salary award every three years), it is proposed that going forward, subject to shareholder approval, the annual bonus will be capped at 150% of salary with:
  - 25% of salary continuing to be aligned to the workforce cash annual bonus (measured against store performance, through occupancy growth, store profitability, store audits and customer satisfaction scores); and
  - the remaining 125% of salary (measured against financial, operational, real estate and strategic targets) deferred into Big Yellow shares for three years, with vesting subject to continued employment.
- **Reduced pension provision.** Reflecting the proposed base salary increases explained in the Annual Statement and Annual Report on Remuneration and the Investment Association's recent encouragement for company pension provision to be aligned to that provided to the general workforce (as a percentage of salary), Executive Director pension provision will be reduced from 15% of salary (with a policy maximum of 20% of salary) to 10% of salary (being the pension provided for Big Yellow Department Heads).
- **Enhanced shareholder protection.** In addition to the changes above, a two-year post vesting holding period will be introduced on future LTIP awards granted to Executive Directors following the 2018 AGM and withholding and recovery provisions (malus and clawback) will be added to the annual (and deferred) bonus plan and the existing provisions in the LTIP will be updated and enhanced where necessary.

To aid the administration and clarity of its operation, a number of minor changes have also been made to the wording of the Policy where appropriate.

Summary Policy table (Executive Directors)

The main components of the Directors' Remuneration Policy, and how they are linked to and support the Company's business strategy, which will take effect subject to approval from shareholders at the AGM on 19 July 2018, are summarised below:

Executive Directors

	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Base salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company.	Base salary is normally set annually on 1 April. When considering any increases to base salaries in the normal course (as opposed to a change in role or responsibility), the Committee will take into consideration: > level of skill, experience, scope of responsibilities and performance; > business performance, economic climate and market conditions; > pay and employment conditions of employees throughout the Group, including increases provided to staff; and inflation; and > increases provided to Executive Directors in comparable companies (although such data would be used with caution).	Salaries are typically set after considering the salary levels in companies of a similar size and complexity in the FTSE 250. Our overall policy is normally to target salaries at close to median levels. Base salaries are intended to increase in line with inflation and general employee increases in salary. Higher increases may apply if there is a change in role, level of responsibility or experience or if the individual is new to the role. There is no maximum salary cap in place.	None
Annual bonus	The annual bonus aligns reward to key Group strategic objectives and drives short-term performance.	Executive Directors participate in an annual performance-related bonus scheme. Up to 25% of salary will be paid in cash. Up to 125% of salary will be deferred into shares for three years. Dividend equivalents may be payable on deferred share awards. The annual bonus plan rules contain clawback and malus provisions.	Bonus potential: 150% of salary.	Assessed annually and determined by the Committee based on financial, strategic and/or personal performance against the Group's business plan for each financial year.

Summary Policy table (Executive Directors)

	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Long Term Incentive Plan	The Long Term Incentive Plan aligns Executive Director interests with those of shareholders and rewards value creation.	Awards are made annually to the Executive Directors (and certain senior managers who are in a position to influence significantly the performance of the Group) in the form of nil-paid options. The awards granted under the Long Term Incentive Plan are subject to performance conditions to be met over a performance period of three years. Dividend equivalents may be payable on LTIP awards during the vesting period, to the extent awards vest. The LTIP contains clawback and malus provisions. A two year post vesting holding period will be applied to any LTIP award granted to Executive Directors following the 2018 AGM.	Maximum annual grant is 100% of base salary, with normal awards of 100% of annual salary for the Executive Directors. Minimum vesting is 25% of salary assuming achievement of threshold performance, and the maximum vesting is 100% of salary.	Vesting under the LTIP is based on financial and share-price related performance measures.
Pension	To provide competitive levels of retirement benefit.	Contribution made into Executive Directors personal pension plan, or a cash supplement of equivalent value paid in lieu of pension contribution.	Maximum contribution of 10% of salary.	None
Other benefits	To provide competitive levels of employment benefits.	Benefits include: > Private fuel > Private medical insurance > Permanent health insurance > Life assurance of four times base salary > Relocation allowances (where relevant) Other benefits may be provided where appropriate. The type and level of benefits provided is reviewed annually to ensure they remain market competitive.	Maximum opportunity is the total cost of providing the benefits. There is no monetary cap on benefits.	None
Shareholding policy	To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	Requirement to build and maintain a holding of shares in the Company, through retaining at least 50% of shares vesting in discretionary share-based incentive plans if this guideline has not been met.	200% of salary.	N/A
All Employee Scheme	To encourage share ownership by all employees. This allows them to align their interests with those of investors and also to share in the long-term success of the Company.	Executive Directors may participate in any HMRC tax favoured all employee arrangements.	In line with the prevailing HMRC limits.	None

Notes to the policy table

The key principle for the short and long-term incentives is to provide a strong link between reward and individual and Group performance to align the interests of Executive Directors with those of shareholders.

1. **Annual bonus performance measures and targets**

   Annual bonuses for the Executive Directors are based on:

   > 25% of salary cash bonus: the average of the stores' performance against their quarterly targets providing direct alignment of the Directors' bonuses to performance (and the bonus levels) of the staff. The four Key Performance Indicators used to assess store performance are occupancy growth, store profitability, store audits and customer satisfaction. Store targets are set every quarter and an average of the four quarters is taken.
   > 125% of salary deferred share bonus: measured against pre-set financial, operational, real estate and strategic targets.

2. **Long Term Incentive Plan performance measures and targets**

   The Committee selected the performance conditions on the LTIP as they provide a direct link between the incentive for the Executive Directors and the value created for shareholders. The two metrics for the outstanding and proposed 2018 awards are:

   > Relative TSR against the FTSE Real Estate Index, as Big Yellow's historic performance has been closely aligned to the performance of this Index; and
   > The adjusted EPS figure is as reported in the audited results of the Group for the last complete financial year ending before the start of the performance period and the last complete financial year ending before the end of the performance period.

3. **Malus and clawback**

   The annual bonus, deferred bonus plan and LTIP include malus and clawback provisions.

   Malus is the adjustment of outstanding deferred bonus and LTIP awards as a result of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to zero. Malus will apply for the three year period from grant to vesting for the deferred bonus and LTIP awards.

   Clawback is the recovery of payments/vestings under the cash bonus and LTIP as a result of the occurrence of one or more circumstances listed below. Clawback will apply for three years post payment of a cash bonus/grant of deferred share awards and three years post vesting for LTIP awards.

   The circumstances in which malus and clawback could apply are as follows:

   > discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company;
   > the assessment of any performance target or condition in respect of an award was based on error, or inaccurate or misleading information;
   > the discovery that any information used to determine the amount of an award was based on error, or inaccurate or misleading information;
   > action or conduct of an award holder which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct; and
   > events or behaviour which have led to the censure of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company.

4. **Discretion**

   The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

   In certain circumstances, the Committee will be required to exercise its discretion, taking into consideration the particular circumstances of an Executive Director's departure and/or the recent performance of the Company in determining the specific level of payments to be made.

   In addition to the discretions under the terms of the annual bonus plan (both cash and deferred shares) and LTIP, the Committee has discretion to determine whether an individual is classified as a "good leaver".

   It should be noted that it is the Committee's policy to only apply its discretion if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised. The Committee does not currently intend to amend or waive any performance conditions.

5. **Differences in remuneration policy for all employees**

   All employees are currently entitled to base salary, benefits, pensions and the Sharesave Scheme. Additionally, all employees are eligible for annual bonuses with the maximum opportunity available based on the seniority and responsibility of the role held.

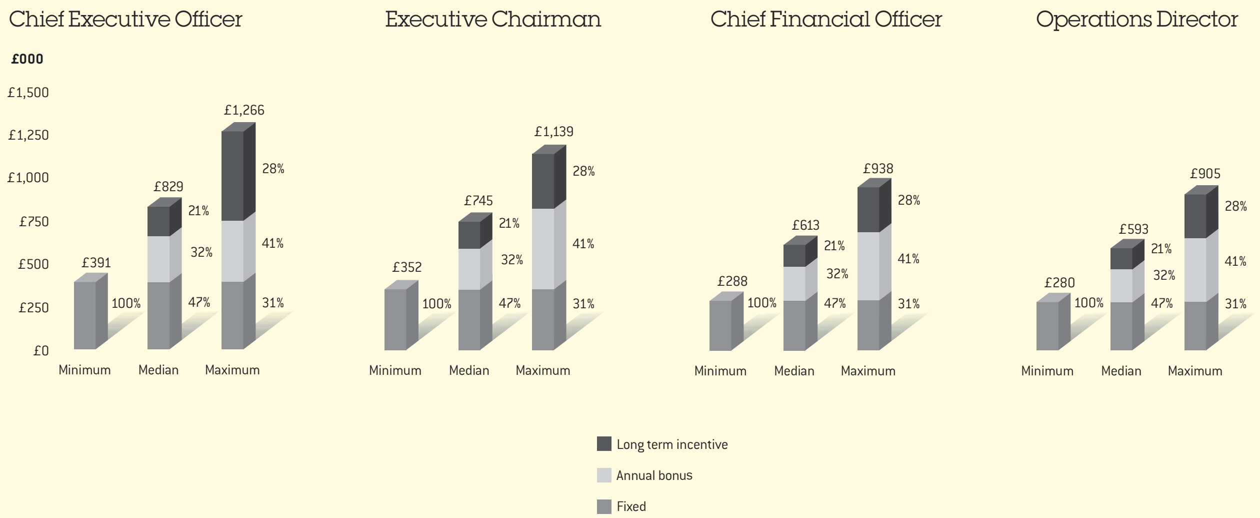
   The Company's LTIPs are granted to a number of senior managers within Head Office, the area manager team and also to store managers.

Illustrations of application of Remuneration Policy

The graphs below seek to demonstrate how pay varies with performance for the Executive Directors based on the proposed Remuneration Policy, which is subject to shareholder approval.

The assumptions used in determining the level of pay out under given scenarios are as follows:

Scenario	Description				
Fixed Pay		**Chief Executive**	**Executive Chairman**	**Chief Financial Officer**	**Operations Director**
	Base salary (1 April 2018)	£350,000	£315,000	£260,000	£250,000
	Estimated Benefits	£6,000	£5,000	£2,000	£5,000
	Pension (% of salary)	10%	10%	10%	10%
On-target	50% of annual bonus award being paid and 50% vesting of the LTIP.				
Maximum	100% of annual bonus award being paid (i.e. 150% of salary) and 100% vesting of the LTIP.				



Summary Policy table (Non-Executive Directors)

	Objective and link to the strategy	Operation	Maximum potential value	Performance conditions and assessment
Fees	To attract Non-Executive Directors with the requisite skills and experience	Fee levels are normally reviewed annually in March. The Non-Executive Director fee structure is a matter for the full Board. Non-Executive Directors may be entitled to benefits relating to travel and office support and such other benefits as may be considered appropriate. The fees may be paid in the form of shares.	Fee levels are normally set at broadly median levels for comparable roles at companies of a similar size and complexity within the FTSE 250. Fees are normally intended to increase in line with inflation.	N/A

Non-Executive Directors' fees comprises of a base fee, with an additional £5,000 for a Committee Chairman and for the Senior Independent Non-Executive Director.

Approach to recruitment remuneration

The table below summarises our key policies with respect to recruitment remuneration:

Salary and benefits	> Set by reference to market and taking into account individual experience and expertise in the context of the role. > Salary would also be set with reference to the salary of any departing Executive Director and the remaining Executive Directors. > The Executive Director would be eligible to receive benefits in line with Big Yellow Group's benefits policy as set out in the remuneration policy table – this includes either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits in line with the policies set out in the policy table.
Maximum variable incentive	> Annual bonus of up to 150% of base salary. > Long term incentive plan award of equivalent to 100% of base salary.
Sign-on payments	> The Company does not provide sign-on payments to Executive Directors.

Share buy-outs	> Any previous outstanding share awards which the Executive Director holds which would be forfeited on cessation of his or her previous employment may be compensated.
	> Where this is the case, the general principle is that the outstanding award will be valued based on the consideration of the following factors:
	  > The proportion of the performance period completed on the date of the Director's cessation of employment;
	  > The performance conditions attached to the vesting of the incentives and the likelihood of them being satisfied; and
	  > Any other terms and conditions having a material impact on their value.
	> The valuation will be conducted using a recognised valuation methodology by an independent party and the equivalent 'fair value' may be awarded as a one-off LTIP on date of joining under the Company's existing long term incentive plan. To the extent that this is not possible, a bespoke arrangement will be used.
	> To ensure effective retention of the Executive Director upon recruitment, any new award will be granted subject to performance conditions and vesting may be over the same period as those forfeited from the previous employer or a new three year period.
	> The exact terms will be determined by the Remuneration Committee on a case-by-case basis taking into account all relevant factors.

Relocation policies	> In instances where the new Executive Director is relocating from one work location to another, the Company may provide, as a one-off or otherwise, a relocation allowance as part of the Director's relocation benefits. > The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences, housing allowance and schooling.

Service contracts

The Company's policy on Directors' service contracts is that they should be on a rolling basis without a specific end-date providing for one year's notice. All Executive Directors have contracts which reflect this policy.

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

Payments for loss of office

Element	Approach
Salary and benefits	Salary and benefits may be paid in lieu of notice. In cases where a contract is terminated other than on the terms of the service contract, the Company will seek to mitigate any damages payable. There will be no compensation for normal resignation or in the event of termination by the Company due to misconduct.
Annual bonus	If the individual is a good leaver, bonus will be paid on a pro-rata basis in respect of the period from the start of the financial year. Any pro-rated bonus would normally be payable in cash (i.e. no award of deferred shares would be made). Deferred share awards would normally vest at the normal vesting date (although may vest at the date of cessation). Good leaver is defined as an individual ceasing employment as a result of ill-health, disability, redundancy or retirement or in any other circumstances which the Committee permits. A bad leaver is an Executive Director who does not fall within the category of "good leaver" and bad leavers will forfeit any entitlement to a bonus payment in respect of the current financial year or any completed financial year in respect of which the bonus has not been paid at the cessation date.
Long term incentives (LTIP)	A proportion of the LTIP awards held by good leavers will vest at the Committee's discretion determined by taking into account whether, and to what extent, any performance conditions have been satisfied and the length of time the LTIP award has been held at the date of cessation of employment. The LTIP awards will not normally vest until the end of the performance period with performance tested at that time, although exceptionally such awards may, at the discretion of the Committee, vest at cessation of employment. Good leaver is defined as an individual ceasing employment as a result of ill-health, injury, disability, redundancy, retirement, or the sale out of the Group of his employing business for any other reason which the Committee in its absolute discretion permits. A bad leaver is an Executive Director who does not fall within the category of good leaver and bad leavers will forfeit any unvested awards.
Other	The Group may meet relocation and other incidental expenses on termination of employment, the fees of legal or other professional advisers, outplacement, compensation in respect of statutory rights under relevant employment protection legislation and accrued but untaken holiday. It may also elect to continue to provide certain benefits rather than making payment in lieu of the benefit in question.

Statement of consideration of shareholders' views

The views of our shareholders are very important to the Committee and we have actively consulted with our major shareholders and the main representative bodies to help formulate our amended Remuneration Policy and arrangements proposed in this report.

Any consultations on remuneration with shareholders and representative bodies will usually be led by the Chair of the Remuneration Committee.

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders throughout the year, is then considered as part of the Company's annual review of remuneration policy.

The Remuneration Committee notes that shareholders do not speak with a single voice, but we engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues. When any material changes are proposed to the Remuneration Policy, the Remuneration Committee Chair will inform major shareholders in advance, and will offer a meeting to discuss these.

Shareholder voting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for that voting will be sought and any actions in response will be detailed here. There have been no significant issues raised by shareholders in respect of remuneration in the year.

The table below shows the advisory vote on the 2017 Remuneration Report and the binding vote on the Remuneration Policy at the AGM held on 21 July 2015.

	Votes for	%	Votes Against	%	Votes withheld
2017 Remuneration Report	120,565,327	99.17	1,006,046	0.83	3,811,797
2015 Remuneration Policy	124,032,466	99.22	979,331	0.78	177,620

ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report contains details of how the Directors' Remuneration Policy will, subject to shareholder approval, be implemented for the year ending 31 March 2019 and how it was implemented during the year ended 31 March 2018.

Implementing the Policy for the Year Ending 31 March 2019

Base salary

While the Committee has operated a policy of targeting base salaries "close to (but generally just below) median" for some time, actual salaries have been set significantly below median levels.

