

### Directors, Officers and Advisers

#### Executive Directors

**Nicholas Vetch**, aged 55, Executive Chairman, is a co-founder of Big Yellow in September 1998. Prior to that, he was joint Chief Executive of Edge Properties plc, which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then sold to Grantchester Properties plc in 1998. He is also a Non-Executive Director of Local Shopping REIT plc.

**James Gibson**, aged 55, Chief Executive Officer and co-founder of Big Yellow Group PLC 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 investor in Moby Self Storage, a Brazilian Self Storage start-up, and a Trustee of the London Children's Ballet.

**Adrian Lee**, aged 50, Operations Director, was previously a Senior Executive at Edge Properties plc, which he joined in 1996. Prior to that he was a corporate financier at Lazard for five years, having previously qualified as a surveyor at Knight Frank. He was appointed to the Board in May 2000.

**John Trotman**, aged 38, 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 a Director of the UK Self Storage Association.

#### Non-Executive Directors

**Tim Clark**, aged 65, 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 Water Aid 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, the Board of the Royal National Theatre and the Development Committee of the National Gallery. He is Chairman of the trustees of the Economist Trust and a member of the Audit Committee of the Wellcome Trust. He was appointed to the Board in August 2008, is the Senior Independent Director and is Chairman of the Remuneration and Nomination Committees.

**Richard Cotton**, aged 60, 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 Chairman of Centurion Properties and a Non-Executive Director of Helical Bar plc as well as a Member of the Commercial Development Advisory Group of Transport for London. Richard joined the Board in July 2012.

**Georgina Harvey**, aged 51, 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 of McColl's Retail Group plc. She joined the Board in July 2013.

**Steve Johnson**, aged 52, 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.

**Mark Richardson**, aged 59, Non-Executive Director, retired from Deloitte in 2008 after a career there of 29 years, the last 19 as an audit partner specialising in clients in the Real Estate and Construction sectors. Mark is a trustee of the Natural History Museum Development Trust, a trustee of WWF-UK, and he is also a trustee and treasurer of the children's communication charity ICAN. He was appointed to the Board in July 2008 and is 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 LLP  
Lester Aldridge LLP

#### Financial advisers and stockbrokers

J P Morgan Cazenove

#### Independent Auditor

Deloitte 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 2016. 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 12.8 pence per share for the year (2015: 11.3 pence per ordinary share). An interim dividend of 12.1 pence per share was paid in the year (2015: 10.4 pence per share).

A property income dividend of 18.1 pence is payable for the year, of which 12.1 pence per share was paid with the interim dividend, and 6.0 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 22 July 2016, the final dividend will be paid on 28 July 2016. The Ex-div date is 16 June 2016 and the Record date is 17 June 2016.

From April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. 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<sub>2</sub>e)) 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 not assessed as material.

#### Summary of Scope 1 and 2 Total Carbon Footprint (GHG carbon equivalent emissions (tCO<sub>2</sub>e))

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

Year	2011	2012	2013	2014	2015	2016
Total Scope 1 and 2 GHG Emissions (tCO <sub>2</sub> e)	6,879.5	6,283.6	6,470.0	5,681.8	4,908.0	<b>4,456.2</b>
Scope 3 Electricity Transmission Losses	544	525	501	445	417	<b>355</b>
Kg CO <sub>2</sub> e / Annual Revenue (£)	0.11	0.10	0.09	0.08	0.06	<b>0.04</b>
Kg CO <sub>2</sub> e / Customer Occupancy (m <sup>2</sup> )	32.0	26.0	26.5	22.6	17.3	<b>14.6</b>
Kg CO <sub>2</sub> e/GIFA m <sup>2</sup>	12.6	11.0	11.1	9.8	7.7	<b>7.2</b>

Note: Our materiality threshold for carbon emissions is > 1%

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 employees' share plans. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

During the year the Company issued 732,302 shares to satisfy the exercise of share options (2015: 641,877).

## Directors' Report (continued)

### Directors

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

Tim Clark Senior Independent Director

Richard Cotton	Non-Executive Director
James Gibson	Chief Executive Officer
Georgina Harvey	Non-Executive Director
Steve Johnson	Non-Executive Director
Adrian Lee	Operations Director
Mark Richardson	Non-Executive Director
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 2016 and 23 May 2016.

	No. of ordinary shares 31 March 2016	Percentage of voting rights and issued share capital 31 March 2016	No. of ordinary shares 23 May 2016	Percentage of voting rights and issued share capital 23 May 2016
Cohen & Steers Inc	15,363,236	9.8%	14,812,547	9.4%
Old Mutual Plc	9,922,701	6.3%	9,873,313	6.3%
Blackrock Inc	9,220,257	5.9%	9,055,671	5.8%
Wellington Management Company	4,667,674	3.0%	7,317,607	4.7%
Standard Life Investments	5,983,778	3.8%	5,983,778	3.8%
PGGM Investments	5,380,776	3.4%	5,380,776	3.4%
State Street Global Advisors Limited	4,990,101	3.2%	4,774,575	3.0%

The interest of the Directors in the share capital of the Company is shown on page 77 of the Remuneration Report.

### Purchase of own shares

The Company was granted authority at the AGM in 2015 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.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses. 39% 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 might have reasonably been expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The auditor, Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

**Shauna Beavis**

Company Secretary  
23 May 2016

# 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. There have been no changes to the composition of the Board in the year.

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 2016, 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; 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 five independent Non-Executive Directors on the Board, with Tim Clark 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.

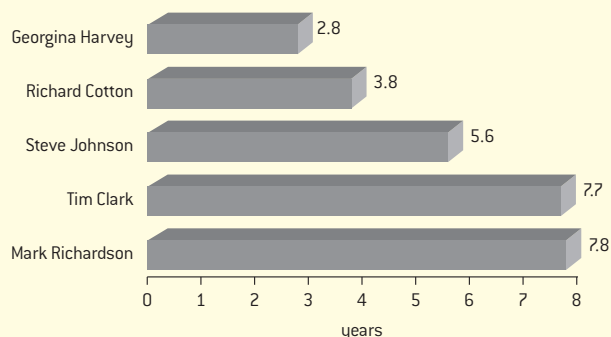
All of the Non-Executive Directors bring considerable knowledge, judgement and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company’s share option or bonus schemes and their service is non-pensionable. The Non-Executive Directors are encouraged to communicate 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 2016 is set out below:



**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	●●●●●●●●
Adrian Lee	Operations Director	●●●●●●○
Mark Richardson	Non-Executive Director	●●●●●●●●
John Trotman	Chief Financial Officer	●●●●●●●●
Nicholas Vetch	Executive Chairman	●●●●●●●●

- attended
- absent

Adrian Lee missed one meeting due to an unavoidable diary conflict.

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.

## Corporate Governance Report (continued)

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

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

During the course of its review of the risk management and internal control systems, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be significant, 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 14 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 37.

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 2016, the Chief Executive and other Executive Directors carried out 168 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 considering 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	Chairman and Senior Independent Director	●
Richard Cotton	Member	●
Georgina Harvey	Member	●
Steve Johnson	Member	●
Mark Richardson	Member	●

- 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 to the remuneration and terms and conditions of service of any proposed Executive Director appointment. The Chairman of the Committee presents reports to the Board as appropriate to enable the Board as a whole to agree the appointments of new Directors. The Committee meets at least once a year and otherwise as required and as determined by its members.

The terms 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.

## Board performance evaluation

In 2014, 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. 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 Board has committed to carry out an external performance evaluation every three years. In the intervening years the Board undertakes an evaluation of its own performance and that of its Committee and its individual members, with reference to the most recent external evaluation of its performance. The Board intends to carry out an external evaluation of its performance during the year ending 31 March 2017.

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.

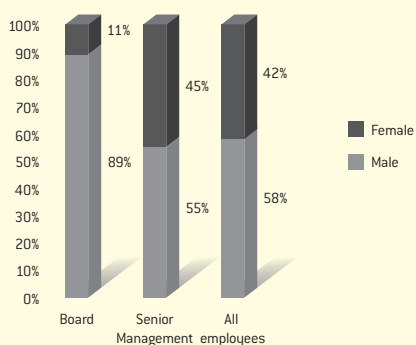
It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that any future changes in the Board's composition are foreseen and effectively managed. In the event of unforeseen changes, the Committee ensures that management and oversight of the Group's 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. 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	1	9
Senior Management	6	5	11
All employees	207	151	358



**Directors standing for re-election**

All of the Directors will retire in accordance with the UK Corporate Governance Code and will offer themselves for re-election at the Annual General Meeting. Following a performance appraisal process, the Board has concluded that the Directors retiring by rotation 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.

**Tim Clark**

Nominations Committee Chairman

# Remuneration Report

Year ended 31 March 2016

## INTRODUCTION

This report is on the activities of the Remuneration Committee for the period from 1 April 2015 to 31 March 2016. It sets out a summary of the Directors' Remuneration Policy ("the Policy") which was approved by shareholders in July 2015 and remuneration details for the Executive and Non-Executive Directors of the Company. It has been prepared in accordance with Schedule 8 of the Large and Medium-size Companies and Groups (Accounts and Report) Regulations 2013 (the "Regulations").

The report is divided into three main areas:

- > the annual statement by the Remuneration Committee Chairman;
- > the summary of the approved Policy; and
- > the annual report on Directors' remuneration.

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 Directors' remuneration that are subject to audit are indicated in the report. The annual statement by the Remuneration Committee Chairman and the summary of the approved Remuneration Policy are not subject to audit.

## ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

I am very pleased to present the Directors' Remuneration Report for the year ended 31 March 2016. This report has been prepared by the Remuneration Committee and approved by the Board.

### Business conditions and Group performance in the year ended 31 March 2016

The business conditions and performance of the Group in the year ended 31 March 2016 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;
- > in an improving economic environment, Big Yellow remained the clear UK brand leader in self storage and delivered occupancy, cash flow and earnings growth for the seventh year in a row;
- > revenue, cash flow and adjusted profit before tax increased by 20%, 31% and 24% respectively;
- > like-for-like occupancy was increased by 3.5 ppts;
- > the capital structure has been further strengthened with interest cover of 6.2 times;
- > the Group acquired land for development in key strategic locations in London; and
- > dividends are being increased by 15%.

### Policy on executive remuneration

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

I am pleased that shareholders overwhelmingly approved the Directors' Remuneration Policy ("the Policy") put forward at the July 2015 AGM which aimed to achieve these objectives. The remuneration decisions made by the Committee in the last year were informed by these principles and conformed with the Policy. The Policy aims to provide:

- > remuneration to the Directors which is fair to the Directors both generally and in the context of the remuneration of other staff of the Company and the returns to shareholders; and
- > a balance of short and long term incentives which provide a strong link between reward and individual and Group performance to align the interests of the Executive Directors with the interests of shareholders.

The Committee believes that the success of the remuneration policy is reflected in the length of service, stability and strong performance of the Executive Director team. Two of the Executive Directors were founders of the Company while the other two have been Executive Directors for 17 years and nine years respectively. The Executive Directors have significant interests in the shares of the Company, each in excess of two times base salary which is the Company's shareholding guideline for Executive Directors. The Executive Directors are interested in shares comprising approximately 9% of the share capital of the Company (including unvested share incentives held).

The Committee will continue to carry out periodic reviews of the Policy to ensure its relevance in light of changes to the business and wider market and will seek shareholder approval for any amendments. Having said that, the Committee does not intend to make any revisions at the 2016 AGM, to the Policy approved in 2015.

A summary of the approved Policy is provided in the Directors' Remuneration Policy section of the Directors' Remuneration Report and the full Policy is available online <http://corporate.bigyellow.co.uk/investors/governance/remuneration-policy.aspx>

### Remuneration changes during the year

All of the changes in remuneration in the year ended 31 March 2016 were within the Policy.