Following a review of Executive Director base salary levels as part of the Remuneration Policy review, the Remuneration Committee has concluded that current salary levels are no longer reflective of each individual's role and responsibilities in a FTSE 250 company of Big Yellow's size and complexity given the increase in (i) the numbers of stores; (ii) the geographical spread; (iii) the employee base; (iv) customers; (v) revenue; and (vi) profits.

As such, and in connection with the simplification and de-gearing of incentive potential as part of the Remuneration Policy review, the following base salary increases are proposed:

	Chief Executive (James Gibson)	Executive Chairman (Nicholas Vetch)	Chief Financial Officer (John Trotman)	Operations Director (Adrian Lee)
Current	£302,000	£275,200	£223,700	£223,700
From 1 April 2018	**£350,000**	**£315,000**	**£260,000**	**£250,000**
From 1 April 2019	£400,000	£350,000	£300,000	£270,000
From 1 April 2020	£440,000	£375,000	£325,000	£285,000

The Committee considers the proposed base salary levels to be more appropriate in light of each individual's role and contribution to Big Yellow and Big Yellow's size and complexity (although they remain conservatively positioned against the sector and market more generally). Further, in addition to his Executive Chairman role, it should also be noted that Nicholas Vetch has also taken on executive responsibility for the property team in the past year, covering both property acquisitions and development.

The proposed salary increases are neither post freeze catch-up awards, nor are they benchmarking driven and while the Committee had originally intended to increase salary levels from 1 April 2018 and 1 April 2019, the Committee has decided to phase the salary increases over three years following consultation with investors.

Further, in line with best practice, the increases from 1 April 2019 and 1 April 2020 are not guaranteed but will be subject to satisfactory Group and individual performance during the years ending 31 March 2019 and 31 March 2020. Other than for a material role change, subsequent salary increases are expected to be in line with the general workforce increases.

Benefits

No changes will be made to benefit provision (private fuel, private medical insurance, permanent health insurance, life assurance and relocation allowances, where relevant).

Annual bonus

Annual bonus potential will be capped at 150% of salary for the year ending 31 March 2019.

Up to 25% of salary will continue to be aligned to the workforce annual bonus (measured against store performance, through occupancy growth, store profitability, store audits and customer satisfaction scores). Any bonus earned under this part will be payable in cash, following the year ending 31 March 2019.

The remaining 125% of salary will be measured against financial, operational, real estate and strategic targets measured over the financial year ending 31 March 2019. Any award under this part will be deferred into Big Yellow shares for three years (with vesting subject to continued employment).

Pension

Reflecting the proposed base salary increases and the Investment Association's recent encouragement for company pension provision to be aligned to that provided to the general workforce (as a percentage of salary), Executive Director pension provision was reduced from 15% of salary to 10% of salary (being the pension provided for the Company's Department Heads) from 1 April 2018.

LTIP

LTIP awards will continue to be granted to Executive Directors annually, over shares equal to 100% of salary. The performance conditions for awards intended to be granted to Executive Directors in 2018 are as follows:

- 70% adjusted EPS – adjusted EPS growth of RPI+3% p.a. for 25% of this element of the award to vest with full vesting occurring for adjusted EPS growth of RPI+8% p.a.;
- 30% – relative TSR performance vs. FTSE Real Estate Index with 25% of this element of the award vesting for median TSR comparative performance and full vesting at upper quartile.

Subject to the new Remuneration Policy receiving shareholder approval, a two year post vesting holding period will be applied to any LTIP award granted to Executive Directors following the 2018 AGM.

Shareholding Guidelines

The requirement to build and maintain a holding of at least 200% of salary in shares of the Company, through retaining at least 50% of shares vesting in discretionary share-based incentive plans if this guideline has not been met, will continue to apply.

Non-Executive Directors

Non-Executive Director fees for the year ending 31 March 2019, together with the fees for the year ended 31 March 2018, are as follows:

Non-Executive	2018/19 fee	2017/18 fee
Richard Cotton	£45,100	£44,200
Tim Clark	£45,100	£44,200
Georgina Harvey	£45,100	£44,200
Steve Johnson	£40,000	£39,200
Anna Keay	£40,000	£39,200 [1]
Vince Niblett	£45,100	£44,200 [1]

1 Annual fee from appointment.

How the Policy Was Implemented for the Year Ended 31 March 2018

Single total figure of remuneration (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid in the year ended 31 March 2018.

	Salary £		Taxable benefits[1] £		Annual bonus £		Long term incentives £		Pensions[2] £		Total £	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Nicholas Vetch	**275,200**	269,800	**5,120**	5,313	**35,501**	26,980	**1,328,117**	433,011	**41,280**	40,470	**1,685,218**	775,574
James Gibson	**302,000**	296,000	**5,120**	5,713	**38,958**	29,600	**1,786,688**	474,914	**45,300**	44,400	**2,178,066**	850,627
Adrian Lee	**223,700**	219,300	**4,313**	4,806	**28,857**	21,930	**1,253,430**	329,102	**33,555**	32,895	**1,543,855**	608,033
John Trotman	**223,700**	219,300	**1,806**	2,061	**28,857**	21,930	**1,250,216**	329,102	**33,555**	32,895	**1,538,134**	605,288
Total	**1,024,600**	1,004,400	**16,359**	17,893	**132,173**	100,440	**5,618,451**	1,566,129	**153,690**	150,660	**6,945,273**	2,839,522

1 Taxable benefits comprise medical cover, permanent health insurance, life insurance and private fuel usage.
2 Nicholas Vetch and James Gibson receive a cash supplement in lieu of their full pension contributions. Adrian Lee and John Trotman receive cash supplements in lieu of pension contributions above £10,000.

The values shown in long term incentives in the current year are as follows:

- the LTIP award granted in 2014 which vested on 29 July 2017 to 100% of its maximum value and is valued using the share price on that date of 787p. The award granted for 2018 is 100% of salary for each Executive Director;
- the Long Term Bonus Performance Plan, which vested to 93.33% of its maximum value. The award is exercisable from July 2018; and
- for James Gibson and John Trotman, Sharesave awards which matured in the financial year.

The average salary increase across the Group in the year was 2%; this increase was also applied to the Executive Directors from 1 April 2017.

Annual Bonus Plan awards

The policy of the Company is that the cash bonus paid to the Executive Directors is the same as the average of the bonus awards (as a % of salary) paid to all the Group's stores on achieving their targets during the course of the year. It is an important part of the Group's culture that the Executive team are rewarded with the same level of annual bonus as the average for all staff.

In respect of the year under review, and in line with the average bonus as a percentage of salary paid across the stores the Executive Directors' received a cash bonus of 12.9% of salary (out of a maximum of 25% of salary).

Overview of the staff (and Executive Director) cash bonus scheme

The staff bonus scheme is designed, on a quarterly basis, to reward each store with a bonus of up to 25% of their quarterly salary, made up of the following four key elements set out below:

Occupancy performance against target

Each store is set a quarterly target for occupancy growth. The weighting of the contribution of these metrics to the bonus varies based on store occupancy, with higher occupied stores having a lower weighting towards their performance against their occupancy target.

The bonus awarded to each store increases as the store moves further ahead of target. No bonus is awarded if the store fails to meet its target. The individual store targets have not been disclosed as it would be impractical and commercially sensitive to disclose the targets for every one of our stores in this report.

However following feedback received from our shareholders on previous remuneration reports to increase the disclosure around the annual bonus, we have shown the average annual distribution of performance against target for each of the bonus measures across our stores and the corresponding average pay-out as a percentage of salary which directly corresponds to the bonus percentage pay-out for the Executive Directors.

The average performance against the four key targets and the associated reward for the stores were as follows:

1 Occupancy

Performance against target	Below target	0 to 10% ahead of target	10 to 20% ahead of target	20 to 30% ahead of target	30 to 40% ahead of target	> 40% ahead of target	Total
No of stores	37	1	4	3	2	26	73
Average bonus paid	0%	0.8%	2.1%	4.2%	9.0%	12.8%	5.2%

Additionally, twelve stores were awarded bonuses for averaging 85% occupancy and above earning a total weighted average bonus of 0.7%. The weighted average bonus paid to stores for performance against occupancy targets is therefore 5.9% of salary for the year.

2 Profitability

Each store is set a quarterly target for profitability. The weighting of the contribution of these metrics to the bonus varies based on store occupancy, with higher occupied stores having a higher weighting towards their performance against their profitability target.

The bonus awarded to each store increases as the store moves further ahead of target. No bonus is awarded if the store fails to meet its target. The performance distribution of the store's performance against their individual targets are provided below.

Performance against target	Below target	0 to 1% ahead of target	1 to 2% ahead of target	2 to 3% ahead of target	>3% ahead of target	Total
No of stores	29	12	13	9	10	73
Average bonus paid	0.1%	1.3%	3.6%	4.4%	7.7%	2.5 %

The weighted average bonus paid to stores for performance against profitability targets is therefore 2.5% of salary for the year.

3 Store audits

Stores receive a bonus if they receive an audit score of in excess of 85% based on visits carried out by the Group's store compliance team. There were 51 instances of stores receiving an audit score of 85% and above across the year, leading to a weighted average bonus paid to the stores of 1.4% of salary.

Annual Bonus Plan awards (continued)

4 Customer satisfaction

Stores are rewarded based on two elements of customer satisfaction, net promoter scores and individual customer service awards. The awards based on net promoter scores are summarised in the table below.

NPS score	<75	>75	Total
No of stores	22	51	73
Average bonus paid	0%	1.9%	1.4%

The weighted average bonus paid to stores for performance against net promoter scores is therefore 1.4% of salary for the year.

The bonus paid to stores for individual customer service awards amounted to a further 1.7% of salary, which, combined with the net promoter score, amounted to a weighted average bonus paid to the stores for customer satisfaction of 3.1% of salary.

Summary

The bonus received by the stores against their targets in the year is summarised as follows.

Category	Actual % weighting for category	Average % of salary bonus paid across stores
1. Occupancy	46%	5.9%
2. Profitability	19%	2.5%
3. Store audits	11%	1.4%
4. Customer satisfaction	24%	3.1%
Total	100%	12.9%

In line with the Remuneration Policy an award at this level has therefore also been paid to the Executive Directors for the year.

The performance in the year resulted in a bonus of 12.9% of salary, which equated to the following payments for the Executive Directors:

- Nicholas Vetch – £35,501
- James Gibson – £38,958
- Adrian Lee – £28,857
- John Trotman – £28,857

Long Term Incentive Plan ("LTIP") awards (Audited)

The awards granted under the LTIP are subject to performance conditions to be met over a performance period of three years. There is no retesting of performance conditions and, if they are not satisfied, the awards will lapse.

The performance conditions applicable to the LTIP which vested in the year, which relate to EPS and TSR, are set out below.

Vesting is conditional on the achievement of EPS growth of an average of 3% above RPI per annum. This hurdle was met for the 2014 awards, with average annual growth in EPS of 23%, compared to RPI plus 3% of 5% per annum.

The Committee assessed the extent to which the EPS and TSR performance condition has been satisfied for the 2014 award which vested in 2017, with the following results:

Condition	Weighting	Threshold performance required	Maximum performance required	LTIP value for meeting threshold and maximum performance (% salary)	Performance achieved	Vesting %
Relative TSR	100%	Median of comparator group of real estate companies	Upper quartile of the comparator group	25% – 100%	7 out of 31 in comparator group of companies in the FTSE Real Estate Index	100%
Total	**100%**					100%

The full vesting of the 2014 LTIP award in 2017, equated to the following value for the Executive Directors based on the share price at the date of vesting:

- Nicholas Vetch – £397,680 (50,467 shares)
- James Gibson – £431,674 (55,352 shares)
- Adrian Lee – £322,993 (40,989 shares)
- John Trotman – £306,737 (38,926 shares)

LTIP awards granted in year ended 31 March 2018 (Audited)

The table below sets out the details of the long term incentive awards granted in 2017 in the year ended 31 March 2018 where vesting will be determined according to the achievement of performance conditions that will be tested in future.

Director	Award type	Awards as a % of salary	Face value of award[1]	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Performance period end date	Performance conditions
Nicholas Vetch	Annual cycle of awards over nil cost options	100% of salary	£275,200	25%	100%	3 August 2020	Adjusted EPS growth and relative TSR
James Gibson			£302,000				
Adrian Lee			£223,700				
John Trotman			£223,700				

1 The face value of the award is calculated using the average share price three days prior to the grant date of 3 August 2017 (average share price of 773.3 pence).

The performance conditions applicable to the awards granted in 2017 are set out below. There are no changes to the performance measures, their weightings and the targets from the awards granted in 2016:

Condition	Weighting	Threshold performance required	Maximum performance required	LTIP value for meeting threshold and maximum performance (% salary)	Basis for measurement
Relative TSR	30%	Median of comparator group of real estate companies	Upper quartile of the comparator group	25% to 100%	The average of the Group's closing mid-market share price over the three months preceding the start of the performance period and preceding the end of the performance period will be used, including dividends re-invested.
Adjusted EPS	70%	Adjusted EPS growth of RPI+3% per annum	Adjusted EPS growth of RPI+8% per annum	25% to 100%	The adjusted EPS figure reported in the audited results of the Group for the last complete financial year ending before the start of the performance period and the last complete financial year ending before the end of the performance period will be used.
Total	**100%**				

Between threshold and maximum performance, vesting will take place on a straight-line basis.

Long Term Bonus Performance Plan (Audited)

The only outstanding LTBPP awards are those granted in 2015 which are due to vest in 2018:

Director	Award type	Awards as a % of salary at the time of grant	Face value of award	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Performance period end date	Performance conditions
Nicholas Vetch	Granted every three years, award converts to nil cost options on vesting.	377%	£996,900	0%	100%	31 March 2018	Assessed annually on a basket of measures
James Gibson		496%	£1,440,000				
Adrian Lee		464%	£996,900				
John Trotman		464%	£996,900				

Long Term Bonus Performance Plan (Audited) (continued)

The report on the targets for the year ended 31 March 2018 (other than those which remain commercially sensitive) is summarised in the table below:

Objective	Committee Comment
Grow the Group's annual operating cash flow by £4 million for the year to 31 March 2018 compared to the year to 31 March 2017.	The Group's annual operating cash flow grew by £7.0 million in the year to 31 March 2018.
Increase the Group's occupied space by 175,000 sq ft in the year ending 31 March 2018 compared to a net growth of 112,000 sq ft in the prior year.	Overall occupied space increased by 179,000 sq ft in the year.
Grow the occupancy of the like-for-like stores open at 31 March 2017 to 81.7% by 30 September 2017, and following the seasonal occupancy loss in the third quarter, recover to this level by 31 March 2018, compared to an increase of 2.8 ppts last year.	Occupancy of the like-for-like stores increased to 83.8% by 30 September 2017, a year on year increase of 5.3 ppts. The third quarter saw a slightly larger seasonal occupancy loss than the prior year, due to the strong summer's trading, but after a return to growth in Q4, the closing occupancy was 81.9%, a year on year increase of 3.9 ppts.
Grow the average net rent per square foot across the stores from £26.03 per square foot by 1.5% to £26.43 by 31 March 2018, compared to growth of 0.5% in 2017.	The average net rent across the portfolio at 31 March 2018 was £26.74, an increase of 2.7% from 1 April 2017.
Meet budgeted revenue (£114.6 million) and adjusted profit before tax (£59.2 million) targets.	Revenue for the year was £116.7 million, 2% ahead of budget. Adjusted profit before tax was £61.4 million, 4% ahead of budget.
Meet or exceed the budgeted adjusted earnings per share of 37.2 pence.	Adjusted earnings per share were 38.5 pence for the year, 3% ahead of the budgeted amount.
Review potential sites (in London and key target towns outside of London) for store acquisition with a view of acquiring at least one new site in the year.	The Group has acquired five development sites since 1 April 2017 in Wapping (London), Uxbridge (London), Hove, Bracknell and Slough, increasing the development pipeline to 10 sites (including one extension site). The Group continues to monitor other opportunities.
Maintain the Group's online market share measured against the top 35 self storage operators by Connexity Hitwise, at on average greater than 30%.	The Group's online market share for the year as measured by Connexity Hitwise was 31%.
The planning application for Camberwell has been rejected on design grounds. We have submitted an appeal by way of an informal hearing rather than a full public inquiry. The objective is to have a planning consent by March 2018.	Planning consent has now been granted for the development of a 72,000 sq ft stores at Camberwell. We are now starting detailed design work.
Obtain planning consent for Manchester.	Planning consent was granted in September 2017 for a 60,000 sq ft store. We have started construction with a view to a store in opening in spring 2019.
Maintain the net promoter score for customer satisfaction from the Customer Experience programme in excess of 70 for move ins and 65 for move out surveys.	The move in NPS score for the year was 86, an increase from 83 in the prior year. The move out NPS score for the year was 70, an increase from 67 in the prior year.
Maintain the Group's brand leadership of unprompted and prompted awareness throughout the UK, to be measured by third party survey in the year.	The YouGov survey commissioned in April 2018 has shown our prompted awareness to be at 71% in London, over two and half times higher than our nearest competitor and 46% for the rest of the UK, over three times higher than our nearest competitor. For unprompted brand awareness, our recall in London is 46%, six and a half times higher than our nearest competitor and for the rest of the UK it is 23%, nearly eight times higher than our nearest competitor.
Reduce the carbon intensity for the year to 31 March 2018 ($KgCO_2/m^2$ of occupied space) by 5% from the year to 31 March 2017.	Carbon intensity was reduced by 20% for the year to 31 March 2018.

Long Term Bonus Performance Plan (Audited) (continued)

The other targets, covering areas such as real estate, staffing and certain financial targets, were met in the majority of cases. They have not been disclosed as they are commercially sensitive.

Following careful consideration of the performance targets and actual performance of the Group and the Executive Directors, the Committee has concluded that the award in respect of the financial year ended 31 March 2018 has vested at 100% of its potential amount for the year. For the years ended 31 March 2016 and 31 March 2017, the Committee concluded that the award had provisionally vested as to 90% of its potential amount for each year.

The Committee has also then assessed the vesting for the three years of the plan and has determined an overall vesting of 93.33% for the whole period of the plan. In reaching this determination, the Committee took into account the fact that, over the three years of the plan, substantially all of the annual targets set at the outset of each year (by reference to the relevant business plan) had been met as well as the significant progress which has been made by the Group over the past three years. By way of illustration, over the past three years, the Group's revenue has increased by 38%, with adjusted EPS increasing by 42% and dividends declared increasing by 42%. The Committee believes that this level of vesting is therefore consistent with the Group's performance and the shareholder experience and, as such awards under the plan will formally vest in July 2018. Once vested, part of the award will then be subject to a holding period in line with the current Remuneration Policy.

Sharesave Scheme

The Group's Sharesave Scheme is open to all UK employees (including Executive Directors) with a minimum of six months' service and meets UK HMRC requirements, thus giving all eligible employees the opportunity to acquire shares in the Company in a tax efficient manner. Three of the Executive Directors participated in the scheme during the financial year. The details of the Sharesave scheme options are shown on page 83.

Pension entitlements

The Company pays pension contributions into the Executive Directors' personal pension plans or makes a cash contribution in lieu of pension contributions. They do not participate in any defined benefit scheme. For the year ended 31 March 2018, the Company contribution was 15% of salary for the Executive Directors.

Payments to past Directors (Audited)

No payments of money or any other assets were made to any former Director of the Company in the financial year ended 31 March 2018 (2017: no payments).

Payments on loss of office (Audited)

No payments were made to any Directors in respect of loss of office during the financial year ended 31 March 2018 (2017: no payments).

Non-Executive Directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director paid in the year ended 31 March 2018:

	2018	2017
Tim Clark	44,200	43,700
Richard Cotton	44,200	41,000
Georgina Harvey	44,200	38,400
Steve Johnson	39,200	38,400
Anna Keay	3,267[1]	–
Vince Niblett	36,833[2]	–
Mark Richardson	13,442[3]	41,000
Total	225,342	202,500

1 From appointment on 1 March 2018
2 From appointment on 1 June 2017
3 Until retirement on 20 July 2017

For the year ended 31 March 2018, the Company reviewed the Non-Executive Director base fee and decided to adjust it to £39,200 from £38,400 (2% increase) and to harmonise the fees provided for Committee Chairs and the Senior Independent Director to £44,200. Non-Executive Directors received no taxable benefits for the year ended 31 March 2018.

Fees retained for external non-executive directorships

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

Nicholas Vetch is a Non-Executive Director of The Local Shopping REIT plc for which he receives a fee of £30,000 per annum. James Gibson is a Non-Executive Director of AnyJunk Limited and of Moby Self Storage in Brazil; he does not receive any fees for his services.

Statement of Directors' shareholding (Audited)

The Executive Directors are required to build and maintain a holding of two times base salary. These requirements have been met by all Executive Directors throughout the year. Non-Executive Directors are not subject to a shareholding requirement. Details of the Directors' interests in shares are set out below (all interests are beneficial interests).

No changes took place in the interests of the Directors in the shares of the Company between 31 March 2018 and the date of this report.

The table below shows, in relation to each Director, the total number of shares and share options in which they have an interest. LTBPP awards are not shown in the table below as the number of shares awarded is calculated by reference to the total vested award value divided by the Company's share price at the vesting date.

Director	Share ownership requirement (multiple of salary)	Share ownership requirements met	Holding as multiple of March 2018 salary	Beneficially owned shares	LTIP awards subject to performance conditions	Unexercised Sharesave options	Options exercised in the financial year
Nicholas Vetch	2x	Yes	279x	8,988,366	111,120	–	50,467
James Gibson	2x	Yes	70x	2,465,309	121,908	2,812	57,171
Adrian Lee	2x	Yes	33x	854,643	90,324	2,960	40,989
John Trotman	2x	Yes	7x	179,788	90,324	2,665	42,565

Non-Executive Directors' shareholdings (Audited)

Non-Executive	Beneficially owned shares
Richard Cotton	88,485
Tim Clark	20,615
Georgina Harvey	15,293
Steve Johnson	10,000
Vince Niblett	3,000
Anna Keay	–

Directors' share awards (Audited)

To provide further context on the shareholding of the Executive Directors, options in respect of ordinary shares for Directors who served in the year are as below:

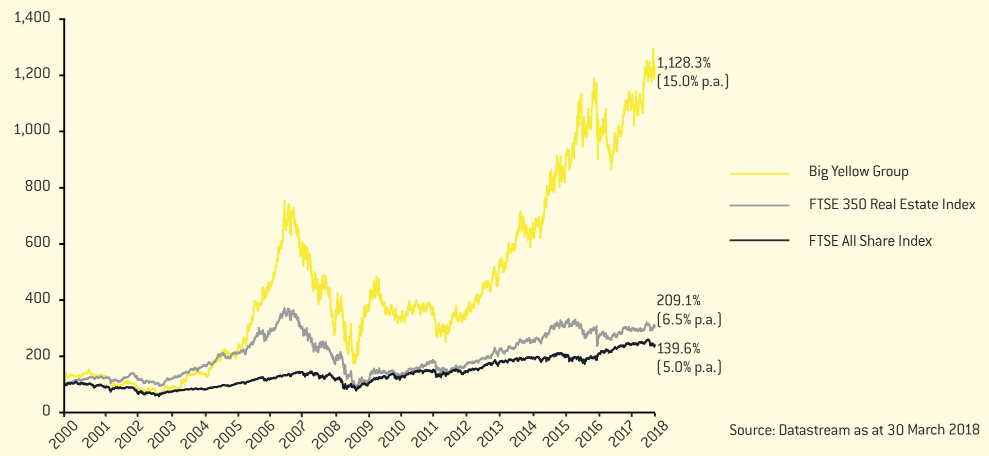
Name	Date option granted	Scheme	No. of shares under option at 31 March 2017	Granted during the year	Exercised during the year	Lapsed during the year	**No. of shares under option at 31 March 2018**	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
Nicholas Vetch	29 July 2014	LTIP	50,467	–	(50,467)	–	**–**	nil p	748.5p	29 July 2017	28 July 2024
	21 July 2015	LTIP	38,112	–	–	–	**38,112**	nil p	–	21 July 2018	20 July 2025
	22 July 2016	LTIP	37,420		–	–	**37,420**	nil p	–	22 July 2019	21 July 2026
	3 August 2017	LTIP	–	35,588	–	–	**35,588**	nil p	–	3 August 2020	2 August 2027
James Gibson	29 July 2014	LTIP	55,352	–	(55,352)	–	**–**	nil p	775.1p	29 July 2017	28 July 2024
	16 March 2015	SAYE	1,819	–	(1,819)	–	**–**	494.6p	853.0p	31 March 2018	1 October 2018
	21 July 2015	LTIP	41,801	–	–	–	**41,801**	nil p	–	21 July 2018	20 July 2025
	14 March 2016	SAYE	1,480	–	–	–	**1,480**	608.0p	–	31 March 2019	1 October 2019
	22 July 2016	LTIP	41,054		–	–	**41,054**	nil p	–	22 July 2019	21 July 2026
	3 August 2017	LTIP	–	39,053	–	–	**39,053**	nil p	–	3 August 2020	2 August 2027
	12 March 2018	SAYE	–	1,332	–	–	**1,332**	675.4p	–	31 March 2021	1 October 2021
Adrian Lee	29 July 2014	LTIP	40,989	–	(40,989)	–	**–**	nil p	775.1p	29 July 2017	28 July 2024
	21 July 2015	LTIP	30,980	–	–	–	**30.980**	nil p	–	21 July 2018	20 July 2025
	14 March 2016	SAYE	2,960	–	–	–	**2,960**	608.0p	–	31 March 2019	1 October 2019
	22 July 2016	LTIP	30,416	–	–	–	**30,416**	nil p	–	22 July 2019	21 July 2026
	3 August 2017	LTIP	–	28,928	–	–	**28,928**	nil p	–	3 August 2020	2 August 2027
John Trotman	29 July 2014	LTIP	38,926	–	(38,926)	–	**–**	nil p	775.1p	29 July 2017	28 July 2024
	16 March 2015	SAYE	3,639	–	(3,639)	–	**–**	494.6p	853.0p	31 March 2018	1 October 2018
	21 July 2015	LTIP	30,980	–	–	–	**30,980**	nil p	–	21 July 2018	20 July 2025
	22 July 2016	LTIP	30,416	–	–	–	**30,416**	nil p	–	22 July 2019	21 July 2026
	3 August 2017	LTIP	–	28,928	–	–	**28,928**	nil p	–	3 August 2020	2 August 2027
	12 March 2018	SAYE	–	2,665	–	–	**2,665**	675.4p	–	31 March 2021	1 October 2021

A proportion of the LTIP awards that were exercised in the year by the four Executive Directors were delivered through CSOP approved options. Each Executive Director exercised an option over 5,838 approved shares. The value delivered through these approved options was surrendered in the unapproved LTIPs above.

Performance and pay

The graph below shows the Group's performance, measured by TSR, compared with the performance of the FTSE All Share Real Estate Index and the FTSE All Share Index for the period since flotation. The FTSE All Share Real Estate Index is used for the assessment of the Company's LTIP.

TSR Performance from flotation



Source: Datastream as at 30 March 2018

CEO Remuneration

The table below sets out the details of remuneration of the CEO over the past nine financial years.

Year	CEO single figure of total remuneration (£)	Annual bonus pay out % against maximum of 25% of salary	Long term incentive weighted average vesting rates against maximum opportunity %
2018	2,178,066	51.6% (12.9% of salary)	95%
2017	850,619	40% (10% of salary)	100%
2016	988,811	48% (12% of salary)	100%
2015	1,756,290	50% (12.5% of salary)	98%
2014	536,262	40% (10% of salary)	53%
2013	335,891	40% (10% of salary)	0%
2012	1,400,570	40% (10% of salary)	89%
2011	325,968	40% (10% of salary)	0%
2010	875,593	40% (10% of salary)	100%

The single figure of remuneration for 2018, 2015 and 2012 are higher than in other years due to the vesting of the three year Long Term Bonus Performance Plan in those years delivering a reward of £1,343,995 (93.33% vesting), £945,750 (97% vesting) and £900,000 (90% vesting) respectively for the three year period ended in that year.

Percentage increase in the CEO's remuneration

The table below compares the percentage increase in the CEO's remuneration (including salary, fees, benefits and annual bonus) with the remuneration of Big Yellow Group employees.

	% increase in remuneration in 2018 compared with 2017	
	CEO	Employees
Salary and fees	2%	2%
All taxable benefits	(10%)	2%
Annual bonuses	29%	29%

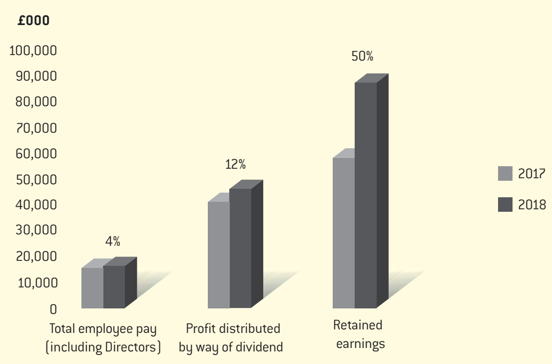
Statement of consideration of employment conditions elsewhere in the Group

The Committee reviews the reward and retention of the whole employee population periodically throughout the year to ensure that it can attract and retain top talent. Particular consideration is given to the general basic salary increase, remuneration arrangements and employment conditions. Furthermore, the cash annual bonus awarded to Executive Directors is directly linked to the bonuses awarded to all staff.

The Directors are invited to be present at this review of the proposals for salary increase for the employee population generally and on any other changes to remuneration policy within the Company. The information presented at this review is taken into consideration when setting the pay levels of the executive population. Additionally, the Committee has guidelines for the grant of all LTIP awards across the Company and responsibility for approving the total annual bonus cost of the Company. The Company does not invite employees to comment on the remuneration of Directors.

Relative importance of spend on pay

The graph below sets out the relative importance of spend on pay in the year ended 31 March 2018 and 31 March 2017 compared with other disbursements from profit, being the distributions to shareholders and retained earnings (comprehensive gain for the year less dividends).



Gender pay

The Group has reported on its gender pay gap for 2017. The full report can be found on the investor relations website http://corporate.bigyellow.co.uk/investors.aspx. The Group's mean gender pay gap was 26%, with a median gap of 10%. Excluding Executive Directors (three of whom were founders of the business), the mean gender pay gap falls to 12% with a median gap of 9%. All staff are paid equally according to job role.

The Group recognises that its success stems from attracting the right people and creating a diverse and gender balanced workforce, which not only reflects the communities in which the Group operates but also ensures a fully motivated and engaged team. The Group will ensure that every policy and practice encourages inclusive ways of working, in line with the Big Yellow culture.

Flexible working is promoted across the organisation, with a number of Head Office employees being home based, others working flexibly from home and all employees being able to work from any location within the business.

The family friendly policies include enhanced maternity, paternity and adoption pay and the Group's parental leave policy encourages both men and women to share childcare commitments.

The Group will continue to recruit based on merit and ensure that recruitment processes are bias free. The Group has recently recruited a female at senior management level to replace a position previously held by a male employee and will continue to endeavour to increase the number of women in all senior positions. In addition, the Group intends to review our recruitment practices to actively increase the representation of women within store management positions, as well as better utilising internal development programmes to encourage a greater number of women to progress within the Group. The Group will also be introducing a specific return to work programme for employees returning from maternity leave.

Advisers to the Remuneration Committee

In undertaking its responsibilities, the committee seeks independent external advice as necessary. To this end, FIT Remuneration Consultants LLP replaced PwC as the principal external advisers to the Committee during the financial year, following a tender process overseen by the Committee. The Committee is comfortable that the FIT team provides independent remuneration advice to the Committee and does not have any other connections with Big Yellow that may impair their independence. FIT is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

During the year, FIT provided independent advice on a wide range of remuneration matters including the Remuneration Policy review. FIT provides no other services to the Company. The fees paid to FIT in respect of work carried out for the year under review were £55,000.

Attendance at Remuneration Committee meetings

Attendance at meetings of the individual Directors at the Remuneration Committee Meetings that they were eligible to attend is shown in the table below:

Director	Number of meetings attended
Tim Clark	●●●●
Richard Cotton	●●●●
Georgina Harvey	●●●●
Steve Johnson	●●●●
Anna Keay	●
Vince Niblett	●●●
Mark Richardson	●

● attended
○ absent

Approval

This policy report was approved by the Board of Directors on 21 May 2018 and signed on its behalf by

Georgina Harvey
Remuneration Committee Chair

Audit Committee Report

Year ended 31 March 2018

INTRODUCTION

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

The Audit Committee is responsible for:

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

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

This year the Committee has continued to focus on the narrative reporting and corporate governance disclosures in the Annual Report. The Committee was asked by the Board to review the statement by the Directors that the Annual report presents a fair, balanced and comprehensive view of the Group's performance, strategy and business model.