Within the aggregate figure for Executive Director remuneration, the changes during the year were:

- > *Base salary*: increased by £30,000 (3%) – of which the main change was an increase in the salary of one Director to reflect his progress in the role, the other increases were 2%, in line with increases provided to staff
- > *Taxable benefits*: increased by £1,000 (5%)
- > *Annual bonus*: was 12% of salary for the year (being in line with the average for all staff of the Company, and compared to 12.5% for the prior year) and reduced by £1,000 (1%).
- > *Pension contributions*: increased to 15% of base salary. This change, coupled with the increase in base salaries, led to an overall increase in pension contributions of £52,000 (55%).
- > *Sharesave Scheme*: one Director's Sharesave scheme vested in the year producing a gain of £14,000 (2015: two Directors' Sharesave Schemes vested producing a gain of £31,000 in total)
- > *Long term incentives*:
  - > the 2012 award of shares granted under the LTIP vested as to 100% (representing a total gain of £1,959,000). As in the previous year, each of the Executive Directors was granted an award equal to 100% of base salary subject to performance conditions. The value of these awards was £985,000 – an increase of £30,000 (3%); and
  - > awards were made under the 2015 Long Term Bonus Performance Plan ("LTBPP") in the year of £4.43 million (2015: no awards). The Remuneration Committee reviewed the performance targets for the year and concluded that the awards under the Plan have provisionally vested at 90% in respect of the year ended 31 March 2016. There are a further two years performance on which the LTBPP is assessed before any awards vest.

In considering the relative importance of the spend on pay (see page 79):

- > **Total employee pay**: increased by 15%, largely due to the acquisition of Big Yellow Limited Partnership in December 2014 (and amounted to £15.1 million)
- > **Profit distributed by way of dividend**: increased by 31% (and amounted to £36.4 million)
- > **Retained profit for the year**: decreased by 3% (and amounted to £75.6 million)

More details of the remuneration of the Directors in the year ended 31 March 2016 are set out in the Annual Report on Remuneration section of the Remuneration Report.

### AGM

I hope that, at the Annual General meeting in July, you will support the advisory resolution on the remuneration paid to the Directors in the last financial year set out in the Annual Remuneration Report section of this Remuneration Report.

### Tim Clark

Chairman of the Remuneration Committee

# Remuneration Report (continued)

Year ended 31 March 2016

## REPORT ON DIRECTORS' REMUNERATION POLICY

This section of the Remuneration Report contains a summary of the Company's Directors' Remuneration Policy ("the Policy") which governs the Company's approach to remuneration. The Policy was approved by shareholders at the Company's AGM in July 2015 and is applicable for a period of three years, unless shareholder approval is sought within that period to amend the Policy.

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.

The Committee deals with all aspects of remuneration of the Executive Directors including:

- > setting salaries;
- > agreeing conditions and coverage of annual incentive schemes and long term incentives;
- > policy and scope for pension arrangements;
- > determining targets for performance related schemes;
- > scope and content of service contracts; and
- > deciding the extent of compensation (if any) on termination of service contracts.

The Committee's members are currently Tim Clark (Committee Chairman), Richard Cotton, Georgina Harvey, Steve Johnson and Mark Richardson.

The Remuneration Committee's Terms of Reference are available on the Company website. The Committee met three times during the year.

## Summary of the Directors' Remuneration Policy ("the Policy")

The main components of the Policy and how they are linked to and support the Company's business strategy are summarised below.

The full policy which was approved by shareholders in July 2015 is available on the Company's website at [www.corporate.bigyellow.co.uk/investors.aspx](http://www.corporate.bigyellow.co.uk/investors.aspx). This includes details of policy regarding target setting; remuneration arrangements for new appointments; payments for loss of office; and other matters.

Element	Operation of element
<b>Salary, Benefits and Pension</b>	Salaries are reviewed annually and typically set on 1 April after considering the salary levels in companies of a similar size and complexity in the FTSE 250.
To provide a level of fixed compensation that can attract and retain talent required to successfully deliver on our business strategy.	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: <ul style="list-style-type: none"><li>&gt; level of skill, experience, scope of responsibilities and performance;</li><li>&gt; business performance, economic climate and market conditions;</li><li>&gt; increases provided to Executive Directors in comparable companies; and</li><li>&gt; pay and employment conditions of employees throughout the Group, including increases provided to staff; and</li><li>&gt; inflation.</li></ul> Our overall policy is normally to target salaries at close to (but generally below) median levels. Base salaries are intended to increase in line with inflation and general employee increases in salary; higher increases may be applicable if there is a change in role, level of responsibility or experience or if the individual is new to the role. The level of benefits provided is reviewed annually to ensure they remain market competitive. Benefits currently include: private fuel, private medical insurance, permanent health insurance and life assurance. The maximum contribution to an Executive Director's pension or salary supplement is 20% of gross basic salary. Executive Directors currently receive a contribution of 15% of salary.
<b>Annual bonus</b>	Maximum opportunity of 25% of salary with 10% of salary payable at target and 0% payable at threshold.
To provide cash awards which aligns reward to key Group strategic objectives and drives short-term performance.	Payments are directly linked to store performance which is measured based on occupancy growth and net contribution, customer satisfaction and store standards.
<b>Long Term Incentive Plan ("LTIP")</b>	LTIP maximum grant is 100% of salary per annum with grants normally made at the maximum. Awards will vest at the end of a three year performance period subject to: <ul style="list-style-type: none"><li>&gt; EPS (70% of award) which provides a link to earnings growth and value creation in the Company; and</li><li>&gt; Relative TSR (30% of award) which provides a link to delivering returns in excess of companies in the FTSE Real Estate Index.</li></ul> The LTIP contains clawback and malus provisions.
To align Executive Directors' interests with those of shareholders and rewards value creation.	

## Summary of the Directors' Remuneration Policy ("the Policy") (continued)

Element	Operation of element
<b>Long Term Bonus Performance Plan</b> To ensure that the total remuneration package is more competitive, supports the Company's strategy and its ability to react to changing economic and business circumstances.	<p>The total maximum incentive value awarded across all four Executive Directors will not exceed 4 x 450% of base salary (over a three year performance period); however each individual will have the potential to be awarded a maximum of 675% of base salary (so long as the total maximum is not exceeded).</p> <p>Vesting depends on an annual assessment of performance (over three years but reviewed annually) against a series of financial and non-financial targets aligned with the annual business plan.</p> <p>The value accrued to participants may be subject to clawback if subsequent performance reflects adversely on achievement of the targets. The LTBP also contains malus provisions.</p> <p>A further holding period will apply to 50% of the award, such that 25% will be released one year after vesting, and the remaining 25% will be released two years after vesting, so that the full release of vested entitlements takes place over five years.</p> <p>Within the constraints of business confidentiality, performance measures for each year are disclosed in the corresponding Annual Report on Remuneration – the information for this year can be found on page 74.</p>
<b>Sharesave Scheme</b> To encourage share ownership by all employees.	<p>This HMRC approved scheme allows employees to align their interests with those of investors and also to share in the long-term success of the Company. The annual allowance for investing in the Sharesave scheme is £6,000.</p>
<b>Shareholding policy</b> Ensures that Executive Directors' interests are aligned with shareholders' over a longer time period.	<p>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 share plans if this guideline has not been met.</p>
<b>Non-Executive Director Fees</b> Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	<p>Fee levels are normally reviewed annually in March and are set at broadly median levels for comparable roles at companies of a similar size and complexity within the FTSE250.</p> <p>Fees are intended to rise in line with inflation.</p> <p>The fees may be paid in the form of shares.</p>

# Remuneration Report (continued)

Year ended 31 March 2016

## Illustrations of application of the Policy

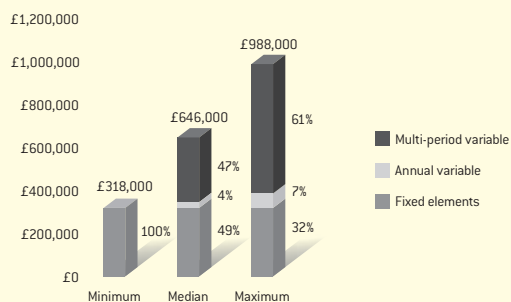
The graph below seeks to demonstrate how pay varies with performance for the Executive Directors based on the Policy approved by shareholders. This is based on pay for the year ending 31 March 2017.

Element	Description
<b>Fixed</b>	Total amount of salary, pension and benefits.
<b>Annual variable</b>	Money or other assets received or receivable for the reporting period as a result of the achievement of performance conditions that relate to that period (i.e. annual bonus payments).
<b>Multiple period variable</b>	Money or other assets received or receivable for multiple reporting periods as a result of the achievement of performance conditions over a given period under the LTIP and LTBP. For the purposes of these charts, the LTBP is represented by one-third of the potential vesting as it is granted once every three years. This provides a better comparison from year to year and against other companies.

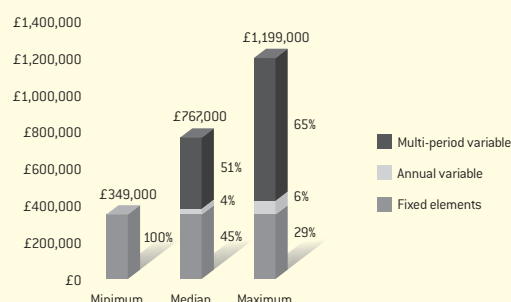
Assumptions used in determining the level of pay out under given scenarios are as follows:

Element	Description
<b>Minimum</b>	Fixed pay only (no variable payments under annual bonus and Company's LTIP or LTBP).
<b>On-target</b>	40% of annual bonus award being paid (ie 10% of basic salary), 50% vesting of the LTIP and 50% vesting of the annualised value of the three year LTBP.
<b>Maximum</b>	100% of annual bonus award being paid (ie 25% of basic salary) and 100% vesting of the LTIP, one-third of 100% vesting of the three year LTBP.

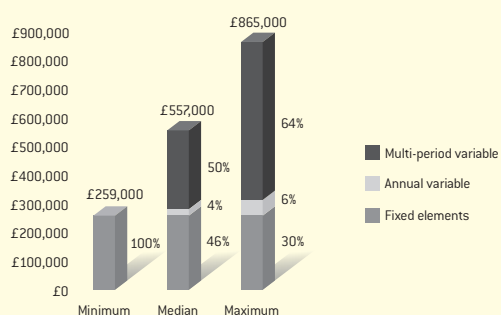
### Executive Chairman



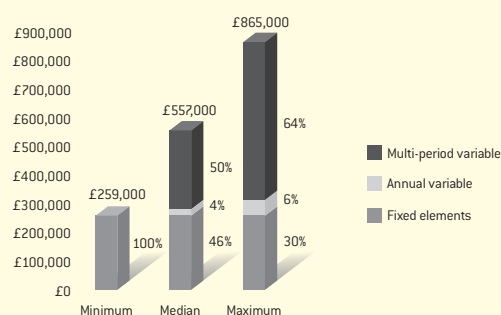
### CEO



### Operations Director



### CFO



### Consideration of shareholders' views

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 2015 Remuneration Report and the binding vote on the Remuneration Policy at the AGM held on 21 July 2015.

	Votes for	%	Votes Against	%	Votes withheld
2015 Remuneration Report	120,266,913	98.00	2,459,349	2.00	2,463,155
2015 Remuneration Policy	124,032,466	99.22	979,331	0.78	177,620

The views of our shareholders are very important to us and 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 Policy, the Remuneration Committee chairman will inform major shareholders in advance, and will offer a meeting to discuss these.