Committee Members and Attendance

Member	Position	Number of meetings attended
Tim Clark	Member	●●●
Richard Cotton	Member	●●●
Georgina Harvey	Member	●●●
Steve Johnson	Member	●●●
Anna Keay	Member (from 1 March 2018)	●
Mark Richardson	Chairman (until 31 May 2017)	●
Vince Niblett	Chairman (from 1 June 2017)	●●

● attended
○ absent

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

The Group provides an induction programme for new Audit Committee members and ongoing training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff.

Ongoing training includes attendance at formal conferences, internal company seminars and briefings by external advisers.

Meetings

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

The Audit Committee invites the Chief Executive, Chief Financial Officer, Financial Controller, and senior representatives of the external auditor to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. The Committee may meet with the external auditor without the Executive Directors or senior management present. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Overview of the actions taken by the Audit Committee to discharge its duties

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

- reviewed published financial information including the year end results, Annual Report, half year results and the Interim Management Statements;
- considered whether the Annual Report provides a fair, balanced and comprehensive view of the Group's performance, strategy and business model;
- assessed and concluded on the Group's viability statement;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the external auditor;
- agreed the fees to be paid to the external auditor for their audit of the March 2018 financial statements and September half-yearly report;
- considered and agreed the approach of performing Directors' valuations of investment properties for the half-year report;
- undertaken an assessment of the qualification, expertise and resources, and independence of the external auditor and the effectiveness of the audit process;
- considered the audit partner and audit firm rotation;
- undertaken an evaluation of the performance of the external auditor;
- assessed the effectiveness of the external auditor;
- reviewed the nature and extent of interaction with the FRC's Corporate Reporting Review team. The Company received a letter during the year from the FRC with suggestions for minor areas of improvement of disclosure in the financial statements. These have been addressed in these financial statements. The FRC's review only covered the specific disclosures relating to this review and provides no assurance that the report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements;
- considered the need for an internal audit function;
- reviewed the arrangements for "whistleblowing" by employees to ensure that there is a consistent policy in the Group to enable employees to voice concerns particularly in respect of possible financial reporting improprieties. A whistleblowing policy is included in the employee handbook and during the year an external whistleblowing service was introduced;
- met the Group's external valuers;
- met the Group's Store Compliance Manager;
- reviewed the Audit Committee's Report; and
- reviewed its own effectiveness.

Financial reporting and significant financial judgements

The Committee reviews all financial information published by the Group in year end and half-year financial statements, including the presentation and disclosure of the financial information. It also considers the appropriateness of the accounting policies adopted by the Group and the accounting judgements made by management in the preparation of the financial information.

The Committee has considered whether the Annual Report for the year ended 31 March 2018 provides a fair, balanced and comprehensive view of the Group's performance, strategy and business model and whether it provides the necessary information to enable shareholders and prospective shareholders to assess the Group's performance, strategy and business model. The Committee is satisfied that the Annual Report for the year ended 31 March 2018 provides a fair, balanced and comprehensive view and includes the necessary information as set out above. The Committee has confirmed this to the Board, whose statement is included in the Statement of Directors' Responsibilities on page 90.

The Committee focuses on matters it considers important in their impact on the reported results of the Group, and on matters where there is a high degree of complexity and/or judgement.

The key area of judgement that the Committee focuses on at the reporting date is the valuation of the investment property portfolio. This is carried out by independent external valuers, but by its nature it is subjective, with significant judgement applied to the valuation, particularly given the lack of transactional evidence for prime self storage assets. The Chairman of the Committee met the external valuers to discuss the valuations, review the key judgements and discussed whether there were any disagreements with management. This year the Committee reviewed and challenged the valuers on the cap rates, rental growth assumptions and stabilised occupancy levels, to agree on the appropriateness of the assumptions adopted. The Committee also challenged the valuers and satisfied itself on their independence, their quality control processes (including peer partner review) and qualifications to carry out the valuations. Management also have processes in place to review the external valuations. In addition, the external auditors use specialists to review the valuations and report their findings and conclusions to the Audit Committee.

The Committee has also considered a number of other judgements made by management in the preparation of the financial statements. There have been no business combinations in the year. The Committee has concluded that there is not a significant level of judgements involved, other than the valuation described above.

Management have reported to the Audit Committee that they are satisfied that they are not aware of any material misstatements in the financial statements. The auditors confirmed in their report to the Audit Committee that they had not found any material misstatements during their audit work.

Based on the above, the Committee concluded that the financial statements appropriately apply the key estimates and critical judgements, in respect of the disclosures and the amounts reported. The Committee also concluded that the annual report and financial statements, taken as a whole, are fair, balanced and comprehensive and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

External auditor

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

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

> the external auditor's plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years, and any changes in the key audit staff;
> the arrangements for day-to-day management of the audit relationship;
> a report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest;
> the overall extent of non-audit services provided by the external auditor, in addition to its case-by-case approval of the position of non-audit services by the external auditor; and
> the past service of the auditor who was appointed in the current financial year.

Audit rotation

During the prior year following a robust tender process, the Committee appointed KPMG LLP as auditors. As part of the tender process, the Committee reviewed KPMG's proposals for the audit and determined that they had an appropriate plan in place to carry out an effective audit. KPMG confirmed to the Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity.

The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Code.

Annual auditor assessment

The Audit Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality which include the following areas:

> the arrangements for ensuring the external auditor's independence and objectivity;
> the lead audit engagement partner and the audit team;
> the external auditor's fulfilment of the agreed audit plan and variations from the plan;
> the quality of the formal audit report to shareholders;
> the robustness and perceptiveness of the auditor in his handling of the key accounting and audit judgements; and
> the content of the external auditor's comments on control improvement recommendations.

Regard is paid to the nature of, and remuneration received, for other services provided by KPMG LLP to the Group and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit. Where non-audit services are provided, the fees are based on the work undertaken and are not success related.

Non-audit work

The Group's policy on external audit sets out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, including those that are pre-approved by the Audit Committee and those which require specific approval before they are contracted for, subject to de minimis levels. They may not provide a service which places them in a position where they may be required to audit their own work. Specifically, they are precluded from providing services relating to bookkeeping, financial information system design and implementation, appraisal or evaluation services, actuarial services, any management functions, investment banking services, legal services unrelated to the audit or advocacy services.

In respect of the year ended 31 March 2018, the auditor's remuneration comprised £188,000 for audit work and £30,000 for other work, solely relating to the interim review. Over a three year rolling period, the level of non-audit fees is below the audit fee, with non-audit fees representing 45% of audit fees in 2017 and 61% in 2016, in both cases payable to the predecessor auditor Deloitte LLP.

Risk management and internal control

The Committee and the Board reviewed the internal control processes of the business and the Group's risk register during the year. The risks and uncertainties facing the Group, and its internal control processes are considered in the Strategic Report on page 34.

Internal audit

The Committee has considered the Board's view that, given the relatively straightforward nature of the Group's business and the control environment in place, no formal internal audit function is required. The Group has a store compliance team, which effectively carries out an internal audit role for the Group's stores. Additionally, the Board will appoint external consultants to assess specific business areas of risk and provide a report to the Board and the Committee on this area. For example, the construction programme was assessed by an external consultant in 2016 with satisfactory results. Similarly, the Board intends to appoint a consultant to review the Group's tax procedures during the year ending 31 March 2019.

The Committee concurs with management's view that, in view of these arrangements, no formal internal audit function is necessary for the business at this time.

Overview

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

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

Approved by the Audit Committee and signed on its behalf by:

Vince Niblett
Audit Committee Chairman
21 May 2018

Statement of Directors' Responsibilities

Directors' responsibilities

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 21 May 2018 and is signed on its behalf by:

James Gibson
Chief Executive Officer

John Trotman
Chief Financial Officer

Independent Auditor's Report to the Members of Big Yellow Group PLC

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Big Yellow Group PLC ("the Company") for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheets, Consolidated and Parent Company Statements of Changes in Equity, Consolidated and Parent Company Cash Flow Statements, and the related notes, including the accounting policies in notes 2 and 29.

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
> the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 20 July 2017. The period of total uninterrupted engagement is eight months for the financial year ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£9.5m 0.69% of Total Assets
Coverage	100% of Total Assets

Risks of material misstatement

Recurring Risks	Valuation of Investment Property, including Investment Property under Construction
	Parent Company: Amounts owed by Group Undertakings

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of Investment Property, including Investment Property under Construction Investment Property £1,245.1m (2017: £1,154.4m) Investment Property Under Construction £58.2m (2017: £36.1m) Refer to page 87 (Audit Committee Report), note 2 (accounting policy) and note 15 (financial disclosures).	**Subjective Valuation** Investment property fair values are calculated using actual and subjective assumptions inputs such as store occupancy, net rent per square foot, discount rates and exit capitalisation rates. For investment property under construction additional estimates include expected costs to complete and the risk of not obtaining planning permission for non-consented sites. The Group employs external valuers to apply professional judgement concerning market conditions and factors impacting individual properties. Investment property valuation is a significant and key risk of material misstatement as the valuation process is subjective and inherently judgemental in nature. The investment market for prime self storage is subject to market uncertainty due to the low volume of comparable transactions.	Our procedures included: > **Assessing valuer's credentials:** We assessed the external valuer's qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. > **Methodology choice:** We read the external valuation reports for 100% of the properties and assessed whether the valuation approach was in accordance with RICS standards and suitable for use in determining the final value for the purpose of the financial statements. > **Personnel interview:** We met with the external valuer and the audit committee chairman with our own internal real estate specialist to discuss the valuation process, key assumptions such as occupancy, capitalisation and discount rates, and the rationale behind the more significant or unusual valuation movements during the year. > **Our sector experience:** We used our knowledge of the entity, our experience of the real estate industry and observed industry norms when assessing the key assumptions and the significant or unusual valuation movements and for investment property under construction we considered the judgement made by the directors and external valuers for planning risk for non-consented sites. > **Data provided to the valuer:** We performed property visits and tested the current and historical accuracy of information used to generate key inputs to the valuation such as store occupancy and net rental income by physically inspecting a sample of storage units and reviewing a sample of customer storage license agreements. > **Independent re-performance:** Using our own internally produced model and the external valuer and management's inputs we assessed the reasonableness of valuation as produced by the external valuer. > **Tests of detail:** For investment property under construction we tested that the supporting information for construction contracts and budgets, which was also supplied to the valuer, was consistent with the Group's records for example by inspecting original construction contracts. We also obtained evidence that planning permission had been obtained for development sites. > **Assessing Transparency:** We assessed the Group's disclosures discussing the investment property and investment property under construction valuation and their sensitivities. **Our results** > We found the valuation of investment property and investment property under construction to be acceptable.

	The risk	Our response
Amounts owed by Group Undertakings £470.6m (2017: £481.2m) Refer to note 29 (accounting policy) and note 31 (financial disclosures).	**Low risk, high value** The carrying amount of the intra-group debtor balance represents 95.3% of the Company's total assets at 31 March 2018. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.	Our procedures included: > **Test of details:** We assessed 100% of Group debtors to identify, with reference to the relevant debtor's financial statements/draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those subsidiary companies have historically been profit-making. > **Assessing subsidiary audits:** We considered the results of the work performed on the subsidiary audits, including assessing the liquidity of the assets and therefore the ability of the subsidiaries to fund the repayment of the receivable. **Our results** > We found the assessment of the recoverability of the Group debtor balance to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £9.5m determined with reference to a benchmark of total assets, of which it represents 0.69%.

In addition, we applied materiality of £3.0m to all balances and classes of transactions impacting adjusted profit before tax (as reconciled to profit before tax in note 10 of the financial statements) for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the group.

Materiality for the parent Company financial statements as a whole was set at £4.9m, determined with reference to a benchmark of Company total assets of £493.8m, of which it represents 0.99%.

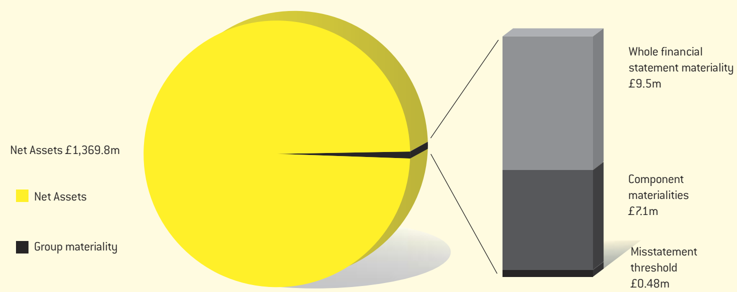
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements relating to line items above group profit before tax exceeding £475,000 and those relating to Balance Sheet classification exceeding £1.0m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

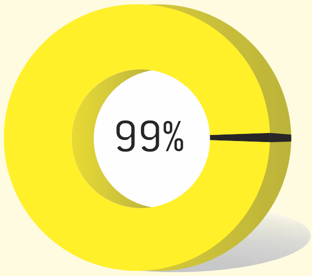
Of the Group's 22 reporting components, we subjected six to audits for group reporting purposes These group procedures covered 99% of total group revenue; 99% of the total profits and losses that made up group profit before tax; and 100% of total group assets.

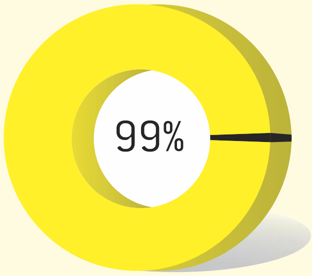
The remaining 1% total group revenue, 1% of the total profits and losses that made up group profit before tax and 0% of total group assets is represented by 16 reporting components, none of which individually represented more than 1% of any of total group revenue, group profit before tax or total group assets. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

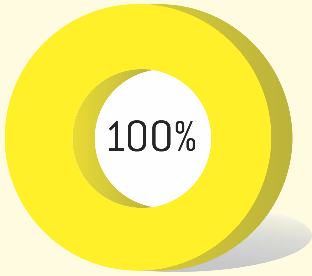
The work on all the components, including the audit of the parent Company, was performed by the Group team at the head office in Bagshot, Surrey.

The Group team used component materialities, which ranged from £0.5m to £7.1m, having regard to the mix of size and risk profile of the Group across the components.









4. We have nothing to report on going concern

We are required to report to you if:

> we have anything material to add or draw attention to in relation to the Directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

> the related statement under the Listing Rules set out on page 38 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

> we have not identified material misstatements in the strategic report and the Directors' report;

> in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

> in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

> the Directors' confirmation within the Viability statement on page 38 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

> the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and

> the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

> we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

> the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 90, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related Company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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 auditor's 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.

Steve Masters (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park, Theale, RG7 4SD
21 May 2018

Consolidated Statement of Comprehensive Income

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Revenue	3	**116,660**	109,070
Cost of sales		**(35,674)**	(34,075)
Gross profit		**80,986**	74,995
Administrative expenses		**(10,065)**	(9,679)
Operating profit before gains on property assets		**70,921**	65,316
Gain on the revaluation of investment properties	14a,15	**71,635**	43,706
Gain on part disposal of investment property	14a	**650**	–
Operating profit		**143,206**	109,022
Share of profit of associates	14d	**1,370**	1,442
Investment income – interest receivable	7	**244**	356
– fair value movement on derivatives	7, 18	**1,294**	719
Finance costs	8	**(11,975)**	(11,756)
Profit before taxation		**134,139**	99,783
Taxation	9	**(597)**	(272)
Profit for the year (attributable to equity shareholders)	5	**133,542**	99,511
Total comprehensive income for the year (attributable to equity shareholders)		**133,542**	99,511
Basic earnings per share	12	**85.0p**	63.6p
Diluted earnings per share	12	**84.4p**	63.1p

EPRA earnings per share are shown in Note 12.

All items in the consolidated statement of comprehensive income relate to continuing operations.

Consolidated Balance Sheet

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investment property	*14a*	**1,245,142**	1,154,390
Investment property under construction	*14a*	**58,157**	36,115
Interests in leasehold property	*14a*	**22,929**	23,601
Plant, equipment and owner-occupied property	*14b*	**3,092**	3,216
Intangible assets	*14c*	**1,433**	1,433
Investment in associates	*14d*	**9,276**	7,452
Capital Goods Scheme receivable	*16*	**2,385**	4,091
Derivative financial instruments	*18c*	**1,704**	–
		1,344,118	1,230,298
Current assets			
Inventories		**283**	283
Trade and other receivables	*16*	**18,586**	18,042
Cash and cash equivalents		**6,853**	6,906
		25,722	25,231
Total assets		**1,369,840**	1,255,529
Current liabilities			
Trade and other payables	*17*	**(36,828)**	(36,935)
Borrowings	*19*	**(2,474)**	(2,356)
Obligations under finance leases	*21*	**(2,061)**	(2,005)
		(41,363)	(41,296)
Non-current liabilities			
Derivative financial instruments	*18c*	**–**	(2,964)
Borrowings	*19*	**(326,461)**	(299,323)
Obligations under finance leases	*21*	**(20,868)**	(21,596)
		(347,329)	(323,883)
Total liabilities		**(388,692)**	(365,179)
Net assets		**981,148**	890,350
Equity			
Share capital	*22*	**15,857**	15,788
Share premium account		**46,362**	45,462
Reserves		**918,929**	829,100
Equity shareholders' funds		**981,148**	890,350

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2018. They were signed on its behalf by:

James Gibson
Director

John Trotman
Director

Company Registration No. 03625199

Consolidated Statement of Changes in Equity

Year ended 31 March 2018

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2017	15,788	45,462	74,950	1,795	753,374	(1,019)	890,350
Total comprehensive income for the year	–	–	–	–	133,542	–	133,542
Issue of share capital	69	900	–	–	–	–	969
Dividend	–	–	–	–	(46,183)	–	(46,183)
Credit to equity for equity-settled share based payments	–	–	–	–	2,470	–	2,470
At 31 March 2018	**15,857**	**46,362**	**74,950**	**1,795**	**843,203**	**(1,019)**	**981,148**

The other non-distributable reserve arose in the year ended 31 March 2015 following the placing of 14.35 million ordinary shares.

Year ended 31 March 2017

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2016	15,737	45,227	74,950	1,795	692,697	(1,019)	829,387
Total comprehensive income for the year	–	–	–	–	99,511	–	99,511
Issue of share capital	51	235	–	–	–	–	286
Dividend	–	–	–	–	(41,158)	–	(41,158)
Credit to equity for equity-settled share based payments	–	–	–	–	2,324	–	2,324
At 31 March 2017	15,788	45,462	74,950	1,795	753,374	(1,019)	890,350

Consolidated Cash Flow Statement

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash generated from operations	*26*	**73,457**	67,209
Interest paid		**(9,724)**	(10,980)
Interest received		**13**	16
Tax paid		**(769)**	(271)
Cash flows from operating activities		**62,977**	55,974
Investing activities			
Sale of surplus land		**–**	300
Acquisition of Lock and Leave (net of cash acquired)		**–**	(14,239)
Purchase of non-current assets		**(41,959)**	(6,338)
Proceeds on part disposal of investment property		**650**	–
Receipts from Capital Goods Scheme		**2,786**	2,917
Investment in associate	*14d*	**(900)**	–
Dividend received from associates	*14d*	**446**	396
Cash flows from investing activities		**(38,977)**	(16,964)
Financing activities			
Issue of share capital		**969**	286
Payment of finance lease liabilities		**(1,109)**	(1,196)
Equity dividends paid	*11*	**(46,183)**	(41,158)
Payment to cancel interest rate derivative		**(3,374)**	–
Increase/(decrease) in borrowings		**25,644**	(7,243)
Cash flows from financing activities		**(24,053)**	(49,311)
Net decrease in cash and cash equivalents		**(53)**	(10,301)
Opening cash and cash equivalents		**6,906**	17,207
Closing cash and cash equivalents		**6,853**	6,906

Notes to the Financial Statements

Year ended 31 March 2018

1. GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The nature of the Group's operations and its principal activities are set out in note 4 and in the Strategic Report on pages 16 to 28.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union in accordance with EU law (IAS regulation EC1606/2002) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements are presented in Sterling, being the currency of the primary economic environment in which the Group operates. Unless otherwise stated, figures are rounded to the nearest thousand.

The accounting policies adopted are consistent with those of the previous financial year, except as described in the following sections.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB). Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7	Statement of Cash Flow
Amendments to IAS 12	Income Taxes
IFRS 12	Disclosure of interests in other entities

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

None of these standards not yet effective are expected to have a significant impact on the Financial Statements of the Group or Company. Certain Standards which might have an impact are discussed below.

IFRS 9 – Financial Instruments

IFRS 9 covers the classification, measurement and derecognition of financial assets and liabilities. It also introduces a new impairment model for financial assets and new rules for hedge accounting. The standard is applicable for financial years commencing on or after 1 January 2018, and hence the year ending 31 March 2019 will be the first applicable year for the Group.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through the income statement and the Group does not have any such liabilities.

The impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. The significant financial assets held by the Group that will be impacted by the impairment losses recognised under IFRS 9 are trade receivables.

Trade receivables in the balance sheet at 31 March 2018 were £3.7 million with an impairment provision recognised under IAS 39 of £0.01 million. As described in note 16, the Group's exposure to credit risk is low. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 March 2018 based on actual losses experienced over the past five years. Following this assessment, the impact and volatility on impairment losses recognised under IFRS 9 is estimated to be immaterial.

The Company holds intercompany loan and receivables balances with the subsidiaries of the Group as disclosed in Note 31. The Directors do not estimate there to be a material impact on the Company only Financial Statements from the recognition of impairment provisions for the loans and receivables under IFRS 9 compared to accounting for it held under IAS 39.

The new standard introduces enhanced disclosure requirements and changes in presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 – Revenue Recognition

IFRS 15 replaces IAS 18 and governs the recognition of revenue. The standard is applicable for financial years commencing on or after 1 January 2018, and hence the year ending 31 March 2019 will be the first applicable year for the Group. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group's assessment is that IFRS 15 will apply to all its streams of revenue, although it is estimated that there will not be a material change in the amounts and timing of revenue recognised following the adoption of the standard. Each customer license agreement is terminable on seven days' notice by the customer at any time and in specific circumstances by the Group. This is an indicator IFRS 16 would not apply. Each licence has a discrete performance obligation with revenue recognised from day one. The opening offer discount was also assessed under IFRS 15 and the Group has concluded that the accounting for this will be unchanged following the introduction of IFRS 15 that is to spread it evenly over the period of the opening offer discount.

The standard also introduces enhanced disclosure requirements and changes in presentation.

IFRS 16 – Leases

IFRS 16 results in almost all leases being recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. The standard is applicable for financial years commencing on or after 1 January 2019, and hence the year ending 31 March 2020 will be the first applicable year for the Group.

Under the standard, an asset, representing the right to use the leased item, and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The new standard changes the allocation of the finance lease payments over the length of the lease, resulting in the rental payments paid being more front ended in the income statement. The accounting for lessors will not significantly change.

The Group already classifies its leasehold stores as finance leases. The income statement charge for these leases in the year was £2.1 million. On adopting IFRS 16, the changes in the way the standard allocates the finance lease payments, would, we estimate, increase the rent charge in the first year of adoption by £0.3 million to £2.4 million. The Group has a limited number of operating leases, with non-cancellable future lease payments of £1.1 million at 31 March 2018. These will be brought onto balance sheet on adoption of the standard.

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and derivative 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, which have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements in the current and preceding year, are set out below:

Going concern

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

After reviewing Group and Company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ending 31 March 2019 and projections contained in the longer term business plan which covers the period to March 2022. The Directors have carefully considered the Group's trading performance and cash flows as a result of the uncertain global economic environment and the other principal risks to the Group's performance, and are satisfied with the Group's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at their acquisition date (which is typically regarded as their cost). Subsequent to their initial recognition, intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Investment in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group. Where a Group Company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Revenue recognition

Revenue represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Self storage income is recognised over the period for which the storage room is occupied by the customer on a straight-line basis. The opening offer discount of 50% off for up to 8 weeks is spread evenly over the term of the discount period.

Other storage related income comprises:

- insurance income which is recognised on a straight line basis over the period a customer occupies their room; and
- packing material sales are recognised at the point of sale, as there is no further ongoing performance obligation beyond the point of sale.

The Group recognises non-storage income, which is principally rental income from tenants of properties awaiting development, on a straight-line basis over the period in which it is earned.

Management fees earned are recognised on a straight-line basis over the period for which the services are provided. Fees earned from associates are recognised in full in the income statement through revenue with the proportionate debit shown in the share of profit of associate.

Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowings

Interest-bearing loans and overdrafts are measured at fair value, net of direct issue costs. Premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying value amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are subsequently held at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs and income

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

Interest income is accrued on a time basis, by reference to the principal outstanding and 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.

Debt modification

A change in debt carried at amortised cost that is considered substantial is accounted for as an extinguishment, which means that the original debt is derecognised, with a gain or loss is recorded in the income statement, and a new financial liability recorded based on the new terms. If the change is not considered to be substantial (substantial is defined as a change in the net present value of the cash flows of more than 10%), the original debt remains on the books and there is no current income statement impact.

Non-recurring items of income and expenditure

Non-recurring items of income and expenditure are recognised on the basis that they are unusual in nature and large in scale.

Operating profit

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

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, 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 as there is a legally enforceable right to set off current tax assets against current tax liabilities.

Plant, equipment and owner occupied property

All property, plant and equipment, not classified as investment property, is 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 investment properties, less any residual value over their estimated useful lives, using the straight-line method, on the following bases:

Freehold property	50 years
Leasehold improvements	over period of the lease
Plant and machinery	10 years
Motor vehicles	4 years
Fixtures and fittings	5 years
Computer equipment	3 to 5 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 the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

The criteria used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and/or for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS 40, investment property held as a 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 statement of comprehensive income for the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Leasehold properties that are leased under operating leases are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception, and is shown within note 21. 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 statement of comprehensive income in the period in which they arise.

Impairment of assets

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

Inventories

Inventories, representing the cost of packing materials, are stated at the lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement.

A – Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of interest rates. The Group uses interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The policy in respect of interest rates is to maintain a balance between flexibility and the hedging of interest rate risk.

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

Changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income as they arise. The Group has not adopted hedge accounting. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the statement of comprehensive income.

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 initially recognised at fair value and subsequently 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the income statement.

D – Cash and cash equivalents

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

E – Financial liabilities and equity

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

F – Equity instruments

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

G – Trade payables

Trade payables are not interest bearing and are initially stated at fair value and subsequently recorded measured at amortised cost.

Retirement benefit costs

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

Share-based payments

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

Fair value is measured by use of the Black-Scholes model and excludes the effect of non-market based vesting conditions. 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. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recovered in the income statement such that the cumulative expenses reflects the revised estimate with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the income statement for the year.

Critical accounting estimates and judgements

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

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

Estimate of fair value of Investment Properties and Investment Property under Construction (critical accounting estimate)

The Group's self storage centres and stores under development are valued using a discounted cash flow methodology which is based on projections of net operating income. The Group employs expert external valuers, Cushman & Wakefield LLP, who report on the values of the Group's stores on an annual basis. The stores within the Armadillo Partnerships are valued by Jones Lang LaSalle. The principal assumptions underlying the estimation of the fair value are those related to: stabilised occupancy levels; expected future growth in storage rents; capitalisation rates; and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 15 to the financial statements.

Judgement of business combinations

The Directors assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired corporate vehicle is an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors, the transaction is accounted for as a business combination. Where there are no such significant items, the transaction is treated as an asset purchase. The Directors assess when the risks and rewards associated with an acquisition or disposal have transferred. There have been no business combinations in the year.

3. REVENUE

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

	2018 £000	2017 £000
Open stores		
Self storage income	**97,717**	91,600
Other storage related income	**16,494**	15,189
Ancillary store rental income	**524**	526
	114,735	107,315
Other revenue		
Non-storage income	**950**	885
Management fees earned	**975**	870
Total revenue	**116,660**	109,070

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

4. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. Given the nature of the Group's business, there is one segment, which is the provision of self storage and related services.

Revenue represents amounts derived from the provision of self storage and related services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one activity, the provision of self storage and related services. These all arise in the United Kingdom in the current year and prior year.

5. PROFIT FOR THE YEAR

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

	2018 £000	2017 £000
Depreciation of plant, equipment and owner-occupied property	**729**	738
Depreciation of finance lease capital obligations	**1,109**	1,196
Gain on the revaluation of investment property	**(71,635)**	(43,706)
Profit on part disposal of investment property	**(650)**	–
Cost of inventories recognised as an expense	**1,043**	1,035
Employee costs (see note 6)	**16,306**	15,622
Operating lease rentals	**127**	133

b) Analysis of auditor's remuneration:

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**156**	156
Fess payable to the Company's auditor for the subsidiaries' annual accounts	**32**	30
Total audit fees	**188**	186
Audit related assurance services – interim review	**30**	31
Tax advisory services	**–**	19
Other assurance services – assurance of CSR report	**–**	22
Other services – planning consultancy	**–**	11
Other services	**–**	2
Total non-audit fees	**30**	85

Fees payable to KPMG LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees charged by KPMG LLP to the Group's associates, Armadillo Storage Holding Company Limited and Armadillo Storage Holding Company 2 Limited in the year amounted to £45,000 which all related to audit services. The prior year audit fees and non-audit fees disclosed were payable to Deloitte LLP.

6. EMPLOYEE COSTS

The average monthly number of full-time equivalent employees (including Executive Directors) was:

	2018 Number	2017 Number
Sales	**284**	279
Administration	**51**	50
	335	329

At 31 March 2018 the total number of Group employees was 375 (2017: 361).

	2018 £000	2017 £000
Their aggregate remuneration comprised:		
Wages and salaries	**11,377**	10,990
Social security costs	**1,913**	1,783
Other pension costs	**546**	525
Share-based payments	**2,470**	2,324
	16,306	15,622

Details of Directors' Remuneration is given on pages 66 to 85. The Directors are the only employees assessed as key management personnel.

7. INVESTMENT INCOME

	2018 £000	2017 £000
Bank interest receivable	**13**	16
Unwinding of discount on Capital Goods Scheme receivable	**231**	340
Total interest receivable	**244**	356
Change in fair value of interest rate derivatives	**1,294**	719
Total investment income	**1,538**	1,075

8. FINANCE COSTS

	2018 £000	2017 £000
Interest on bank borrowings	**9,817**	10,953
Capitalised interest	**(360)**	(128)
Interest on obligations under finance leases	**992**	931
Total interest payable	**10,449**	11,756
Refinancing costs	**1,526**	–
Total finance costs	**11,975**	11,756

The refinancing costs relate to the unamortised loan arrangement costs of the previous bank facility which was extinguished, and the write-off of the costs of the new bank facility in accordance with IAS 39.

9. TAXATION

The Group converted to a REIT in January 2007. As a result the Group does not pay UK corporation tax on the profits and gains from its qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group are subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

Finance (No.2) Bill 2015 provides that the rate of corporation tax for the 2017 Financial Year (commencing 1 April 2017) would be 19% and that the rate from 1 April 2020 will be 18%. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%. This rate was incorporated in Finance Act 2016 which was fully enacted on 15 September 2016.

	2018 £000	2017 £000
UK current tax:		
– Current year	**546**	417
– Prior year	**51**	(145)
	597	272

A reconciliation of the tax charge is shown below:

	2018 £000	2017 £000
Profit before tax	**134,139**	99,783
Tax charge at 19% (2017 – 20%) thereon	**25,486**	19,957
Effects of:		
Revaluation of investment properties	**(13,734)**	(8,741)
Share of profit of associates	**(260)**	(288)
Other permanent differences	**(1,374)**	(1,242)
Profits from the tax exempt business	**(9,176)**	(8,791)
Utilisation of brought forward losses	**(11)**	–
Movement on other unrecognised deferred tax assets	**(385)**	(478)
Current year tax charge	**546**	417
Prior year adjustment	**51**	(145)
Total tax charge	**597**	272

At 31 March 2018 the Group has unutilised tax losses of £32.1 million (2017: £32.6 million) available for offset against certain types of future taxable profits. All losses can be carried forward indefinitely.

10. ADJUSTED PROFIT

		2018 £000	2017 £000
Profit before tax		**134,139**	99,783
Gain on revaluation of investment properties	– wholly owned	**(71,635)**	(43,706)
	– in associate (net of deferred tax)	**(724)**	(756)
Change in fair value of interest rate derivatives	– Group	**(1,294)**	(719)
	– in associate	**(60)**	8
Gain on part disposal of investment property		**(650)**	–
Prior period VAT recovery		**–**	(328)
Acquisition costs written off		**–**	296
Refinancing costs		**1,526**	–
Share of associate acquisition costs written off		**120**	63
Adjusted profit before tax		**61,422**	54,641
Tax		**(597)**	(272)
Adjusted profit after tax		**60,825**	54,369

10. ADJUSTED PROFIT (continued)

Adjusted profit before tax which excludes gains and losses on the revaluation of investment properties, changes in fair value of interest rate derivatives, net gains and losses on disposal of investment property, and non-recurring items of income and expenditure have been disclosed as, in the Board's view, this provides a clearer understanding of the Group's underlying trading performance.