This policy report was approved by the Board of Directors on 23 May 2016 and signed on its behalf by

#### Tim Clark

Remuneration Committee Chairman



# Remuneration Report (continued)

Year ended 31 March 2016

## ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report contains details of how the Directors' Remuneration Policy ("the Policy") was implemented during the year ended 31 March 2016. Note that the whole Annual Report is not subject to Audit – the regulations specify individual sections of this report which are required by the Regulators to be subject to audit are:

- > Single figure table and notes;
- > Scheme interests awarded during the financial year;
- > Payments to past Directors;
- > Payments for loss of office; and
- > Statement of Directors' shareholding and share interests.

### Single total figure of remuneration

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid in the year ended 31 March 2016. The figures have been calculated in accordance with the remuneration disclosure regulations (The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013).

Year ended 31 March 2016	Salary £		Taxable benefits £		Annual bonus £		Long term incentives £		Pensions £		Sharesave Scheme £		Total £	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Nicholas Vetch	264,500	259,300	4,081	3,960	31,740	32,412	548,680	1,071,925	39,675	25,930	-	-	888,676	1,393,527
James Gibson	290,100	284,400	4,681	4,676	34,812	35,550	601,738	1,403,224	43,515	28,440	13,965	-	988,811	1,756,290
Adrian Lee	215,000	210,600	4,041	3,765	25,800	26,325	404,353	952,137	32,250	21,060	-	15,250	681,444	1,229,137
John Trotman	215,000	200,000	2,227	1,866	25,800	25,000	404,353	952,137	32,250	20,000	-	15,250	679,630	1,214,253
Total	984,600	954,300	15,030	14,267	118,152	119,287	1,959,124	4,379,423	147,690	95,430	13,965	30,500	3,238,561	5,593,207

Taxable benefits comprise medical cover, permanent health insurance, life insurance and private fuel usage. James Gibson receives a cash supplement in lieu of pension contributions.

The value shown in long term incentives in the current year is the LTIP award granted in 2012 which vested on 11 July 2015 to 100% of its maximum value and is valued using the share price on that date of 651.5p. The award granted for 2016 is 100% of salary for each Executive Director.

The average salary increase across the Group in the year was 2%. The Executive Directors increases were also 2%, with the exception of John Trotman (7.5%). The salary increase for John Trotman reflects the previously explained strategy of the Committee to bring his salary in line with Adrian Lee's salary, which has been achieved as of the year to 31 March 2016. Future increases for John Trotman are expected to be in line with the increases provided to other Executive Directors.

The value shown for the Sharesave Scheme is the value of the shares under option at vesting less each Director's contributions to the scheme.

### Annual Bonus Plan awards

The policy of the Company is that the bonus paid to the Executive Directors is the same as the average of the bonus awards (as a % of salary) paid to the 71 stores on achieving their targets during the course of the year.

In respect of the year under review, the Executive Directors' performance was carefully reviewed by the Committee, in consultation with the Executive Chairman in respect of the other Executive Directors.

The Committee determined that a bonus should be paid to the Executive Directors and therefore a bonus of 12% of salary in the year was made. This is the same as the average of the bonus awards paid to the stores based on their achievement of their targets during the course of the year.

The weighting of the measures in bonus plan for the stores, details of the targets and the process of assessment against these are provided in the table below.

Measure	Weighting	Details
Occupancy and net contribution	70%	<ul style="list-style-type: none"> <li>&gt; Each store is set a quarterly target for occupancy and net contribution.</li> <li>&gt; The weighting of the contribution of each of these metrics to the bonus varies based on store occupancy, with higher occupied stores having a greater weighting towards their performance against net contribution.</li> <li>&gt; 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.</li> </ul>
Customer satisfaction	20%	> Based on achievement against net promoter score targets set for each store and individual customer service awards achieved for each store.
Store standards	10%	> Based on internal audit compliance score, for which stores receive a bonus if they pass the threshold score of 85%.
<b>Total</b>	<b>100%</b>	

The targets for each of the 71 stores have not been disclosed in the table as they are commercially sensitive. The Company provides full retrospective disclosure of the performance measures, targets and performance against targets for the LTIPP which is assessed on an annual basis against targets set in relation to the Group's business plan and Group-wide KPIs. This can be found on page 74.

The performance in the year resulted in a bonus of 12% of salary which equated to the following payments for the Executive Directors:

- > Nicholas Vetch – £31,740
- > James Gibson – £34,812
- > Adrian Lee – £25,800
- > John Trotman – £25,800

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

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 are set out below. Vesting is conditional on the achievement of an underpin EPS growth of an average of 3% above RPI per annum. This hurdle was met for the 2012 awards, with average growth in EPS of 16.3%, compared to RPI plus 3% of 6.1%.

The Committee assessed the extent to which the performance conditions have been satisfied for the 2012 award which vested in 2015, 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 34 in comparator group	100%
<b>Total</b>	<b>100%</b>					<b>100%</b>

### LTIP awards granted in year ended 31 March 2016

The table below sets out the details of the long term incentive awards granted in the year ended 31 March 2016 where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

Director	Award type	Awards as a % of salary	Face value of award <sup>(1)</sup>	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	£264,500	25%	100%	21 July 2018	Adjusted EPS growth and relative TSR
James Gibson			£290,100				
Adrian Lee			£215,000				
John Trotman			£215,000				

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

The performance conditions applicable to the awards granted in the year ended 31 March 2016 are set out below:

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%	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.
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.
<b>Total</b>	<b>100%</b>				

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

## Remuneration Report (continued)

Year ended 31 March 2016

### Long Term Bonus Performance Plan

The following awards were made during the year under the LTBP:

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				

The performance targets for the LTBP are not disclosed for the year ahead, given the commercially sensitive nature of a number of the targets (which are derived from the Group's business plan). Shortly after the end of each year, the Committee assesses the key targets and the extent to which management has been able to meet these targets for that year and reports on this assessment (excluding any that are still commercially sensitive). The targets are only adjusted during the year if material events occur that necessitate a change to the business plan. The report on the targets for the year ended 31 March 2016 (other than those which remain commercially sensitive) is summarised in the table below:

Objective	Committee Comment
Grow the Group's annual free cash flow for the year to 31 March 2016 to £51.6 million from £42.4 million in the year to 31 March 2015.	The Group's free cash flow for the year to 31 March 2016 was £55.5 million, an increase of 31% from the prior year.
Complete the drawdown of the M&G loan in June and repay the interim Lloyds facility.	The M&G loan was drawn as planned on 29 June 2015 and the interim Lloyds facility repaid on that date.  Additionally, in August 2015, the Group completed a further refinancing of the Group bank debt, extending its maturity to October 2020, with an option for a further year, whilst reducing the bank margin by 25bps. The Group also put in place an accordion of £80 million to give the flexibility to fund future expansion through bank debt.
Comply with all banking covenants and maintain a net worth in excess of £750 million.	All banking covenants were complied with during the year. Net worth has grown by £78.5 million to £829.4 million.
Grow the occupancy of the stores open at 31 March 2015 from 73.2% to 78.2% by 30 September 2015, and following the seasonal occupancy loss in the third quarter, recover to this level by 31 March.	The occupancy of the like for like stores at 31 March 2016 was 76.7%, representing growth of 3.5 percentage points from 31 March 2015. The occupancy at 30 September 2015 was 77.3%.
Grow the average net rent per square foot across the wholly owned stores from £25.23 per square foot by 2% to £25.73 by 31 March 2016.	The net rent per sq ft at 31 March 2016 was £25.90, an increase of 2.7% from 31 March 2015.
Meet budgeted revenue (£101.1 million) and profit before tax (£49.0 million) targets.	Revenue for the full year was £101.4 million, and adjusted PBT was £49.0 million, ahead of, and in line with budget respectively.
Maintain the Group's online market share measured against the top 35 self storage operators by Connexity Hitwise, at 35% to 38%.	The Group's average market share over the course of the financial year was 37%. The nearest competitor had a market share of 17% for the year.
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 a site in Kings Cross, which was a key strategic target location. In addition, the Group has acquired a site in Camberwell, which will complement existing stores in Kennington and New Cross.
Construct Cambridge on time and on budget, with the store due to open in January 2016.	The store was constructed on budget, and opened as planned in January 2016.
Obtain a place in the Sunday Times Best 100 Companies to work for.	Big Yellow earned a two star accreditation and ranked 80th in the Sunday Times Best 100 Companies to work for.
Sell the surplus land at Manchester during the year.	The Group sold the surplus land at its Manchester site for £8 million during the year. Discussions are ongoing with the Planning Authority in respect of the Big Yellow store on the remaining land.
Reduce the carbon intensity for the year to 31 March 2016 (KgCO <sub>2</sub> /m <sup>2</sup> of occupied space) by 5% from the year to 31 March 2015.	Carbon intensity was reduced by 16% for the year to 31 March 2016.

The other targets, covering areas such as real estate, staffing and certain financial targets, were met in all material respects.

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 2016 has provisionally vested as to 90% of its potential amount for the year.

### 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 approval 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 77.

### 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 2016, the Company contribution was 15% of salary for the Executive Directors.

### Payments to past Directors

No payments of money or any other assets were made to any former Director of the Company in the financial year ended 31 March 2016 (2015: no payments).

### Payments on loss of office

No payments were made to any Directors in respect of loss of office during the financial year ended 31 March 2016 (2015: no payments).

### Non-Executive Directors

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 2016.

	Fees £		Taxable benefits £		Total £	
	2016	2015	2016	2015	2016	2015
Tim Clark	42,800	41,900	–	–	42,800	41,900
Richard Cotton	40,100	39,300	–	–	40,100	39,300
Georgina Harvey	37,600	36,800	–	–	37,600	36,800
Steve Johnson	37,600	36,800	–	–	37,600	36,800
Mark Richardson	40,100	39,300	–	–	40,100	39,300
Total	198,200	194,100	–	–	198,200	194,100

Non-Executive Director fees were increased by 2% for the year ended 31 March 2016.

### Implementation of the Policy

The main elements of Executive Director remuneration for the year ended 31 March 2016 and the forthcoming financial year are summarised below:

Element	Implementation in 2015/16	Implementation in 2016/17
Base salary	<p>Salary levels for Executive Directors:</p> <ul style="list-style-type: none"> <li>&gt; Executive Chairman: £264,500</li> <li>&gt; Chief Executive: £290,100</li> <li>&gt; Operations Director: £215,000</li> <li>&gt; Chief Financial Officer: £215,000</li> </ul> <p>Salaries were increased by 2% from the 2014/15 salaries with the exception of Chief Financial Officer who received a 7.5% increase to bring his salary in line with the Operations Director. Increases for the wider employee population were 2%.</p>	<p>Salary levels for Executive Directors:</p> <ul style="list-style-type: none"> <li>&gt; Executive Chairman: £269,800</li> <li>&gt; Chief Executive: £296,000</li> <li>&gt; Operations Director: £219,300</li> <li>&gt; Chief Financial Officer: £219,300</li> </ul> <p>Salaries were increased by 2% from the 2015/16 salaries. Increases were made in accordance with the Policy. Increases for the wider employee population were 2%.</p>
Benefits and Pension	Contribution of 15% of salary made into Executive Directors personal pension plan, or a cash supplement of equivalent value paid in lieu of pension contribution.	<i>No change</i>
Annual bonus	<p>Maximum opportunity of 25% of salary.</p> <p>Assessed on stores' performance against our Key Performance Indicators:</p> <ul style="list-style-type: none"> <li>&gt; Occupancy and net contribution together represented 70% of the bonus</li> <li>&gt; Customer satisfaction (20%)</li> <li>&gt; Store standards (10%)</li> </ul>	<p><i>No change</i></p> <p>The Committee is of the opinion that further disclosure of targets for the bonus plan are commercially sensitive, and that it would be detrimental to disclose them at this time of the financial year. Performance against the targets will be disclosed at the end of the performance period.</p>

## Remuneration Report (continued)

Year ended 31 March 2016

### Implementation of the Policy (continued)

Element	Implementation in 2015/16	Implementation in 2016/17
Long Term Incentive Plan	<p>Maximum opportunity of 100% of salary, with grants of 100% of salary for each of the Executive Directors.</p> <p>These awards were granted with the following performance conditions:</p> <ul style="list-style-type: none"><li>&gt; 70% adjusted EPS – adjusted EPS growth of RPI+3% for 25% of this element of the award to vest with full vesting occurring for adjusted EPS growth of RPI+8% p.a.;</li><li>&gt; 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.</li></ul>	<i>No change</i>
Long Term Bonus Performance Plan	<p>The following awards as a % of salary were made to the Executive Directors under this plan:</p> <ul style="list-style-type: none"><li>&gt; Executive Chairman – 377%</li><li>&gt; Chief Executive – 496%</li><li>&gt; Operations Director – 464%</li><li>&gt; Chief Financial Officer – 464%</li></ul> <p>The assessment of targets for the 2015/16 year end can be found on page 74.</p>	No awards will be made this year as awards are granted every three years.

### Non-Executive Directors

Executive	2015/16 fee	2016/17 fee	% increase
Tim Clark	£42,800	£43,700	2%
Richard Cotton	£40,100	£41,000	2%
Georgina Harvey	£37,600	£38,400	2%
Steve Johnson	£37,600	£38,400	2%
Mark Richardson	£40,100	£41,000	2%

### 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

The Executive Directors are required to build and maintain a holding of 200% of base salary. These requirements have been met by all Executive Directors during 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 2016 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. The LTBP awards shown in the table below are calculated by reference to the total award value divided by the Company's share price at 31 March 2016.

Director	Share ownership requirement (% of salary)	Share ownership requirements met	Beneficially owned shares	LTIP awards subject to performance conditions	LTBP awards subject to performance conditions	Unexercised Sharesave options	Options exercised in the financial year
Nicholas Vetch	200%	Yes (25,842%)	9,002,397	148,845	128,715	–	169,064
James Gibson	200%	Yes (7,118%)	2,479,700	163,251	185,926	1,480	217,882
Adrian Lee	200%	Yes (2,383%)	830,435	117,773	128,715	2,960	146,911
John Trotman	200%	Yes (415%)	144,658	115,710	128,715	3,639	146,911
Richard Cotton	N/a	N/a	73,485	–	–	–	–
Mark Richardson	N/a	N/a	27,225	–	–	–	–
Tim Clark	N/a	N/a	18,652	–	–	–	–
Steve Johnson	N/a	N/a	10,000	–	–	–	–
Georgina Harvey	N/a	N/a	13,013	–	–	–	–

### Directors' share options

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

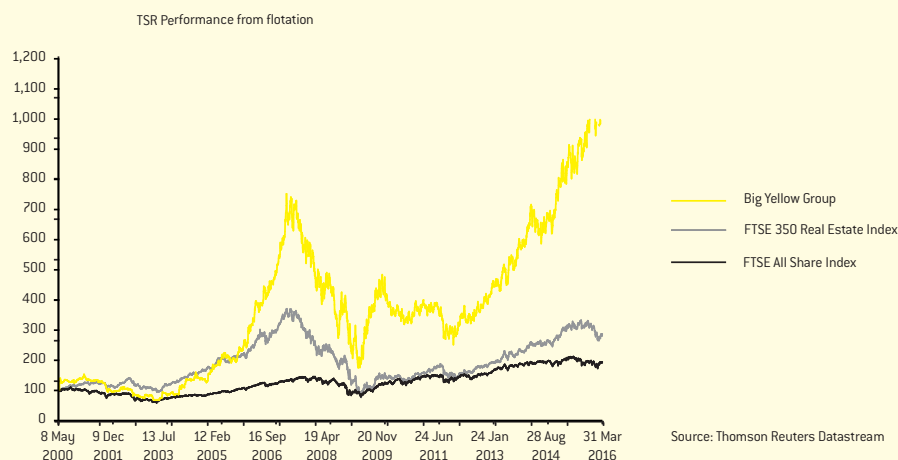
Name	Date option granted	Scheme	No. of shares under option at 31 March 2015	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares under option at 31 March 2016	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
<b>Nicholas Vetch</b>	11 July 2012	LTIP	84,218	–	(84,218)	–	–	nil p	704.5p	11 July 2015	10 July 2022
	22 July 2013	LTIP	60,266	–	–	–	<b>60,266</b>	nil p	–	22 July 2016	21 July 2023
	29 July 2014	LTIP	50,467	–	–	–	<b>50,467</b>	nil p	–	29 July 2017	28 July 2024
	21 July 2015	LTIP	–	38,112	–	–	<b>38,112</b>	nil p	–	21 July 2018	20 July 2025
<b>James Gibson</b>	11 July 2012	LTIP	92,362	–	(92,362)	–	–	nil p	696.5p	11 July 2015	10 July 2022
	18 March 2013	SAYE	2,965	–	(2,965)	–	–	303.5p	774.5p	31 March 2016	1 October 2016
	22 July 2013	LTIP	66,098	–	–	–	<b>66,098</b>	nil p	–	22 July 2016	21 July 2023
	29 July 2014	LTIP	55,352	–	–	–	<b>55,352</b>	nil p	–	29 July 2017	28 July 2024
	21 July 2015	LTIP	–	41,801	–	–	<b>41,801</b>	nil p	–	21 July 2018	20 July 2025
14 March 2016	SAYE	–	1,480	–	–	<b>1,480</b>	608.0p	–	31 March 2019	1 October 2019	
<b>Adrian Lee</b>	11 July 2012	LTIP	62,065	–	(62,065)	–	–	nil p	696.5p	11 July 2015	10 July 2022
	22 July 2013	LTIP	45,804	–	–	–	<b>45,804</b>	nil p	–	22 July 2016	21 July 2023
	29 July 2014	LTIP	40,989	–	–	–	<b>40,989</b>	nil p	–	29 July 2017	28 July 2024
	21 July 2015	LTIP	–	30,980	–	–	<b>30,980</b>	nil p	–	21 July 2018	20 July 2025
	14 March 2016	SAYE	–	2,960	–	–	<b>2,960</b>	608.0p	–	31 March 2019	1 October 2019
<b>John Trotman</b>	11 July 2012	LTIP	62,065	–	(62,065)	–	–	nil p	696.5p	11 July 2015	10 July 2022
	22 July 2013	LTIP	45,804	–	–	–	<b>45,804</b>	nil p	–	22 July 2016	21 July 2023
	29 July 2014	LTIP	38,926	–	–	–	<b>38,926</b>	nil p	–	29 July 2017	28 July 2024
	16 March 2015	SAYE	3,639	–	–	–	<b>3,639</b>	494.6p	–	31 March 2018	1 October 2018
	21 July 2015	LTIP	–	30,980	–	–	<b>30,980</b>	nil p	–	21 July 2018	20 July 2025

## Remuneration Report (continued)

Year ended 31 March 2016

### 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 since the Company's flotation in 2000. The FTSE All Share Real Estate Index is used for the assessment of the Company's LTIP.



### CEO Remuneration

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

Year	CEO single figure of total remuneration (£)	Annual bonus pay out % against maximum of 25% of salary	Long term incentive vesting rates against maximum opportunity %
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 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 £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 2016 compared with 2015	
	CEO	Employees
Salary and fees	2%	2%
All taxable benefits	0%	1%
Annual bonuses	(2%)	(2%)
Total	2%	2%

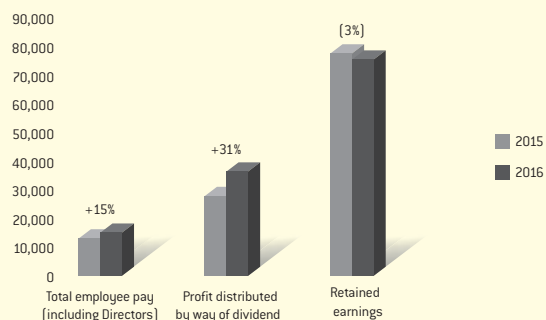
### Statement of consideration of employment conditions elsewhere in the Group

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 Annual Bonus Plan award for Executive Directors is directly linked to the bonuses award 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 2016 and 31 March 2015 compared with other disbursements from profit, being the distributions to shareholders and retained earnings [comprehensive gain for the year less dividends].



### Advisers to the Remuneration Committee

The Committee consults with the Executive Chairman, Nicholas Vetch, about proposals on a range of matters relating to the remuneration of the Executive Directors including the levels of overall remuneration, salary and bonus and awards and distributions under the share incentive and bonus plans.

The Committee relies upon remuneration data provided by PwC. In addition, PwC has provided advice to the Committee on the preparation of this report as well as on market practice and trends. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

The Committee is satisfied that advice received from PwC during the year was objective and independent.

Adviser	Appointed by	Services provided to the Committee in 2015/16	Fees in relation to remuneration advice
PwC	Remuneration Committee in 2008	Advice on vesting of 2012 LTBP. Advice on participant documentation for 2015 LTBP. Support in the drafting of the Directors' Remuneration Report.	£21,000



# Audit Committee Report

## 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, balance and understandable view of the Group's performance, strategy and business model.

## Mark Richardson

Audit Committee Chairman

## Committee Members and Attendance

Member	Position	Number of meetings attended
Tim Clark	Member	●●●
Richard Cotton	Member	●●●
Georgina Harvey	Member	●●●
Steve Johnson	Member	●●●
Mark Richardson	Chairman	●●●

- attended
- absent

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

The 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. 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 understandable 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;

### **Overview of the actions taken by the Audit Committee to discharge its duties** (continued)

- > 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 2016 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;
- > 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;
- > 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 2016 provides a fair, balance and understandable 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 2016 provides a fair, balanced and understandable view and included 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 83.

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. Members 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. It has concluded that there is not a significant level of judgements involved.

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 understandable 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 first appointed in 2000.

## Audit Committee Report (continued)

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

The Committee considers that the relationship with the auditor is working well, and that they are effective in their role, and the audit process is working well with open dialogue and early discussion of judgements. As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditor is re-appointed.

### 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 2016, the auditor's remuneration comprised £186,000 for audit work and £113,000 for other work, principally relating to VAT and corporation tax work. In addition, over a three year rolling period, the level of non-audit fees is below the audit fee.

### Audit rotation

The auditor, Deloitte LLP, has been in tenure since 2000 and the current audit partner has been in place since the audit of the 2013 financial statements.

The Committee has reviewed the performance of the external auditor and the audit process and is satisfied that currently Deloitte LLP provides an appropriate level of service delivered by a team with an in-depth understanding of our business. That said, the Committee is supportive of the new provision in the UK Code in respect of auditor rotation. The Committee's present intention therefore is that they will tender the external audit with a view to changing auditors at the end of the five year term of the current audit partner in 2017. There are no contractual obligations that act to restrict the Audit Committee's choice of external auditor.

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.

### 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 Committee concurs with management's view.

### 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:

### Mark Richardson

Audit Committee Chairman  
23 May 2016

# 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 such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting 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;
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

**James Gibson**

Chief Executive Officer  
23 May 2016

**John Trotman**

Chief Financial Officer  
23 May 2016

# Independent auditor's report to the members of Big Yellow Group PLC

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## Opinion on financial statements of Big Yellow Group plc

### 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 2016 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 (IFRSs) as adopted by the European Union;
- > the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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## Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 37.