The refinancing costs of £1.5 million relate to the unamortised loan arrangement costs of the previous bank facility, and the write-off of the costs of the new bank facility in accordance with IAS 39.

11. DIVIDENDS

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2017 of 14.1p (2016: 12.8p) per share.	**22,107**	20,003
Interim dividend for the year ended 31 March 2018 of 15.3p (2017: 13.5p) per share.	**24,076**	21,155
	46,183	41,158
Proposed final dividend for the year ended 31 March 2018 of 15.5p (2017: 14.1p) per share.	**24,417**	22,107

Subject to approval by shareholders at the Annual General Meeting to be held on 19 July 2018, the final dividend will be paid on 27 July 2018. The ex-div date is 21 June 2018 and the record date is 22 June 2018.

The Property Income Dividend ("PID") payable for the year is 27.5 pence per share (2017: 24.0 pence per share).

12. EARNINGS PER SHARE

	Year ended 31 March 2018			Year ended 31 March 2017		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic	**133.5**	**157.1**	**85.0**	99.5	156.5	63.6
Dilutive share options	**–**	**1.0**	**(0.6)**	–	1.2	(0.5)
Diluted	**133.5**	**158.1**	**84.4**	99.5	157.7	63.1
Adjustments:						
Gain on revaluation of investment properties	**(71.6)**	**–**	**(45.3)**	(43.7)	–	(27.7)
Change in fair value of interest rate derivatives	**(1.3)**	**–**	**(0.8)**	(0.7)	–	(0.4)
Gain on part disposal of investment property	**(0.6)**	**–**	**(0.4)**	–	–	–
Acquisition costs written off	**–**	**–**	**–**	0.3	–	0.2
Prior period VAT recovery	**–**	**–**	**–**	(0.3)	–	(0.2)
Refinancing costs	**1.5**	**–**	**1.0**	–	–	–
Share of associate non-recurring gains and losses	**(0.7)**	**–**	**(0.4)**	(0.7)	–	(0.5)
EPRA – diluted	**60.8**	**158.1**	**38.5**	54.4	157.7	34.5
EPRA – basic	**60.8**	**157.1**	**38.7**	54.4	156.5	34.8

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

EPRA earnings and earnings per ordinary share have been disclosed to give a clearer understanding of the Group's underlying trading performance.

13. NET ASSETS PER SHARE

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

	31 March 2018 £000	31 March 2017 £000
Basic net asset value	**981,148**	890,350
Exercise of share options	**1,105**	820
EPRA NNNAV	**982,253**	891,170
Adjustments:		
Fair value of derivatives	**(1,704)**	2,964
Fair value of derivatives – share of associate	**17**	77
Share of deferred tax in associates	**794**	626
EPRA NAV	**981,360**	894,837
Basic net assets per share (pence)	**623.2**	568.0
EPRA NNNAV per share (pence)	**616.8**	562.1
EPRA NAV per share (pence)	**616.2**	564.4
EPRA NAV (as above) (£000)	**981,360**	894,837
Valuation methodology assumption (see note 15) (£000)	**77,706**	68,530
Adjusted net asset value (£000)	**1,059,066**	963,367
Adjusted net assets per share (pence)	**665.0**	607.6

	No. of shares	No. of shares
Shares in issue	**158,570,574**	157,882,867
Own shares held in EBT	**(1,122,907)**	(1,122,907)
Basic shares in issue used for calculation	**157,447,667**	156,759,960
Exercise of share options	**1,798,494**	1,781,652
Diluted shares used for calculation	**159,246,161**	158,541,612

Net assets per share are equity shareholders' funds divided by the number of shares at the year end. The shares currently held in the Group's Employee Benefit Trust are excluded from both net assets and the number of shares. Adjusted net assets per share include the effect of those shares issuable under employee share option schemes and the effect of alternative valuation methodology assumptions (see note 15).

14. NON-CURRENT ASSETS

a) Investment property, investment property under construction and interests in leasehold property

	Investment property £000	Investment property under construction £000	Interests in leasehold property £000	Total £000
At 31 March 2016	1,092,210	33,945	20,165	1,146,320
Additions	17,817	2,827	1,871	22,515
Adjustment to present value	–	–	2,761	2,761
Revaluation (see note 15)	44,363	(657)	–	43,706
Depreciation	–	–	(1,196)	(1,196)
At 31 March 2017	1,154,390	36,115	23,601	1,214,106
Additions	8,147	33,012	–	41,159
Adjustment to present value	–	–	437	437
Transfer on opening of store	9,710	(9,710)	–	–
Revaluation (see note 15)	72,895	(1,260)	–	71,635
Depreciation	–	–	(1,109)	(1,109)
At 31 March 2018	**1,245,142**	**58,157**	**22,929**	**1,326,228**

14. NON-CURRENT ASSETS (continued)

a) Investment property, investment property under construction and interests in leasehold property (continued)

During the year the Group sold land at its Richmond store to an adjoining landowner for £650,000. The valuation of the store was not impacted by this disposal, hence the full proceeds have been recorded as profit on part disposal of investment property. This has been eliminated from the Group's adjusted profit for the year.

Additions to the interests in leasehold properties in the prior year relate to the lease at Twickenham 2, acquired from Lock and Leave in April 2016.

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses, which are all applied to generating rental income, arising on the investment property in the year are disclosed in the Portfolio Summary on page 20. Included within additions is £0.4 million of capitalised interest (2017: £0.1 million), calculated at the Group's average borrowing cost for the year of 2.9%. 55 of the Group's investment properties are pledged as security for loans, with a total external value of £1,076.2 million.

b) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 31 March 2016	2,183	101	592	25	1,498	4,399
Retirement of fully depreciated assets	–	(4)	(34)	–	(489)	(527)
Additions	6	–	91	30	422	549
Disposals	–	–	–	(23)	–	(23)
At 31 March 2017	2,189	97	649	32	1,431	4,398
Retirement of fully depreciated assets	–	(30)	(79)	–	(584)	(693)
Additions	8	7	121	–	469	605
At 31 March 2018	**2,197**	**74**	**691**	**32**	**1,316**	**4,310**
Depreciation						
At 31 March 2016	(367)	(52)	(197)	(25)	(353)	(994)
Retirement of fully depreciated assets	–	4	34	–	489	527
Charge for the year	(42)	(2)	(102)	(5)	(587)	(738)
Disposals	–	–	–	23	–	23
At 31 March 2017	(409)	(50)	(265)	(7)	(451)	(1,182)
Retirement of fully depreciated assets	–	30	79	–	584	693
Charge for the year	(42)	(2)	(123)	(7)	(555)	(729)
At 31 March 2018	**(451)**	**(22)**	**(309)**	**(14)**	**(422)**	**(1,218)**
Net book value						
At 31 March 2018	**1,746**	**52**	**382**	**18**	**894**	**3,092**
At 31 March 2017	1,780	47	384	25	980	3,216

c) Intangible assets

The intangible asset relates to the Big Yellow brand, which was acquired through the acquisition of Big Yellow Self Storage Company Limited in 1999. The carrying value remains unchanged from the prior year as there is considered to be no impairment in the value of the asset. The asset has an indefinite life and is tested annually for impairment or more frequently if there are indicators of impairment.

This was shown as goodwill in the prior year, but this has been restated to treat it as an intangible asset in both years, as this more fairly reflects the nature of the asset.

d) Investment in associates

Armadillo

The Group has a 20% interest in Armadillo Storage Holding Company Limited ("Armadillo 1") and a 20% interest in Armadillo Storage Holding Company 2 Limited ("Armadillo 2"). Both interests are accounted for as associates, using the equity method of accounting. Both companies are incorporated, registered and operate in England and Wales.

14. NON-CURRENT ASSETS (continued)

d) Investment in associates (continued)

	Armadillo 1		Armadillo 2		Total	
	31 March 2018 £000	31 March 2017 £000	**31 March 2018 £000**	31 March 2017 £000	**31 March 2018 £000**	31 March 2017 £000
At the beginning of the year	**5,048**	4,173	**2,404**	2,233	**7,452**	6,406
Subscription for capital	**–**	–	**900**	–	**900**	–
Share of results (see below)	**937**	1,093	**433**	349	**1,370**	1,442
Dividends	**(255)**	(218)	**(191)**	(178)	**(446)**	(396)
Share of net assets	**5,730**	5,048	**3,546**	2,404	**9,276**	7,452

In March 2018, Armadillo 2 raised £4.5 million of equity, which alongside additional debt from Lloyds, funded the acquisition of 1st Storage Centres. Big Yellow's equity invested was £0.9 million (20% of the total raised), with the balance funded by our partners. The Group's total subscription for partnership capital and advances in Armadillo 1 is £1,920,000 and £2,689,000 in Armadillo 2.

The investment properties owned by Armadillo 1 and Armadillo 2 have been valued at 31 March 2018 by Jones Lang LaSalle.

The figures below show the trading results of the Armadillo Partnerships, and the Group's share of the results and the net assets of the Armadillo Partnerships.

	Armadillo 1		Armadillo 2	
	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000	**Year ended 31 March 2018 £000**	Year ended 31 March 2017 £000
Income statement (100%)				
Revenue	**8,188**	6,324	**4,576**	4,159
Cost of sales	**(4,247)**	(3,270)	**(1,919)**	(1,763)
Administrative expenses	**(282)**	(207)	**(136)**	(88)
Operating profit	**3,659**	2,847	**2,521**	2,308
Gain on the revaluation of investment properties	**3,264**	3,725	**1,196**	322
Net interest payable	**(938)**	(718)	**(813)**	(729)
Acquisition costs written off	**(375)**	(316)	**(227)**	–
Fair value movement of interest rate derivatives	**147**	8	**154**	(49)
Deferred and current tax	**(1,074)**	(78)	**(664)**	(109)
Profit attributable to shareholders	**4,683**	5,468	**2,167**	1,743
Dividends paid	**(1,275)**	(1,091)	**(957)**	(890)
Retained profit	**3,408**	4,377	**1,210**	853
Balance sheet (100%)				
Investment property	**53,176**	43,375	**38,205**	25,900
Interest in leasehold properties	**1,403**	–	**3,233**	3,526
Other non-current assets	**1,149**	1,125	**1,989**	1,487
Current assets	**1,177**	1,177	**1,480**	867
Current liabilities	**(2,842)**	(1,895)	**(2,367)**	(1,821)
Derivative financial instruments	**(52)**	(199)	**(34)**	(188)
Non-current liabilities	**(25,361)**	(18,341)	**(24,778)**	(17,753)
Net assets (100%)	**28,650**	25,242	**17,728**	12,018
Group share				
Operating profit	**732**	569	**504**	462
Gain on the revaluation of investment properties	**653**	745	**239**	64
Net interest payable	**(187)**	(144)	**(163)**	(146)
Acquisition costs written off	**(75)**	(63)	**(45)**	–
Fair value movement of interest rate derivatives	**29**	2	**31**	(10)
Deferred and current tax	**(215)**	(16)	**(133)**	(21)
Profit attributable to shareholders	**937**	1,093	**433**	349
Dividends paid	**(255)**	(218)	**(191)**	(178)
Retained profit	**682**	875	**242**	171
Associates' net assets	**5,730**	5,048	**3,546**	2,404

15. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
Freehold stores			
At 31 March 2017	583,297	527,613	1,110,910
Transfer from investment property under construction	11,763	(2,053)	9,710
Movement in year	7,780	73,452	81,232
At 31 March 2018	**602,840**	**599,012**	**1,201,852**
Leasehold stores			
At 31 March 2017	16,210	27,270	43,480
Movement in year	367	(557)	(190)
At 31 March 2018	**16,577**	**26,713**	**43,290**
Total of open stores			
At 31 March 2017	599,507	554,883	1,154,390
Transfer from investment property under construction	11,763	(2,053)	9,710
Movement in year	8,147	72,895	81,042
At 31 March 2018	**619,417**	**625,725**	**1,245,142**
Investment property under construction			
At 31 March 2017	45,477	(9,362)	36,115
Transfer to investment property	(11,763)	2,053	(9,710)
Movement in year	33,012	(1,260)	31,752
At 31 March 2018	**66,726**	**(8,569)**	**58,157**
Valuation of all investment property			
At 31 March 2017	644,984	545,521	1,190,505
Movement in year	41,159	71,635	112,794
At 31 March 2018	**686,143**	**617,156**	**1,303,299**

The Group has classified the fair value investment property and the investment property under construction within Level 3 of the fair value hierarchy. There has been no transfer to or from Level 3 in the year.

The wholly owned freehold and leasehold investment properties have been valued at 31 March 2018 by external valuers, Cushman & Wakefield ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Global 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.

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:

- one of the members of the RICS who has been a signatory to the valuations provided to the Group for the same purposes as this valuation, has done so since September 2004. This is the third occasion on which the other member has been a signatory;
- C&W have been carrying out this 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%; and
- 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 low liquidity in the market for self storage property. C&W note that in the UK since Q1 2015 there have only been thirteen transactions involving multiple assets and ten single asset transactions. 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.

Portfolio Premium

C&W's valuation report further confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could differ significantly. C&W state that in current market conditions they are of the view that there could be a material portfolio premium.

15. 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 either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 74 trading stores (both freeholds and leaseholds) open at 31 March 2018 averages 83.6% (31 March 2017: 82.8%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 74 stores to trade at their maturity levels is 16 months (31 March 2017: 22 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 74 stores is 6.5% (31 March 2017: 6.5%) rising to a stabilised net yield pre-administration expenses of 6.9% (31 March 2017: 7.2%). The weighted average exit capitalisation rate adopted (for both freeholds and leaseholds) is 6.3% (31 March 2017: 6.6%).

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 9.4% (31 March 2017: 9.7%).

E. Purchaser's costs in the range of circa 6.1% to circa 6.8% (see below) have been assumed initially, reflecting the progressive SLDT rates brought into force in March 2016 and sale plus purchaser's costs totalling circa 7.1% to 7.8% are assumed on the notional sales in the tenth year in relation to the freehold and long leasehold 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 14.0 years (31 March 2017: 15.0 years unexpired).

Sensitivities

As noted in 'Significant judgements and key estimates' on page 105, self storage valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. For these reasons we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and rental growth rates. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the inter-relationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in yields and stable occupancy is shown below.

	Impact of a change in capitalisation rates		Impact of a change in stabilised occupancy assumption	
	25 bps decrease	25 bps increase	1% increase	1% decrease
Reported group	£48.6m	(£44.9m)	£18.3m	(£19.1m)

A sensitivity analysis has not been provided for a change in the rental growth rate adopted as there is a relationship between this measure and the discount rate adopted. So, in theory, an increase in the rental growth rate would give rise to a corresponding increase in the discount rate and the resulting value impact would be limited.

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. Four schemes do not yet have planning consent and C&W have reflected the planning risk in their valuation.

15. VALUATION OF INVESTMENT PROPERTY (continued)

Immature stores: value uncertainty

C&W have assessed the value of each property individually. However, two of the Group's stores are relatively immature and have low initial cash flows. 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 flows, 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 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 to 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. As noted above, 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 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 circa 6.1% to 6.8% 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. The assets would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure. This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to carry out an additional valuation on the above basis, and this results in a higher property valuation at 31 March 2018 of £1,380.3 million (£77.0 million higher than the value recorded in the financial statements). The total valuations in the two Armadillo Partnerships performed by Jones Lang LaSalle are £3.3 million higher than the value recorded in the financial statements, of which the Group's share is £0.7 million. The sum of these is £77.7 million and translates to 48.8 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 13).

16. TRADE AND OTHER RECEIVABLES

	31 March 2018 £000	31 March 2017 £000
Current		
Trade receivables	**3,684**	3,174
Capital Goods Scheme receivable	**1,876**	2,725
Other receivables	**287**	266
Prepayments and accrued income	**12,739**	11,877
	18,586	18,042
Non-current		
Capital Goods Scheme receivable	**2,385**	4,091

Trade receivables are net of a bad debt provision of £14,000 (2017: £7,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Financial Review contains commentary on the Capital Goods Scheme receivable.

16. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

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

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £329,000 (2017: £250,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 21 days past due (2017: 19 days past due).