We have nothing material to add or draw attention to in relation to:

- > the Directors' confirmation on page 34 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 or liquidity;
- > the disclosures on pages 34 to 36 that describe those risks and explain how they are being managed or mitigated;
- > the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- > the Directors' explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider 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.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

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## Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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## Our assessment of risks of material misstatement

The assessed risk of material misstatement described below is the one that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

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**Risk description**

See also note 14 to the financial statements, and the Audit Committee's Report on pages 80 to 82.

Refer to the accounting policies of the Group set out on page 96 and 97 for the Group's investment property valuation policy and the associated critical accounting estimate for determining fair value.

As at 31 March 2016, the Group held wholly-owned investment properties and investment properties under construction valued at £1,126.2 million (2015: £1,022.8 million) all located within the United Kingdom.

The Group also has minority investments in two associate entities (Armadillo Storage Holding Company Limited and Armadillo Storage Company 2 Limited), together 'the Associates' for which equity accounting is applied. The Associates control a combined gross value of £57.7 million (2015: £53.3 million) in self storage assets, of which 20% is recognised by the Group.

Investment properties are held at fair value on the Group Consolidated Balance Sheet. The net valuation gain in the year relating to Group held wholly-owned investment properties was £58.0 million (2015: £64.5 million), which was recognised through the Consolidated Statement of Comprehensive Income.

The net valuation gain, included within the share of profit of associates, relating to the properties held by the Associates was £3.5 million (2015: £11.5 million) on a gross basis and therefore £0.7 million (2015: £2.3 million) on a Group share basis.

Fair values are calculated using actual and forecast inputs such as: occupancy, capitalisation rates, maximum lettable area, operating expenses and net rent per square foot by property as at 31 March 2016. In addition, external valuers apply professional judgement concerning market conditions and factors impacting individual properties.

We consider investment property valuation to be at significant risk of material misstatement as the valuation process is subjective and inherently judgemental in nature. The investment market for prime self storage, in particular, is subject to market uncertainty due to the low volume of transactions.

**How the scope of our audit responded to the risk**

- > We assessed the design and implementation of the key internal controls around the property valuation process;
- > We tested the integrity of the information provided to the external valuers by management by agreeing key inputs such as actual occupancy and net rent per square foot to underlying records and source evidence;
- > We modelled nine years of valuations and key valuation inputs of the investment properties subject to audit, to understand the historical trends of key inputs and compared these against the key forecast assumptions included in the property valuation;
- > We met with the external valuers covering both the Group and Associate portfolios and assessed their independence, the scope of the work they were requested to perform by management, quality control procedures in place internally and the valuation methodology applied;
- > We challenged the external valuers on the key assumptions applied and focussed on properties we identified as having significant or unusual valuation movements (compared to market data or previous periods). Our challenge was informed by input from our internal valuation specialists, utilising their knowledge and expertise in the market at a macro level and the relevant geographies to challenge the key judgmental inputs. We also researched comparable transactions and understood trends in analogous industries and utilised this information in our audit challenge. We understood the rationale for outlying valuations or movements and obtained corroborative evidence. We also assessed the valuations for a sample of other properties; and
- > We visited a sample of properties to assess the condition of the buildings and validate a sample of occupancy data inputs.

# Independent auditor's report to the members of Big Yellow Group PLC (continued)

## Investment property valuation

### Key observations

Management have recognised a £58.0 million uplift in the valuation as at 31 March 2016. During the course of the audit of the investment property valuation, we noted the following key observations:

- > A portfolio wide reduction was applied to the capitalisation rate of each store in the valuation reflecting an improvement in investor appetite for self storage assets; and
- > An increase in the average stabilised occupancy rate has been applied to the portfolio. This reflects the increasing number of stores reaching occupancy levels above 80%.

We found the assumptions adopted by management in the valuation were reasonable and the methodology applied was appropriate in all material respects.

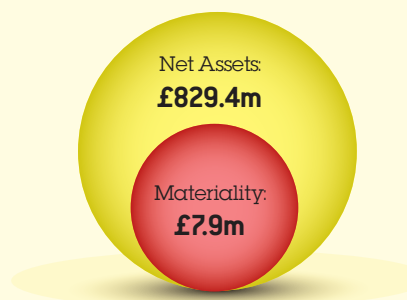
Last year our report included one risk which is not included in our report this year – fair value assessments in the acquisition of the Big Yellow Limited Partnership; this transaction completed during the prior year.

Our risk around investment property valuation was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £7.9 million (2015: £6.9 million), based on professional judgment, the requirements of International Standards of Auditing and the financial measures most relevant to users of the financial statements. We have used 1.0% of net assets (2015: 1.0% of net assets) as the benchmark for determining materiality. We concluded that determining materiality based on net assets is consistent with industry peers, in particular real estate investment trusts, and because it reflects a measure of interest to investors.



In addition to net assets, we consider adjusted profit before tax to be a critical financial performance measure for the Group on the basis that it is a key metric to analysts and investors and has substantial prominence in the Annual Report. Adjusted profit before tax is £49.0 million (2015: £39.4 million), which is reconciled to profit before tax of £112.2 million (2015: £105.2 million) in accordance with IFRS in note 10 of the financial statements. We applied a lower threshold of £2.3 million (2015: £1.9 million) for testing all balances impacting adjusted profit before tax. This lower threshold was based on 5% (2015: 5%) of adjusted profit before tax.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £400,000 (2015: £138,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We have re-assessed the appropriateness of this threshold since the prior year.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

<b>An overview of the scope of our audit</b>	<p>Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement.</p> <p>As in previous years, the audit team performed full scope statutory audits of all non-dormant entities within the Group. We have performed an audit to statutory materiality for the purposes of supporting the Group audit opinion for each non-dormant entity. As such, the scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets. Statutory materiality adopted for subsidiaries companies ranged from between £0.1 million and £7.8 million.</p> <p>During the previous year the Group acquired 20% of the equity of the Associates and continues to manage these portfolios. The Group applies equity accounting for these interests and the equity interest in Armadillo Holdings 1 Limited and Armadillo Holdings 2 Limited amounts to £4.2 million and £2.2 million respectively. We have performed audit procedures on all balances and transactions material to these entities for the purposes of supporting the Group audit opinion.</p> <p>The Group audit team continued to follow a programme of planned site visits during March 2016. At each site visited we undertook an inventory count, performed design and implementation testing of key controls, verified a sample of fixed assets and occupancy data, agreed cash balances to bank reconciliations and held discussions with key store staff.</p>								
<b>Opinion on other matters prescribed by the Companies Act 2006</b>	<p>In our opinion:</p> <ul style="list-style-type: none"> <li>&gt; the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and</li> <li>&gt; the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.</li> </ul>								
<b>Matters on which we are required to report by exception</b>	<table border="1"> <tr> <td data-bbox="168 1053 512 1117">Adequacy of explanations received and accounting records</td> <td data-bbox="512 1053 1519 1266"> <p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>&gt; we have not received all the information and explanations we require for our audit; or</li> <li>&gt; 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</li> <li>&gt; the parent Company financial statements are not in agreement with the accounting records and returns.</li> </ul> <p>We have nothing to report in respect of these matters.</p> </td> </tr> <tr> <td data-bbox="168 1276 512 1308">Directors' remuneration</td> <td data-bbox="512 1276 1519 1372"> <p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.</p> </td> </tr> <tr> <td data-bbox="168 1383 512 1415">Corporate Governance Statement</td> <td data-bbox="512 1383 1519 1478"> <p>Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.</p> </td> </tr> <tr> <td data-bbox="168 1489 512 1553">Our duty to read other information in the Annual Report</td> <td data-bbox="512 1489 1519 1849"> <p>Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:</p> <ul style="list-style-type: none"> <li>&gt; materially inconsistent with the information in the audited financial statements; or</li> <li>&gt; apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>&gt; otherwise misleading.</li> </ul> <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.</p> </td> </tr> </table>	Adequacy of explanations received and accounting records	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>&gt; we have not received all the information and explanations we require for our audit; or</li> <li>&gt; 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</li> <li>&gt; the parent Company financial statements are not in agreement with the accounting records and returns.</li> </ul> <p>We have nothing to report in respect of these matters.</p>	Directors' remuneration	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. 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We confirm that we have not identified any such inconsistencies or misleading statements.</p>
Adequacy of explanations received and accounting records	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>&gt; we have not received all the information and explanations we require for our audit; or</li> <li>&gt; 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</li> <li>&gt; the parent Company financial statements are not in agreement with the accounting records and returns.</li> </ul> <p>We have nothing to report in respect of these matters.</p>								
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## Independent auditor's report to the members of Big Yellow Group PLC (continued)

Investment property valuation

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### Matters on which we are required to report by exception (continued)

Respective responsibilities of Directors and auditor

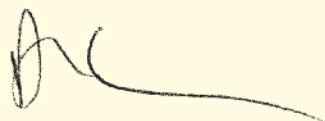
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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**Darren Longley FCA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, United Kingdom

23 May 2016

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

	Note	2016 £000	2015 £000
<b>Revenue</b>	3	<b>101,382</b>	84,276
Cost of sales		<b>(32,632)</b>	(27,351)
<b>Gross profit</b>		<b>68,750</b>	56,925
Administrative expenses		<b>(8,896)</b>	(8,505)
<b>Operating profit before gains on property assets</b>		<b>59,854</b>	48,420
Gain on the revaluation of investment properties	13a, 14	<b>58,001</b>	64,465
Profit on disposal of surplus land	15	<b>4,754</b>	1,318
<b>Operating profit</b>		<b>122,609</b>	114,203
Share of profit of associates	13d	<b>1,104</b>	3,516
Investment income	7	<b>403</b>	495
Finance costs – interest payable	8	<b>(11,866)</b>	(10,704)
– fair value movement of derivatives	8, 18	<b>(4)</b>	(2,274)
<b>Profit before taxation</b>		<b>112,246</b>	105,236
Taxation	9	<b>(247)</b>	351
<b>Profit for the year (attributable to equity shareholders)</b>	5	<b>111,999</b>	105,587
<b>Total comprehensive income for the year (attributable to equity shareholders)</b>		<b>111,999</b>	105,587
<b>Basic earnings per share</b>	12	<b>71.9p</b>	72.5p
<b>Diluted earnings per share</b>	12	<b>71.6p</b>	71.9p

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 2016

	Note	2016 £000	2015 £000
<b>Non-current assets</b>			
Investment property	13a	1,092,210	1,007,110
Investment property under construction	13a	33,945	15,681
Interests in leasehold property	13a	20,165	20,829
Plant, equipment and owner-occupied property	13b	3,405	3,050
Goodwill	13c	1,433	1,433
Investment in associates	13d	6,406	5,572
Capital Goods Scheme receivable	16	6,561	9,039
		<b>1,164,125</b>	1,062,714
<b>Current assets</b>			
Surplus land	15	300	3,315
Inventories		266	304
Trade and other receivables	16	16,222	16,379
Cash and cash equivalents		17,207	8,194
		<b>33,995</b>	28,192
<b>Total assets</b>		<b>1,198,120</b>	1,090,906
<b>Current liabilities</b>			
Trade and other payables	17	(36,122)	(32,612)
Borrowings	19	(2,243)	(72,136)
Obligations under finance leases	21	(1,722)	(1,705)
		<b>(40,087)</b>	(106,453)
<b>Non-current liabilities</b>			
Derivative financial instruments	18c	(3,683)	(3,679)
Borrowings	19	(306,520)	(210,736)
Obligations under finance leases	21	(18,443)	(19,124)
		<b>(328,646)</b>	(233,539)
<b>Total liabilities</b>		<b>(368,733)</b>	(339,992)
<b>Net assets</b>		<b>829,387</b>	750,914
<b>Equity</b>			
Share capital	22	15,737	15,806
Share premium account		45,227	44,922
Reserves		768,423	690,186
<b>Equity shareholders' funds</b>		<b>829,387</b>	750,914