Ageing of past due but not impaired receivables

	2018 £000	2017 £000
1 – 30 days	**264**	214
30 – 60 days	**30**	23
60 + days	**35**	13
Total	**329**	250

Movement in the allowance for doubtful debts

	2018 £000	2017 £000
Balance at the beginning of the year	**7**	11
Amounts provided in year	**114**	63
Amounts written off as uncollectible	**(107)**	(67)
Balance at the end of the year	**14**	7

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

	2018 £000	2017 £000
1 – 30 days	**–**	–
30 – 60 days	**2**	2
60 + days	**12**	5
Total	**14**	7

17. TRADE AND OTHER PAYABLES

	31 March 2018 £000	31 March 2017 £000
Current		
Trade payables	**12,739**	13,279
Other payables	**7,710**	8,352
Accruals and deferred income	**16,379**	15,304
	36,828	36,935

The Group has financial risk management policies in place to ensure that all payables are paid within the credit terms. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value.

18. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's debt facilities require 40% of total drawn debt to be fixed. The Group has complied with this during the year.

With the exception of derivative instruments which are classified as a financial liability at fair value through the income statement ("FVTPL"), financial liabilities are categorised under amortised cost. All financial assets are categorised as loans and receivables.

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

A. Balance sheet management

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

The gearing ratio at the year end is as follows:

	2018 £000	2017 £000
Debt	**(330,599)**	(304,955)
Cash and cash equivalents	**6,853**	6,906
Net debt	**(323,746)**	(298,049)
Balance sheet equity	**981,148**	890,350
Net debt to equity ratio	**33.0%**	33.5%

B. Debt management

The Group currently borrows through a senior term loan, secured on 25 self storage assets and sites, a 15 year loan with Aviva Commercial Finance Limited secured on a portfolio of 15 self storage assets, and a £70 million seven year loan from M&G Investments 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 through banks and financial institutions with whom the Group has a strong working relationship.

18. FINANCIAL INSTRUMENTS (continued)

C. Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, 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 2018 the Group had two interest rate derivatives in place; £30 million fixed at 0.4% (excluding the margin on the underlying debt instrument) until October 2021, and £35 million fixed at 0.76% (excluding the margin on the underlying debt instrument) until June 2023.

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 £30 million interest rate swap settles on a monthly basis. The floating rate on the interest rate swap is one month LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

The £35 million interest rate swap settles on a three-monthly basis. The floating rate on the interest rate swap is three month LIBOR. The Group settles 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. A reconciliation of the movement in derivatives is provided in the table below:

	2018 £000	2017 £000
At 1 April	**(2,964)**	(3,683)
Fair value movement in the year	**1,294**	719
Cancellation of interest rate derivative	**3,374**	–
At 31 March	**1,704**	(2,964)

The table below reconciles the opening and closing balances of the Group's finance related liabilities.

	Loans	Finance leases	Interest rate derivatives	Total
At 1 April 2017	(304,955)	(23,601)	(2,964)	(331,520)
Cash movement in the year	(25,644)	1,109	3,374	(21,161)
Non-cash movements	–	(437)	1,294	857
At 31 March 2018	**(330,599)**	**(22,929)**	**1,704**	**(351,824)**

D. Interest rate sensitivity analysis

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

At 31 March 2018, it is estimated that an increase of 0.25 percentage points in interest rates would have reduced the Group's adjusted profit before tax and net equity by £445,000 (2017: reduced adjusted profit before tax by £375,000) and a decrease of 0.25 percentage points in interest rates would have increased the Group's adjusted profit before tax and net equity by £445,000 (2017: increased adjusted profit before tax by £375,000). 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 increase in the amount of floating rate debt. The Board monitors closely the exposure to the floating rate element of our debt.

E. Cash management and liquidity

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

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

18. FINANCIAL INSTRUMENTS (continued)

F. Foreign currency management

The Group does not have any foreign currency exposure.

G. Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 16. The Group has no significant concentration of credit risk, with exposure spread over 55,000 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.

H. Financial maturity analysis

In respect of interest-bearing financial liabilities, the following table provides a maturity analysis for individual elements.

2018 maturity	**Total £000**	**Less than one year £000**	**One to two years £000**	**Two to five years £000**	**More than five years £000**
Debt					
Aviva loan	87,599	2,474	2,598	8,601	73,926
M&G loan payable at variable rate	35,000	–	–	–	35,000
M&G loan fixed by interest rate derivatives	35,000	–	–	–	35,000
Bank loan payable at variable rate	143,000	–	–	143,000	–
Debt fixed by interest rate derivatives	30,000	–	–	30,000	–
Total	**330,599**	**2,474**	**2,598**	**181,601**	**143,926**

2017 maturity	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Debt					
Aviva loan	89,955	2,356	2,474	8,190	76,935
M&G loan payable at variable rate	35,000	–	–	–	35,000
M&G loan fixed by interest rate derivatives	35,000	–	–	–	35,000
Bank loan payable at variable rate	115,000	–	–	115,000	–
Debt fixed by interest rate derivatives	30,000	–	–	30,000	–
Total	304,955	2,356	2,474	153,190	146,935

I. Fair values of financial instruments

The fair values of the Group's cash and short term deposits and those of other financial assets equate to their book values. Details of the Group's receivables at amortised cost are set out in note 16. The amounts are presented net of provisions for doubtful receivables, and allowances for impairment are made where appropriate. Trade and other payables, including bank borrowings, are carried at amortised cost. Finance lease liabilities are included at the fair value of their minimum lease payments. Derivatives are carried at fair value.

For those financial instruments held at valuation, the Group has categorised them into a three level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 7. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The fair value of the Group's outstanding interest rate derivative, as detailed in note 18C, has been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. There are no financial instruments which have been categorised as Level 1 or Level 3. The fair value of the Group's debt equates to its book value.

18. FINANCIAL INSTRUMENTS (continued)

J. Maturity analysis of financial liabilities

The contractual maturities based on market conditions and expected yield curves prevailing at the year end date are as follows:

2018	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
From five to twenty years	–	(63)	159,548	23,709	183,194
From two to five years	–	(1,139)	207,092	6,285	212,238
From one to two years	–	(381)	11,855	2,095	13,569
Due after more than one year	–	(1,583)	378,495	32,089	409,001
Due within one year	20,449	(195)	11,855	2,095	34,204
Total	**20,449**	**(1,778)**	**390,350**	**34,184**	**443,205**

2017	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
From five to twenty years	–	127	166,652	25,556	192,335
From two to five years	–	1,493	180,928	6,116	188,537
From one to two years	–	692	11,930	2,039	14,661
Due after more than one year	–	2,312	359,510	33,711	395,533
Due within one year	21,631	816	11,930	2,039	36,416
Total	21,631	3,128	371,440	35,750	431,949

K. Reconciliation of maturity analyses

The maturity analysis in note 18J shows non-discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 19 with the borrowings and interest column in the maturity analysis presented in note 18J.

2018	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From five to twenty years	143,926	13,958	1,664	159,548
From two to five years	181,601	25,491	–	207,092
From one to two years	2,598	9,257	–	11,855
Due after more than one year	328,125	48,706	1,664	378,495
Due within one year	2,474	9,381	–	11,855
Total	**330,599**	**58,087**	**1,664**	**390,350**

2017	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From five to twenty years	146,935	17,806	1,911	166,652
From two to five years	153,190	26,373	1,365	180,928
From one to two years	2,474	9,456	–	11,930
Due after more than one year	302,599	53,635	3,276	359,510
Due within one year	2,356	9,574	–	11,930
Total	304,955	63,209	3,276	371,440

19. BORROWINGS

Secured borrowings at amortised cost	31 March 2018 £000	31 March 2017 £000
Current liabilities		
Aviva loan	**2,474**	2,356
	2,474	2,356
Non-current liabilities		
Bank borrowings	**173,000**	145,000
Aviva loan	**85,125**	87,599
M&G loan	**70,000**	70,000
Unamortised loan arrangement costs	**(1,664)**	(3,276)
Total non-current borrowings	**326,461**	299,323
Total borrowings	**328,935**	301,679

The weighted average interest rate paid on the borrowings during the year was 2.9% (2017: 3.3%).

The Group has £37,000,000 in undrawn committed bank borrowing facilities at 31 March 2018, which expire between four and five years (2017: £45,000,000 expiring between four and five years).

The Group has a £100 million 15 year fixed rate loan with Aviva Commercial Finance Limited. The loan is secured over a portfolio of 15 freehold self storage centres. The annual fixed interest rate on the loan is 4.9%. The loan amortises to £60 million over the course of the 15 years. The debt service is payable monthly based on fixed annual amounts.

The Group has a £210 million five year revolving bank facility with Lloyds and HSBC expiring in October 2022, with a margin of 1.25%. The Group has an option to increase the amount of the loan facility by a further £60 million during the course of the loan's term, and an option to increase the term of the loan by a further two years.

The Group has a £70 million seven year loan with M&G Investments Limited, with a bullet repayment in June 2023. The loan is secured over a portfolio of 15 freehold self storage centres. Half of the loan is variable and half is subject to an interest rate derivative.

The Group was in compliance with its banking covenants at 31 March 2018 and throughout the year. The main covenants are summarised in the table below:

Covenant	Covenant level	At 31 March 2018
Consolidated EBITDA	Minimum 1.5x	7.9x
Consolidated net tangible assets	Minimum £250m	£981.1m
Bank loan income cover	Minimum 1.75x	14.2x
Aviva loan interest service cover ratio	Minimum 1.5x	4.1x
Aviva loan debt service cover ratio	Minimum 1.2x	2.7x
M&G income cover	Minimum 1.5x	7.5x

Interest rate profile of financial liabilities

	Total £000	Floating rate £000	Fixed rate £000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2018						
Gross financial liabilities	**330,599**	**178,000**	**152,599**	**2.9%**	**6.5 years**	**5.5 years**
At 31 March 2017						
Gross financial liabilities	304,955	150,000	154,955	3.2%	7.0 years	5.9 years

All monetary liabilities, including short term receivables and payables are denominated in sterling. The weighted average interest rate includes the effect of the Group's interest rate derivatives. The Directors have concluded that the carrying value of borrowings approximates to its fair value.

Narrative disclosures on the Group's policy for financial instruments are included within the Strategic Report and in note 18.

20. DEFERRED TAX

Deferred tax assets in respect of share based payments (£0.1 million), corporation tax losses (£4.5 million), capital allowances in excess of depreciation (£0.3 million) and capital losses (£1.4 million) in respect of the non-REIT taxable business have not been recognised due to uncertainty over the projected tax liabilities arising in the short term within the non-REIT taxable business. A deferred tax liability in respect of interest rate swaps (£0.3 million) arising in the non-REIT taxable business has also not been recognised as the relevant entity has the legal right to settle the potential tax amounts on a net basis and these taxes are levied by the same taxing authority.

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Amounts payable under finance leases:				
Within one year	**2,095**	2,039	**2,061**	2,005
Within two to five years inclusive	**8,380**	8,155	**7,390**	7,193
Greater than five years	**23,709**	25,556	**13,478**	14,403
	34,184	35,750	**22,929**	23,601
Less: future finance charges	**(11,255)**	(12,149)		
Present value of lease obligations	**22,929**	23,601		

All lease obligations are denominated in sterling. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The carrying amount of the Group's lease obligations approximates their fair value.

22. SHARE CAPITAL

	Called up, allotted and fully paid	
	2018 £000	2017 £000
Ordinary shares of 10 pence each	**15,857**	15,788

Movement in issued share capital	
Number of shares at 31 March 2016	157,369,287
Exercise of share options – Share option schemes	513,580
Number of shares at 31 March 2017	157,882,867
Exercise of share options – Share option schemes	687,707
Number of shares at 31 March 2018	**158,570,574**

The Company has one class of ordinary shares which carry no right to fixed income.

22. SHARE CAPITAL (continued)

At 31 March 2018 options in issue to Directors and employees were as follows:

Date option Granted	Option price per ordinary share	Date first exercisable	Date on which the exercise period expires	**Number of ordinary shares 2018**	Number of ordinary shares 2017
19 July 2011	nil p **	19 July 2013	19 July 2021	**–**	2,400
11 July 2012	nil p **	11 July 2015	10 July 2022	**5,359**	8,559
19 July 2013	nil p **	19 July 2016	19 July 2023	**7,059**	78,469
25 February 2014	442.6p*	1 April 2017	1 October 2017	**–**	21,624
29 July 2014	nil p**	29 July 2017	29 July 2024	**10,155**	485,032
16 March 2015	494.6p*	1 April 2018	1 October 2018	**94,654**	95,016
21 July 2015	nil p**	21 July 2018	21 July 2025	**373,093**	379,293
14 March 2016	608.0p*	1 April 2019	1 October 2019	**37,489**	41,809
22 July 2016	nil p**	22 July 2019	21 July 2026	**398,825**	402,225
15 March 2017	580.0p*	1 April 2020	1 October 2020	**59,550**	65,374
2 August 2017	nil p**	2 August 2020	1 August 2027	**407,311**	–
13 March 2018	675.4p*	1 April 2021	1 October 2021	**108,335**	–
				1,501,830	1,579,801

* SAYE (see note 23) ** LTIP (see note 23)

OWN SHARES

The own shares reserve represents the cost of shares in Big Yellow Group PLC purchased in the market, and held by the Big Yellow Group PLC Employee Benefit Trust, along with shares issued directly to the Employee Benefit Trust. 1,122,907 shares are held in the Employee Benefit Trust (2017: 1,122,907), and no shares are held in treasury.

23. SHARE-BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely an LTIP scheme (with approved and unapproved components), 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 of £2,470,000 (2017: £2,324,000).

Equity-settled share option plans

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 three 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 76 of the Remuneration Report. The awards granted in 2004, 2005 and 2006 vested in full. The awards granted in 2007 and 2009 lapsed, and the awards granted in 2008 and 2010 partially vested. The awards granted in 2011, 2012, 2013 and 2014 fully vested. The weighted average share price at the date of exercise for options exercised in the year was £7.25 (2017: £7.38).

LTIP scheme	**2018 No. of options**	2017 No. of options
Outstanding at beginning of year	**1,355,978**	1,444,221
Granted during the year	**582,341**	455,331
Lapsed during the year	**(70,434)**	(59,094)
Exercised during the year	**(666,083)**	(484,480)
Outstanding at the end of the year	**1,201,802**	1,355,978
Exercisable at the end of the year	**22,573**	89,428

The weighted average fair value of options granted during the year was £1,219,000 (2017: £1,017,000).

23. SHARE-BASED PAYMENTS (continued)

Employee Share Save Scheme ("SAYE")	2018 No. of options	2018 Weighted average exercise price (£)	2017 No. of options	2017 Weighted average exercise price (£)
Outstanding at beginning of year	**223,823**	**5.36**	205,330	4.87
Granted during the year	**108,335**	**6.75**	65,374	5.80
Forfeited during the year	**(10,506)**	**5.89**	(17,781)	5.07
Exercised during the year	**(21,624)**	**4.43**	(29,100)	3.07
Outstanding at the end of the year	**300,028**	**5.91**	223,823	5.36
Exercisable at the end of the year	**–**	**–**	–	–

Options outstanding at 31 March 2018 had a weighted average contractual life of 2.0 years (2017: 2.1 years).

The inputs into the Black-Scholes model for the options granted during the year are as follows:

	LTIP	SAYE
Expected volatility	n/a	27%
Expected life	3 years	3 years
Risk-free rate	0.1%	0.1%
Expected dividends	4.6%	4.6%

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

Long Term bonus performance plan

The Executive Directors receive awards under the Long Term Bonus Performance Plan. This is accounted for as an equity instrument. The plan was set up in July 2015. The vesting criteria and scheme mechanics are set out in the Directors' Remuneration Report. At 31 March 2018 the weighted average contractual life was 0.3 years.

24. CAPITAL COMMITMENTS

At 31 March 2018 the Group had £13.7 million of amounts contracted but not provided in respect of the Group's properties (2017: £8.6 million of capital commitments).

25. EVENTS AFTER THE BALANCE SHEET DATE

On 5 April 2018, the Group exchanged contracts to acquire a property in Uxbridge for a new 55,000 sq ft store.