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2016. They were signed on its behalf by:

**James Gibson**                      **John Trotman**  
Director                                  Director

Company Registration No. 03625199

## Consolidated Statement of Changes in Equity

Year ended 31 March 2016

	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 2015	15,806	44,922	74,950	1,653	619,206	(5,623)	750,914
Total comprehensive gain for the year	–	–	–	–	111,999	–	111,999
Issue of share capital	73	305	–	–	–	–	378
Cancellation of treasury shares	(142)	–	–	142	(3,727)	3,727	–
Use of own shares to satisfy share options	–	–	–	–	(877)	877	–
Dividend	–	–	–	–	(36,443)	–	(36,443)
Credit to equity for equity-settled share based payments	–	–	–	–	2,539	–	2,539
<b>At 31 March 2016</b>	<b>15,737</b>	<b>45,227</b>	<b>74,950</b>	<b>1,795</b>	<b>692,697</b>	<b>(1,019)</b>	<b>829,387</b>

Year ended 31 March 2015

	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 2014	14,306	44,278	–	1,653	539,450	(5,623)	594,064
Total comprehensive gain for the year	–	–	–	–	105,587	–	105,587
Issue of share capital	1,500	644	74,950	–	–	–	77,094
Dividend	–	–	–	–	(27,890)	–	(27,890)
Credit to equity for equity-settled share based payments	–	–	–	–	2,059	–	2,059
At 31 March 2015	15,806	44,922	74,950	1,653	619,206	(5,623)	750,914

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

## Consolidated Cash Flow Statement

Year ended 31 March 2016

	Note	2016 £000	2015 £000
Operating profit		<b>122,609</b>	114,203
Gain on the revaluation of investment properties	13a, 14	<b>(58,001)</b>	(64,465)
Profit on disposal of surplus land	15	<b>(4,754)</b>	(1,318)
Depreciation	13b	<b>663</b>	566
Depreciation of finance lease capital obligations	13a	<b>967</b>	918
Employee share options	6	<b>2,539</b>	2,059
Decrease/(increase) in inventories		<b>38</b>	(14)
Decrease/(increase) in receivables		<b>369</b>	(1,172)
Increase in payables		<b>1,785</b>	1,098
<b>Cash generated from operations</b>		<b>66,215</b>	51,875
Interest paid		<b>(10,763)</b>	(9,692)
Interest received		<b>15</b>	27
Tax credit received		<b>-</b>	187
<b>Cash flows from operating activities</b>		<b>55,467</b>	42,397
<b>Investing activities</b>			
Sale of surplus land		<b>7,835</b>	2,815
Purchase of non-current assets		<b>(44,509)</b>	(42,555)
Additions to surplus land		<b>(66)</b>	(231)
Receipts from Capital Goods Scheme		<b>184</b>	3,557
Acquisition of Big Yellow Limited Partnership (net of cash acquired)		<b>-</b>	(37,406)
Acquisition of Big Storage Limited		<b>-</b>	(15,114)
Disposal of Big Storage Limited		<b>-</b>	7,614
Net investment in associates	13d	<b>-</b>	(3,709)
Dividend received from associates	13d	<b>270</b>	89
<b>Cash flows from investing activities</b>		<b>(36,286)</b>	(84,940)
<b>Financing activities</b>			
Issue of share capital		<b>378</b>	77,094
Payment of finance lease liabilities	13a	<b>(967)</b>	(918)
Equity dividends paid	11	<b>(36,443)</b>	(27,890)
Payments to cancel interest rate derivatives		<b>-</b>	(1,408)
Refinancing fees		<b>-</b>	(2,649)
Drawing of M&G loan		<b>70,000</b>	-
(Repayment)/borrowing of Lloyds short term loan		<b>(70,000)</b>	70,000
Repayment of Big Yellow Limited Partnership loan		<b>-</b>	(57,000)
Repayment of Big Storage AIB loan		<b>-</b>	(9,659)
Drawing of Big Storage Lloyds loan		<b>-</b>	13,900
Increase/(decrease) in borrowings		<b>26,864</b>	(14,034)
<b>Cash flows from financing activities</b>		<b>(10,168)</b>	47,436
<b>Net increase in cash and cash equivalents</b>		<b>9,013</b>	4,893
<b>Opening cash and cash equivalents</b>		<b>8,194</b>	3,301
<b>Closing cash and cash equivalents</b>		<b>17,207</b>	8,194

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

Year ended 31 March 2016

	Note	2016 £000	2015 £000
Net increase in cash and cash equivalents in the year		<b>9,013</b>	4,893
Cash flow from increase in debt financing		<b>(26,864)</b>	(55,966)
Change in net debt resulting from cash flows		<b>(17,851)</b>	(51,073)
<b>Movement in net debt in the year</b>		<b>(17,851)</b>	(51,073)
Net debt at the start of the year		<b>(277,140)</b>	(226,067)
Net debt at the end of the year	18	<b>(294,991)</b>	(277,140)

# Notes to the financial statements

Year ended 31 March 2016

## 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 14 to 19.

## 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.

The following new and revised Standards and Interpretations have been adopted in the current year, but have not had a material impact on the Group:

Annual Improvements to IFRSs: 2010-2012	Annual Improvements to IFRSs
Annual Improvements to IFRSs: 2011-2013	Annual Improvements to IFRSs

### 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 and had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exemption
Annual Improvements to IFRSs: 2012-2014	Annual Improvements to IFRSs

There are no standards and interpretations in issue but not yet adopted which, in the opinion of the Directors, will have a material effect on the reported income or net assets of the Group or Company.

### Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investment properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted, 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 on 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 2017 and projections contained in the longer term business plan which covers the period to March 2020. The Directors have considered carefully 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.

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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.

#### Investment in subsidiaries

These are recognised at cost less provision for any impairment.

#### 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.

#### Goodwill

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

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed. The goodwill in the balance sheet has an indefinite useful economic life.

#### Revenue recognition

Revenue represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Income is recognised over the period for which the storage room is occupied by the customer on a straight-line basis. The Group recognises non-storage income on a straight-line basis over the period in which it is earned.

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.

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.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Borrowings**

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

### **Finance costs**

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.

### **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 all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the 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 when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Plant, equipment 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, 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 income.



## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 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 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 of the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

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

#### Surplus land

Surplus land, which can include assets held for development and future sale, is recognised at the lower of cost and net realisable value. Any gains and losses on surplus land are recognised through the statement of comprehensive income.

#### Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's net selling price and its value-in-use (i.e. the 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 profit or loss. The net gain or loss recognised in profit or loss 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 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 profit or loss.

### **D – Cash and cash equivalents**

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

### **E – Financial liabilities and equity**

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

### **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 stated at their nominal value.

### **Retirement benefit costs**

Pension costs represent contributions payable to defined contribution schemes and are charged as an expense to the 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 profit and loss 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 profit or loss 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. Principal assumptions underlying the estimation of the fair value are those related to: stabilised occupancy levels; the absorption period to these stabilised levels; expected future growth in storage rents, ancillary income and operating costs; maintenance requirements; capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 14 to the accounts.

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 3. REVENUE

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

	2016 £000	2015 £000
<b>Open stores</b>		
Self storage income	84,900	70,631
Other storage related income	14,568	11,849
Ancillary store rental income	354	251
	<b>99,822</b>	82,731
<b>Other revenue</b>		
Non-storage income	808	268
Fees earned from Big Yellow Limited Partnership	–	458
Other management fees earned	752	819
	<b>101,382</b>	84,276
<b>Revenue per statement of comprehensive income</b>		
Interest receivable on bank deposits (see note 7)	15	27
<b>Total revenue per IAS 18</b>	<b>101,397</b>	84,303

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):

	2016 £000	2015 £000
Depreciation of plant, equipment and owner-occupied property	663	566
Leasehold property depreciation	967	918
Gain on the revaluation of investment property	(58,001)	(64,465)
Profit on disposal of surplus land	(4,754)	(1,318)
Cost of inventories recognised as an expense	1,095	977
Employee costs (see note 6)	15,094	13,084
Operating lease rentals	78	95
Auditor's remuneration for audit services (see below)	186	191

#### b) Analysis of auditor's remuneration:

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	156	160
Other services – audit of the Company's subsidiaries' annual accounts	30	31
Total audit fees	186	191
Interim review	31	34
Tax services – advisory	60	131
Assurance of CSR report	22	22
Other services	–	80
Total non-audit fees	113	267

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees charged by Deloitte LLP to Armadillo Storage Holding Company Limited and Armadillo Storage Holding Company 2 Limited in the year amounted to £43,000, which all related to audit services.

## 6. EMPLOYEE COSTS

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

	2016 Number	2015 Number
Sales	271	256
Administration	47	44
	<b>318</b>	300

At 31 March 2016 the total number of Group employees was 358 (2015: 337).

	2016 £000	2015 £000
Their aggregate remuneration comprised:		
Wages and salaries	10,443	8,982
Social security costs	1,634	1,655
Other pension costs	478	388
Share-based payments	2,539	2,059
	<b>15,094</b>	13,084

Details of Directors' Remuneration is given on pages 66 to 79.

## 7. INVESTMENT INCOME

	2016 £000	2015 £000
Bank interest receivable	15	27
Unwinding of discount on Capital Goods Scheme receivable	388	468
<b>Total investment income</b>	<b>403</b>	495

## 8. FINANCE COSTS

	2016 £000	2015 £000
Interest on bank borrowings	11,187	10,080
Capitalised interest	(247)	(399)
Interest on obligations under finance leases	926	1,023
Total interest payable	<b>11,866</b>	10,704
Change in fair value of interest rate derivatives	4	2,274
Total finance costs	<b>11,870</b>	12,978

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 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) will be 19% and that the rate from 1 April 2020 would 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%, however this rate is yet to be substantially enacted.

	2016 £000	2015 £000
<b>UK current tax</b>		
Current tax:		
– Current year	247	90
– Prior year	–	(254)
– Conversion charge refund	–	(187)
	<b>247</b>	<b>(351)</b>

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

	2016 £000	2015 £000
Profit before tax	112,246	105,236
Tax charge at 20% (2015 – 21%) thereon	22,449	22,100
Effects of:		
Revaluation of investment properties	(11,600)	(12,109)
Share of profit of associates	(220)	(739)
Other permanent differences	(930)	(1,475)
Profits from the tax exempt business	(7,725)	(7,234)
Profit on disposal of surplus land	(951)	(278)
Utilisation of brought forward losses	(51)	(438)
Movement on other unrecognised deferred tax assets	(725)	263
<b>Current year tax charge</b>	<b>247</b>	<b>90</b>
Prior year adjustment	–	(441)
<b>Total tax charge/(credit)</b>	<b>247</b>	<b>(351)</b>

At 31 March 2016 the Group has unutilised tax losses of £32.4 million (2015: £32.8 million) available for offset against certain types of future taxable profits. All losses can be carried forward indefinitely.

## 10. ADJUSTED PROFIT BEFORE TAX AND ADJUSTED EBITDA

	2016 £000	2015 £000
Profit before tax	<b>112,246</b>	105,236
Gain on revaluation of investment properties – wholly owned	<b>(58,001)</b>	(64,465)
– in associate (net of deferred tax)	<b>(566)</b>	(2,731)
Change in fair value of interest rate derivatives – Group	<b>4</b>	2,274
– in associate	<b>23</b>	124
Profit on disposal of surplus land	<b>(4,754)</b>	(1,318)
Share of non-recurring losses in associate	<b>–</b>	285
Adjusted profit before tax	<b>48,952</b>	39,405
Net bank interest	<b>10,925</b>	9,654
Depreciation (see note 13b)	<b>663</b>	566
Adjusted EBITDA	<b>60,540</b>	49,625

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 surplus land, and non-recurring items of income and expenditure have been disclosed to give a clearer understanding of the Group's underlying trading performance. EPRA earnings are £48,705,000 for the year after the tax charge of £247,000 (2015: £39,756,000 after a tax credit of £351,000).