26. CASH FLOW NOTES

a) Reconciliation of profit after tax to cash generated from operations

	Note	2018 £000	2017 £000
Profit after tax		**133,542**	99,511
Taxation		**597**	272
Share of profit of associates		**(1,370)**	(1,442)
Investment income		**(1,538)**	(1,075)
Finance costs		**11,975**	11,756
Operating profit		**143,206**	109,022
Gain on the revaluation of investment properties	*14a, 15*	**(71,635)**	(43,706)
Gain on part disposal of investment property		**(650)**	–
Depreciation of plant, equipment and owner-occupied property	*14b*	**729**	738
Depreciation of finance lease capital obligations	*14a*	**1,109**	1,196
Employee share options	*6*	**2,470**	2,324
Cash generated from operations pre working capital movements		**75,229**	69,574
Increase in inventories		**–**	(17)
Increase in receivables		**(1,352)**	(1,456)
Decrease in payables		**(420)**	(892)
Cash generated from operations		**73,457**	67,209

b) Reconciliation of net cash flow movement to net debt

	Note	2018 £000	2017 £000
Net decrease in cash and cash equivalents in the year		**(53)**	(10,301)
Cash flow from (increase)/decrease in debt financing		**(25,644)**	7,243
Change in net debt resulting from cash flows		**(25,697)**	(3,058)
Movement in net debt in the year		**(25,697)**	(3,058)
Net debt at the start of the year		**(298,049)**	(294,991)
Net debt at the end of the year	*18A*	**(323,746)**	(298,049)

27. RELATED PARTY TRANSACTIONS

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

Transactions with Armadillo Storage Holding Company Limited

As described in note 14, the Group has a 20% interest in Armadillo Storage Holding Company Limited ("Armadillo 1"), and entered into transactions with Armadillo 1 during the period on normal commercial terms as shown in the table below.

Transactions with Armadillo Storage Holding Company 2 Limited

As described in note 14, the Group has a 20% interest in Armadillo Storage Holding Company 2 Limited ("Armadillo 2"), and entered into transactions with Armadillo 2 during the year on normal commercial terms as shown in the table below.

	31 March 2018 £000	31 March 2017 £000
Fees earned from Armadillo 1	**705**	574
Fees earned from Armadillo 2	**270**	253
Balance due from Armadillo 1	**89**	86
Balance due from Armadillo 2	**33**	48

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information on the remuneration of individual Directors is found in the audited part of the Directors' Remuneration Report on pages 75 to 85.

	31 March 2018 £000	31 March 2017 £000
Short term employee benefits	**1,398**	1,325
Post-employment benefits	**154**	151
Share based payments	**5,618**	1,566
	7,170	3,042

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 £37,000 (2017: £36,000).

No other related party transactions took place during the years ended 31 March 2018 and 31 March 2017.

Company Balance Sheet

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Plant, equipment and owner-occupied property	*30a*	**1,815**	1,840
Investment in subsidiary companies	*30b*	**20,490**	18,020
		22,305	19,860
Current assets			
Trade and other receivables	*31*	**470,716**	481,294
Derivative financial instruments	*33*	**751**	297
Cash and cash equivalents		**1**	1
		471,468	481,592
Total assets		**493,773**	501,452
Current liabilities			
Trade and other payables	*32*	**(3,539)**	(3,137)
		(3,539)	(3,137)
Non-current liabilities			
Bank borrowings	*33*	**(173,000)**	(143,635)
		(173,000)	(143,635)
Total liabilities		**(176,539)**	(146,772)
Net assets		**317,234**	354,680
Equity			
Share capital	*22*	**15,857**	15,788
Share premium account		**46,362**	45,462
Reserves	*28*	**255,015**	293,430
Equity shareholders' funds		**317,234**	354,680

The Company reported a profit for the financial year ended 31 March 2018 of £5.3 million (2017: loss of £0.3 million). The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2018. They were signed on its behalf by:

James Gibson
Director

John Trotman
Director

Company Registration No. 03625199

Company Statement of Changes in Equity

Year ended 31 March 2018

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2017	15,788	45,462	74,950	1,795	217,704	(1,019)	354,680
Total comprehensive income for the year	–	–	–	–	5,298	–	5,298
Issue of share capital	69	900	–	–	–	–	969
Dividend	–	–	–	–	(46,183)	–	(46,183)
Credit to equity for equity-settled share based payments	–	–	–	–	2,470	–	2,470
At 31 March 2018	**15,857**	**46,362**	**74,950**	**1,795**	**179,289**	**(1,019)**	**317,234**

The Company's share capital is disclosed in note 22.

The own shares balance represents amounts held by the Employee Benefit Trust (see note 22).

Year ended 31 March 2017

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2016	15,737	45,227	74,950	1,795	256,877	(1,019)	393,567
Total comprehensive loss for the year	–	–	–	–	(339)	–	(339)
Issue of share capital	51	235	–	–	–	–	286
Dividend	–	–	–	–	(41,158)	–	(41,158)
Credit to equity for equity-settled share based payments	–	–	–	–	2,324	–	2,324
At 31 March 2017	15,788	45,462	74,950	1,795	217,704	(1,019)	354,680

Company Cash Flow Statement

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash generated by operations	*36*	**10,156**	45,862
Interest paid		**(3,307)**	(3,572)
Interest received		**4,646**	3,585
Cash flows from operating activities		**11,495**	45,875
Investing activities			
Purchase of non-current assets		**(30)**	(3)
Cash flows from investing activities		**(30)**	(3)
Financing activities			
Issue of share capital		**969**	286
Dividends received		**5,749**	–
Equity dividends paid		**(46,183)**	(41,158)
Increase/(decrease) in borrowings		**28,000**	(5,000)
Cash flows from financing activities		**(11,465)**	(45,872)
Net movement in cash and cash equivalents		**–**	–
Opening cash and cash equivalents		**1**	1
Closing cash and cash equivalents		**1**	1

28. PROFIT/(LOSS) FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £5.3 million (2017: loss of £0.3 million).

29. BASIS OF ACCOUNTING

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU.

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

The Company's principal accounting policies are the same as those applied in the Group financial statements. See note 23 for details of share based payments affecting the Company.

Going concern

See note 2 for the review of going concern for the Group and the Company.

Investment in subsidiaries

These are recognised at cost less provision for any impairment.

IFRIC 11, IFRS 2 Group and Treasury Share Transactions

The Company makes equity settled share based payments to certain employees of certain subsidiary undertakings. Equity settled share based payments that are made to the employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest. This is the only addition to investment in subsidiaries in the current year. The Company does not have any employees.

30. NON-CURRENT ASSETS

a) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Fixtures, fittings & office equipment £000	Total £000
Cost				
At 31 March 2017	2,186	64	30	2,280
Additions	8	–	23	31
At 31 March 2018	**2,194**	**64**	**53**	**2,311**
Accumulated depreciation				
At 31 March 2017	(408)	(20)	(12)	(440)
Charge for the year	(42)	(1)	(13)	(56)
At 31 March 2018	**(450)**	**(21)**	**(25)**	**(496)**
Net book value				
At 31 March 2018	**1,744**	**43**	**28**	**1,815**
At 31 March 2017	1,778	44	18	1,840

30. NON-CURRENT ASSETS (continued)

b) Investments in subsidiary companies

	Investment in subsidiary undertakings £000
Cost	
At 31 March 2017	18,020
Additions	2,470
At 31 March 2018	**20,490**

The Group subsidiaries are all wholly-owned, the Group holds 100% of the voting power and the companies are incorporated, registered and operate in England and Wales. The registered office of all subsidiaries is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The subsidiaries at 31 March 2018 are listed below:

Name of subsidiary	Principal activity
.Big Yellow Self Storage (GP) Limited	General Partner
.Big Yellow Self Storage Company Limited	Self storage
Big Yellow (Battersea) Limited	Self storage
The Big Yellow Construction Company Limited	Construction management
The Big Yellow Holding Company Limited	Holding Company
Big Yellow Limited Partnership	Self storage
Big Yellow Nominee No. 1 Limited	Dormant
Big Yellow Nominee No. 2 Limited	Dormant
Big Yellow Self Storage (Chester) Limited	Application to strike off
Big Yellow Self Storage Company 1 Limited	Dormant
Big Yellow Self Storage Company 2 Limited	Dormant
Big Yellow Self Storage Company 3 Limited	Dormant
Big Yellow Self Storage Company 4 Limited	Dormant
Big Yellow Self Storage Company 8 Limited	Self storage
Big Yellow Self Storage Company A Limited	Self storage
Big Yellow Self Storage Company M Limited	Self storage
BYRCo Limited	Property management
BYSSCo A Limited	Dormant
BYSSCo Limited	Self storage
Kator Storage Limited	Self storage
The Last Mile Company Limited	Holding Company
Lock & Leave Limited	Self storage
Lock & Leave (Twickenham) Limited	Self storage

In addition the Group has a 100% interest in Pramerica Bell Investment Trust Jersey, a trust registered in Jersey.

Audit exemption statement

For its most recent year end the companies listed below were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members of these companies have not required them to obtain an audit of their financial statements for the year ended 31 March 2018.

.Big Yellow Self Storage (GP) Limited
The Big Yellow Construction Company Limited
Big Yellow Holding Company Limited
Big Yellow Nominee No. 1 Limited
Big Yellow Nominee No. 2 Limited
Big Yellow Self Storage Company 1 Limited
Big Yellow Self Storage Company 2 Limited
Big Yellow Self Storage Company 3 Limited
Big Yellow Self Storage Company 4 Limited
Big Yellow Self Storage Company 8 Limited
BYRCo Limited
BYSSCo Limited
BYSSCo A Limited
Kator Storage Limited
The Last Mile Company Limited
Lock & Leave Limited
Lock & Leave (Twickenham) Limited

31. TRADE AND OTHER RECEIVABLES

	31 March 2018 £000	31 March 2017 £000
Amounts owed by Group undertakings	**470,597**	481,188
Prepayments and accrued income	**119**	106
	470,716	481,294

Amounts owed by Group undertakings are unsecured and are repayable on demand. The Company recharges its external interest cost to its subsidiaries.

32. TRADE AND OTHER PAYABLES

	31 March 2018 £000	31 March 2017 £000
Current		
Other payables	**3,247**	2,992
Accruals and deferred income	**292**	145
	3,539	3,137

33. BANK BORROWINGS AND FINANCIAL INSTRUMENTS

Interest rate derivatives

The Company has one interest rate swap in place at the year end; £30 million fixed at 0.4% (excluding the margin on the underlying debt instrument) until October 2021. The floating rate at 31 March 2018 was paying a margin of 1.25% above one month LIBOR, the fixed rate debt was paying a margin of 1.25%. The Group's policy on risk management is set out in the Report on Corporate Governance on page 62 and in note 18.

	31 March 2018 £000	31 March 2017 £000
Bank borrowings	**173,000**	145,000
Unamortised loan arrangement fees	**–**	(1,365)
	173,000	143,635

Maturity profile of financial liabilities

	2018 Financial liabilities £000	2017 Financial liabilities £000
Between one and two years	**–**	–
Between two and five years	**173,000**	145,000
Gross financial liabilities	**173,000**	145,000

The fair value of interest rate derivatives at 31 March 2018 was an asset of £751,000 (2017: asset of £297,000). See note 18 for detail of the interest rate profile of financial liabilities.

34. FINANCIAL INSTRUMENTS

The disclosure relating to the Company's financial instruments are detailed in note 18 to the Group financial statements. These disclosures are relevant to the Company's bank borrowings and derivative financial instruments. In addition, the Company has trade and other payables of £3,539,000 in the current year (of which the financial liability is £292,000 (2017: £3,137,000, of which the financial liability was £145,000), which are held at amortised cost in the financial statements.

35. RELATED PARTY TRANSACTIONS

Included within these financial statements are amounts owing from Group undertakings of £470,597,000 (2017: £481,188,000), including intercompany interest receivable of £5,101,000 (2017: £3,585,000) and dividends receivable of £5,749,000 (2017: £nil).

36. NOTES TO THE COMPANY CASH FLOW STATEMENT

Reconciliation of profit after tax to cash generated from operations

	2018 £000	2017 £000
Profit/(loss) after tax	**5,298**	(339)
Investment income	**(10,850)**	(3,585)
Finance costs	**4,647**	2,975
Operating profit	**(905)**	(949)
Depreciation	**56**	53
Decrease in receivables	**10,578**	46,831
Decrease in payables	**427**	(73)
Cash generated from operations	**10,156**	45,862

37. GLOSSARY

Adjusted eps	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the period.
Adjusted NAV	EPRA NAV adjusted for an investment property valuation carried out at purchasers' costs of 2.75%.
Adjusted Profit Before Tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over a defined period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Carbon intensity	Carbon emissions divided by the Group's average occupied space.
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Debt	Long-term and short-term borrowings, as detailed in note 19, excluding finance leases and debt issue costs.
Earnings per share (eps)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA earnings per share	EPRA earnings divided by the average number of shares in issue during the period.
EPRA NAV per share	EPRA NAV divided by the diluted number of shares at the period end.
EPRA net asset value	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow as deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
EPRA NNNAV	The EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.

37. GLOSSARY (continued)

Gross property assets	The sum of investment property and investment property under construction.
Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
Income statement	Statement of Comprehensive Income.
Interest cover	The ratio of operating cash flow excluding working capital movements divided by interest paid (before exceptional finance costs, capitalised interest and changes in fair value of interest rate derivatives). This metric is provided to give readers a clear view of the Group's financial position.
Like-for-like occupancy	Excludes the closing occupancy of new stores acquired or opened in the current period.
Like-for-like revenue	Excludes the impact of new stores acquired or opened in the current or preceding financial year in both the current year and comparative figures. This excludes Nine Elms and Twickenham 2 (both acquired in April 2016) and Guildford Central (opened in March 2018).
LTV (loan to value)	Net debt expressed as a percentage of the external valuation of the Group's investment properties.
Maximum lettable area (MLA)	The total square foot (sq ft) available to rent to customers.
Move-ins	The number of customers taking a storage room in the defined period.
Move-outs	The number of customers vacating a storage room in the defined period.
NAV	Net asset value.
Net debt	Gross borrowings less cash and cash equivalents.
Net initial yield	The forthcoming year's net operating income expressed as a percentage of capital value, after adding notional purchaser's costs.
Net promoter score (NPS)	The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. The Company measures NPS based on surveys sent to all of its move-ins and move-outs.
Net rent per sq ft	Storage revenue generated from in place customers divided by occupancy.
Occupancy	The space occupied by customers divided by the MLA expressed as a %.
Occupied space	The space occupied by customers in sq ft.
Pipeline	The Group's development sites.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain conditions.
REVPAF	Total store revenue divided by the average maximum lettable area in the year.
Store EBITDA	Store earnings before interest, tax, depreciation and amortisation.
Total shareholder return (TSR)	The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of shares.

Ten Year Summary

Year ended 31 March 2018

Results	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Revenue	**116,660**	109,070	101,382	84,276	72,196	69,671	65,663	61,885	57,995	58,487
Operating profit before gains and losses on property assets	**70,921**	65,316	59,854	48,420	39,537	37,454	35,079	32,058	29,068	30,946
Cash flow from operating activities	**62,977**	55,974	55,467	42,397	32,752	30,186	27,388	23,534	19,063	10,203
Profit/(loss) before taxation	**134,139**	99,783	112,246	105,236	59,848	31,876	(35,551)	6,901	10,209	(71,489)
Adjusted profit before taxation	**61,422**	54,641	48,952	39,405	29,221	25,471	23,643	20,207	16,514	13,791
Net assets	**981,148**	890,350	829,387	750,914	594,064	552,628	494,500	544,949	547,285	502,317
EPRA earnings per share	**38.5p**	34.5p	31.1p	27.1p	20.5p	19.3p	18.2p	15.5p	13.0p	11.9p
Declared total dividend per share	**30.8p**	27.6p	24.9p	21.7p	16.4p	11.0p	10.0p	9.0p	4.0p	0p
Key statistics										
Number of stores open	**74**	73	71	69	66	66	65	62	60	54
Sq ft occupied (000)	**3,730**	3,551	3,363	3,178	2,832	2,632	2,458	2,130	1,915	1,775
Occupancy increase in year 000 sq ft)*	**179**	188	185	346	200	174	328	215	140	(75)
Number of customers	**55,000**	52,500	50,000	47,250	41,800	38,500	36,300	32,800	30,500	28,500
Average number of employees during the year	**335**	329	318	300	289	286	279	273	252	239

* The occupancy growth in 2015 and 2017 includes the acquisition of existing stores

The paper used in this report is produced with FSC® mixed sources pulp which is partially recyclable, biodegradable, pH Neutral, heavy metal absence and acid-free. It is manufactured within a mill which complies with the international environmental ISO 14001 standard.

Pureprint Ltd is FSC certified, PEFC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy. We aim to reduce at source the effect our operations have on the environment, and are committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

Pureprint Ltd is a Carbon Neutral® Printing Company.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

Designed and produced by **MAGEE**
www.magee.co.uk

Printed by Pureprint Ltd