## 11. DIVIDENDS

	2016 £000	2015 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2015 of 11.3p (2014: 8.4p) per share.	<b>17,541</b>	11,774
Interim dividend for the year ended 31 March 2016 of 12.1p (2015: 10.4p) per share.	<b>18,902</b>	16,116
	<b>36,443</b>	27,890
Proposed final dividend for the year ended 31 March 2016 of 12.8p (2015: 11.3p) per share.	<b>20,003</b>	17,541

Subject to approval by shareholders at the Annual General Meeting to be held on 22 July 2016, the final dividend will be paid on 28 July 2016. The ex-div date is 16 June 2016 and the record date is 17 June 2016.

The Property Income Dividend ("PID") payable for the year is 18.1 pence per share (2015: 16.1 pence per share).

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 12. EARNINGS AND NET ASSETS PER SHARE

#### Earnings per ordinary share

	Year ended 31 March 2016			Year ended 31 March 2015		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	112.0	155.8	71.9	105.6	145.7	72.5
Dilutive share options	–	0.7	(0.3)	–	1.2	(0.6)
Diluted	112.0	156.5	71.6	105.6	146.9	71.9
<b>Adjustments:</b>						
Gain on revaluation of investment properties	(58.0)	–	(37.1)	(64.5)	–	(43.9)
Change in fair value of interest rate derivatives	–	–	–	2.3	–	1.6
Profit on disposal of surplus land	(4.8)	–	(3.1)	(1.3)	–	(0.9)
Share of associate non-recurring gains	(0.5)	–	(0.3)	(2.3)	–	(1.6)
EPRA – diluted	48.7	156.5	31.1	39.8	146.9	27.1
EPRA – basic	48.7	155.8	31.3	39.8	145.7	27.3

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 before non-recurring items, movements on revaluation of investment properties, gains on surplus land, the change in fair value of interest rate derivatives, and share of associate non-recurring gains and losses (including deferred tax on revaluation surpluses) have been disclosed to give a clearer understanding of the Group's underlying trading performance.

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 2016 £000	31 March 2015 £000
Basic net asset value	829,387	750,914
Exercise of share options	700	452
EPRA NNNAV	830,087	751,366
<b>Adjustments:</b>		
Fair value of derivatives	3,683	3,679
Fair value of derivatives – share of associate	69	46
Share of deferred tax in associates	573	425
EPRA NAV	834,412	755,516
Basic net assets per share (pence)	530.8	484.0
EPRA NNNAV per share (pence)	525.5	478.5
EPRA NAV per share (pence)	528.3	481.1
EPRA NAV (as above) (£000)	834,412	755,516
Valuation methodology assumption (see note 14) (£000)	64,560	45,927
Adjusted net asset value (£000)	898,972	801,443
Adjusted net assets per share (pence)	569.1	510.4

	No. of shares	No. of shares
Shares in issue	157,369,287	158,055,735
Own shares held in treasury	–	(1,418,750)
Own shares held in EBT	(1,122,907)	(1,500,000)
Basic shares in issue used for calculation	156,246,380	155,136,985
Exercise of share options	1,707,743	1,896,437
Diluted shares used for calculation	157,954,123	157,033,422

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 14).

The shares held in treasury were cancelled during the year.

### 13. NON-CURRENT ASSETS

#### α) 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
<b>At 31 March 2014</b>	776,390	22,303	23,814	822,507
Additions	36,343	5,157	–	41,500
Acquisition of Partnership stores	111,055	–	–	111,055
Transfer from surplus land	1,478	–	–	1,478
Reclassification	12,650	(12,650)	–	–
Adjustment to present value	–	–	(2,067)	(2,067)
Acquisition of Big Storage	24,900	–	–	24,900
Disposals	(19,300)	–	–	(19,300)
Revaluation	63,594	871	–	64,465
Depreciation	–	–	(918)	(918)
<b>At 31 March 2015</b>	1,007,110	15,681	20,829	1,043,620
Additions	3,668	41,695	–	45,363
Reclassification	19,437	(19,437)	–	–
Adjustment to present value	–	–	303	303
Revaluation (see note 14)	61,995	(3,994)	–	58,001
Depreciation	–	–	(967)	(967)
<b>At 31 March 2016</b>	<b>1,092,210</b>	<b>33,945</b>	<b>20,165</b>	<b>1,146,320</b>

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 £0.2 million of capitalised interest (2015: £0.4 million), calculated at the Group's average borrowing cost for the year of 3.6%. 55 of the Group's investment properties are pledged as security for loans, with a total external value of £918.9 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
<b>Cost</b>						
At 31 March 2014	1,843	53	425	25	1,889	4,235
Retirement of fully depreciated assets	–	–	(52)	–	(891)	(943)
Additions	42	–	171	–	418	631
At 31 March 2015	1,885	53	544	25	1,416	3,923
Retirement of fully depreciated assets	–	–	(103)	–	(439)	(542)
Additions	298	48	151	–	521	1,018
<b>At 31 March 2016</b>	<b>2,183</b>	<b>101</b>	<b>592</b>	<b>25</b>	<b>1,498</b>	<b>4,399</b>
<b>Depreciation</b>						
At 31 March 2014	(293)	(49)	(218)	(22)	(668)	(1,250)
Retirement of fully depreciated assets	–	–	52	–	891	943
Charge for the year	(35)	(1)	(53)	(3)	(474)	(566)
At 31 March 2015	(328)	(50)	(219)	(25)	(251)	(873)
Retirement of fully depreciated assets	–	–	103	–	439	542
Charge for the year	(39)	(2)	(81)	–	(541)	(663)
<b>At 31 March 2016</b>	<b>(367)</b>	<b>(52)</b>	<b>(197)</b>	<b>(25)</b>	<b>(353)</b>	<b>(994)</b>
<b>Net book value</b>						
<b>At 31 March 2016</b>	<b>1,816</b>	<b>49</b>	<b>395</b>	<b>–</b>	<b>1,145</b>	<b>3,405</b>
At 31 March 2015	1,557	3	325	–	1,165	3,050



## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 13. NON-CURRENT ASSETS (continued)

#### c) Goodwill

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

	Armadillo 1		Armadillo 2	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
At the beginning of the year	3,638	–	1,934	–
Subscription for partnership capital and advances	–	3,648	–	1,789
Part disposal of Partnership interest	–	(1,728)	–	–
Share of results (see below)	718	1,807	386	145
Dividends	(183)	(89)	(87)	–
	<b>4,173</b>	3,638	<b>2,233</b>	1,934

The Group's total subscription for partnership capital and advances in Armadillo Storage Holding Company Limited is £1,920,000 and £1,789,000 in Armadillo Storage Holding Company 2 Limited.

The investment properties owned by Armadillo 1 and Armadillo 2 have been valued at 31 March 2016 by Jones Lang LaSalle.

##### Big Yellow Limited Partnership

At the start of the prior year the Group had a 33.3% interest in Big Yellow Limited Partnership. This interest was accounted for as an associate, using equity accounting. On 1 December 2014, the Group acquired the remaining 66.7% of the Partnership interest that it did not previously own. From this date, the Partnership is accounted for as a wholly owned subsidiary of the Group. The results up to this date are shown in the note below:

	31 March 2016 £000	31 March 2015 £000
At the beginning of the period	–	17,861
Share of results	–	1,564
Acquisition of remaining interest	–	(19,425)
At the end of the period	–	–

### 13. NON-CURRENT ASSETS (continued)

#### d) Investment in associates (continued)

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 Storage 1		Armadillo Storage 2	
	Year ended 31 March 2016 £000	Period from 16 April 2014 to 31 March 2015 £000	Year ended 31 March 2016 £000	Period from 3 February 2015 to 31 March 2015 £000
<b>Income statement (100%)</b>				
Revenue	4,829	4,321	4,139	627
Cost of sales	(2,560)	(2,258)	(1,954)	(225)
Administrative expenses	(77)	(100)	(97)	(75)
Operating profit	2,192	1,963	2,088	327
Gain on the revaluation of investment properties	2,340	10,078	1,111	1,449
Net interest payable	(514)	(504)	(688)	(183)
Acquisition costs written off	-	(467)	-	(540)
Fair value movement of interest rate derivatives	(9)	(197)	(104)	(35)
Deferred and current tax	(421)	(1,833)	(478)	(290)
Profit attributable to shareholders	3,588	9,040	1,929	728
Dividends paid	(916)	(447)	(434)	-
Retained profit	2,672	8,593	1,495	728
<b>Balance sheet (100%)</b>				
Investment property	32,825	30,125	24,825	23,175
Interest in leasehold properties	-	-	3,809	4,083
Other non-current assets	1,015	1,005	1,490	1,465
Current assets	888	1,132	845	1,256
Current liabilities	(1,193)	(2,151)	(1,840)	(1,812)
Derivative financial instruments	(207)	(197)	(139)	(35)
Non-current liabilities	(12,463)	(11,721)	(17,825)	(18,462)
<b>Net assets (100%)</b>	<b>20,865</b>	<b>18,193</b>	<b>11,165</b>	<b>9,670</b>
<b>Group share</b>				
Operating profit	439	471	418	65
Gain on the revaluation of investment properties	468	2,042	222	290
Net interest payable	(103)	(123)	(138)	(37)
Acquisition costs written off	-	(177)	-	(108)
Fair value movement of interest rate derivatives	(2)	(39)	(21)	(7)
Deferred and current tax	(84)	(367)	(95)	(58)
Profit attributable to shareholders	718	1,807	386	145
Dividends paid	(183)	(89)	(87)	-
Retained profit	535	1,718	299	145
Associates' net assets	4,173	3,638	2,233	1,934

The prior year balance sheet and income statement have been restated for Armadillo 2 to reflect finance lease accounting for the short leasehold property. There is no change to the prior year net assets or profit.

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 14. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
<b>Freehold stores</b>			
At 31 March 2015	542,466	423,074	965,540
Transfer from investment property under construction	20,854	(1,417)	19,437
Movement in year	3,593	61,710	65,303
<b>At 31 March 2016</b>	<b>566,913</b>	<b>483,367</b>	<b>1,050,280</b>
<b>Leasehold stores</b>			
At 31 March 2015	14,702	26,868	41,570
Movement in year	75	285	360
<b>At 31 March 2016</b>	<b>14,777</b>	<b>27,153</b>	<b>41,930</b>
<b>Total of open stores</b>			
At 31 March 2015	557,168	449,942	1,007,110
Transfer from investment property under construction	20,854	(1,417)	19,437
Movement in year	3,668	61,995	65,663
<b>At 31 March 2016</b>	<b>581,690</b>	<b>510,520</b>	<b>1,092,210</b>
<b>Investment property under construction</b>			
At 31 March 2015	21,809	(6,128)	15,681
Transfer to investment property	(20,854)	1,417	(19,437)
Movement in year	41,695	(3,994)	37,701
<b>At 31 March 2016</b>	<b>42,650</b>	<b>(8,705)</b>	<b>33,945</b>
<b>Valuation of all investment property</b>			
At 31 March 2015	578,977	443,814	1,022,791
Movement in year	45,363	58,001	103,364
<b>At 31 March 2016</b>	<b>624,340</b>	<b>501,815</b>	<b>1,126,155</b>

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 2016 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential, as appropriate.

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 first 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 2013 there have only been six transactions involving multiple assets and 13 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.

#### Brexit Risk

The UK is set to hold a referendum on 23 June on whether or not to remain a member of the European Union.

C&W's valuation report comments on reduced transaction volumes in the real estate markets in the run up to the referendum date and, should the vote be for the UK to exit, then they expect there to be continued uncertainty in the real estate markets as the UK renegotiates its relationships with the EU and other nations.

## 14. VALUATION OF INVESTMENT PROPERTY (continued)

### 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.

### Valuation methodology

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

#### Freehold and long leasehold

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

#### Assumptions

- A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- B. The net operating income in future years is calculated assuming 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 71 trading stores (both freeholds and leaseholds) open at 31 March 2016 averages 81.9% (31 March 2015: 81.1%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 71 stores to trade at their maturity levels is 20 months (31 March 2015: 24 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 71 stores is 6.5% (31 March 2015: 6.4%) rising to a stabilised net yield pre-administration expenses of 7.2% (31 March 2015: 7.4%).
- 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 9.9% (31 March 2015: 10.4%).
- E. Purchaser's costs in the range of 6.1% to circa 6.8% (see below) have been assumed initially, reflecting the new 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 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 six short leasehold properties is 15.5 years (31 March 2015: 16.5 years unexpired).

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

#### 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 two 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.

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 14. VALUATION OF INVESTMENT PROPERTY (continued)

Immature stores: value uncertainty (continued)

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 a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2016 of £1,190.4 million (£64.2 million higher than the value recorded in the financial statements). The total valuations in the two Armadillo Partnerships performed by Jones Lang LaSalle are £2.1 million higher than the value recorded in the financial statements, of which the Group's share is £0.4 million. The sum of these is £64.6 million and translates to 40.8 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation [see note 14].

### 15. SURPLUS LAND

	£000
At 31 March 2015	3,315
Additions	66
Release of impairment	2,300
Disposal	(5,381)
<b>At 31 March 2016</b>	<b>300</b>

A gain of £4,754,000 arose on the disposal of surplus land at one site during the year (including the release of a prior year impairment). During the prior year a gain of £1,318,000 arose on the disposal of surplus land at one site.

### 16. TRADE AND OTHER RECEIVABLES

	31 March 2016 £000	31 March 2015 £000
Current		
Trade receivables	3,050	3,062
Capital Goods Scheme receivable	2,866	184
Other receivables	241	371
Prepayments and accrued income	10,065	12,762
	<b>16,222</b>	<b>16,379</b>
<b>Non-current</b>		
Capital Goods Scheme receivable	6,561	9,039

Trade receivables are net of a bad debt provision of £11,000 (2015: £19,000). 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 from 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 £353,000 (2015: £210,000) 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 19 days past due (2015: 43 days past due).

### Ageing of past due but not impaired receivables

	2016 £000	2015 £000
1 – 30 days	285	44
30 – 60 days	45	33
60 + days	23	133
Total	353	210

### Movement in the allowance for doubtful debts

	2016 £000	2015 £000
Balance at the beginning of the year	19	42
Amounts provided in year	76	99
Amounts written off as uncollectible	(84)	(122)
Balance at the end of the year	11	19

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

	2016 £000	2015 £000
1 – 30 days	–	–
30 – 60 days	4	3
60 + days	7	16
Total	11	19

## 17. TRADE AND OTHER PAYABLES

	31 March 2016 £000	31 March 2015 £000
<b>Current</b>		
Trade payables	10,453	11,653
Other payables	10,592	7,286
Accruals and deferred income	15,077	13,640
VAT repayable under Capital Goods Scheme	–	33
	36,122	32,612

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.

# Notes to the Financial Statements (continued)

Year ended 31 March 2016

## 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 currently require 45% 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 profit and loss ("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.

### Significant accounting policies

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

#### A. Balance sheet management

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

The gearing ratio at the year end is as follows:

	2016 £000	2015 £000
Debt	(312,198)	(285,334)
Cash and cash equivalents	17,207	8,194
Net debt	(294,991)	(277,140)
Balance sheet equity	829,387	750,914
Net debt to equity ratio	35.6%	36.9%

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

#### 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, drawn in June 2015, and secured on a portfolio of 15 self storage assets. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged in the Group through banks and financial institutions with whom the Group has a strong working relationship.

#### 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 2016 the Group had two interest rate derivatives in place; £30 million fixed at 2.80% (excluding the margin on the underlying debt instrument) until September 2016, and £35 million fixed at 2.635% (excluding the margin on the underlying debt instrument) until June 2022.

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. The loss in the statement of comprehensive income for the year on the fair value of interest rate derivatives was £4,000 (2015: loss of £2,274,000).

The fair value of the above derivatives at 31 March 2016 was a liability of £3,683,000 (2015: liability of £3,679,000).

## 18. FINANCIAL INSTRUMENTS (continued)

### D. Interest rate sensitivity analysis

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

At 31 March 2016, it is estimated that an increase of 0.5 percentage points in interest rates would have reduced the Group's adjusted profit before tax and net equity by £775,000 (2015: reduced adjusted profit before tax by £805,000) and a decrease of 0.5 percentage points in interest rates would have increased the Group's adjusted profit before tax and net equity by £775,000 (2015: increased adjusted profit before tax by £805,000). 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 decreased during the year, with a slight reduction 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.

### 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 50,000 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.

	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
<b>2016 debt maturity</b>					
Aviva mortgage	92,198	2,243	2,356	7,799	79,800
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	120,000	–	–	120,000	–
Debt fixed by interest rate derivatives	30,000	–	–	30,000	–
<b>Total</b>	<b>312,198</b>	<b>2,243</b>	<b>2,356</b>	<b>157,799</b>	<b>149,800</b>
<b>2015 debt maturity</b>					
	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Aviva mortgage	94,334	2,136	2,243	7,427	82,528
Bank loan payable at variable rate	161,000	70,000	–	91,000	–
Debt fixed by interest rate derivatives	30,000	–	–	30,000	–
<b>Total</b>	<b>285,334</b>	<b>72,136</b>	<b>2,243</b>	<b>128,427</b>	<b>82,528</b>



## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 18. FINANCIAL INSTRUMENTS (continued)

#### I. Fair values of financial instruments

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

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.

#### J. Maturity analysis of financial liabilities

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

	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
<b>2016</b>					
From five to twenty years	–	506	176,296	22,894	199,696
From two to five years	–	1,684	188,517	5,255	195,456
From one to two years	–	675	12,982	1,752	15,409
Due after more than one year	–	2,865	377,795	29,901	410,561
Due within one year	21,045	1,055	12,982	1,752	36,834
<b>Total</b>	<b>21,045</b>	<b>3,920</b>	<b>390,777</b>	<b>31,653</b>	<b>447,395</b>
<b>2015</b>					
From five to twenty years	–	885	114,628	24,529	140,042
From two to five years	–	1,213	158,166	5,207	164,586
From one to two years	–	916	12,655	1,735	15,306
Due after more than one year	–	3,014	285,449	31,471	319,934
Due within one year	18,939	1,175	82,267	1,735	104,116
<b>Total</b>	<b>18,939</b>	<b>4,189</b>	<b>367,716</b>	<b>33,206</b>	<b>424,050</b>

## 18. FINANCIAL INSTRUMENTS (continued)

### 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.

2016	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From five to twenty years	149,800	24,306	2,190	176,296
From two to five years	157,799	29,473	1,245	188,517
From one to two years	2,356	10,626	–	12,982
Due after more than one year	309,955	64,405	3,435	377,795
Due within one year	2,243	10,739	–	12,982
<b>Total</b>	<b>312,198</b>	<b>75,144</b>	<b>3,435</b>	<b>390,777</b>

2015	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From five to twenty years	82,528	30,890	1,210	114,628
From two to five years	128,427	28,487	1,252	158,166
From one to two years	2,243	10,412	–	12,655
Due after more than one year	213,198	69,789	2,462	285,449
Due within one year	72,136	10,131	–	82,267
<b>Total</b>	<b>285,334</b>	<b>79,920</b>	<b>2,462</b>	<b>367,716</b>

## 19. BORROWINGS

	31 March 2016 £000	31 March 2015 £000
<b>Secured borrowings at amortised cost</b>		
<b>Current liabilities</b>		
Aviva mortgage	2,243	2,136
Bank borrowings	–	70,000
	<b>2,243</b>	72,136
<b>Non-current liabilities</b>		
Bank borrowings	150,000	121,000
Aviva mortgage	89,955	92,198
M&G mortgage	70,000	–
Unamortised loan arrangement costs	(3,435)	(2,462)
<b>Total non-current borrowings</b>	<b>306,520</b>	210,736
<b>Total borrowings</b>	<b>308,763</b>	282,872

The weighted average interest rate paid on the borrowings during the year was 3.6% [2015: 3.9%].

The Group has £20,000,000 in undrawn committed bank borrowing facilities at 31 March 2016, which expire between four and five years [2015: £49,000,000 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 loan outstanding on the fifth anniversary will be £89.8 million; £76.7 million outstanding on the tenth anniversary, with £60 million remaining at expiry in April 2027.

The Group has a £170 million 5 year bank facility with Lloyds and HSBC expiring in August 2019. £85 million of the facility is term loan with £85 million revolving. The blended margin on the facility is 1.375%. The Group has an option to extend this loan for a further year. The Group also has an option to increase the amount of the revolving loan facility by a further £80 million during the course of the loan's term. £20 million of this option was taken up subsequent to the year end, and hence at the date of signing the Group's bank loan facility was £190 million.

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 19. BORROWINGS (continued)

In June 2015 the Group drew down a £70 million 7 year loan with M&G Investments Limited, simultaneously repaying a short term bank loan of the same amount. 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 for the seven years.

The Group was in compliance with its banking covenants at 31 March 2016 and throughout the year.

#### Interest rate profile of financial liabilities

	Total £000	Floating rate £000	Fixed rate £000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
<b>At 31 March 2016</b>						
<b>Gross financial liabilities</b>	<b>312,198</b>	<b>155,000</b>	<b>157,198</b>	<b>3.5%</b>	<b>7.3 years</b>	<b>6.3 years</b>
At 31 March 2015						
Gross financial liabilities	285,334	161,000	124,334	3.3%	8.0 years	5.0 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 (£0.3 million), interest rate swaps (£0.7 million), corporation tax losses (£4.8 million), capital allowances in excess of depreciation (£0.4 million) and capital losses (£1.1 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.

### 21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Amounts payable under finance leases:</b>				
Within one year	<b>1,752</b>	1,735	<b>1,722</b>	1,705
Within two to five years inclusive	<b>7,007</b>	6,942	<b>6,136</b>	6,077
Greater than five years	<b>22,894</b>	24,529	<b>12,307</b>	13,047
	<b>31,653</b>	33,206	<b>20,165</b>	20,829
Less: future finance charges	<b>(11,488)</b>	(12,377)		
Present value of lease obligations	<b>20,165</b>	20,829		

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

## 22. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Ordinary shares of 10 pence each</b>	<b>20,000</b>	20,000	<b>15,737</b>	15,806
<b>Movement in issued share capital</b>				
Number of shares at 31 March 2014				143,061,147
Exercise of share options – Share option schemes				641,877
Share placing				14,352,711
Number of shares at 31 March 2015				158,055,735
Cancellation of treasury shares				(1,418,750)
Exercise of share options – Share option schemes				732,302
<b>Number of shares at 31 March 2016</b>				<b>157,369,287</b>

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

At 31 March 2016 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 2016	Number of ordinary shares 2015
3 August 2009	nil p**	3 August 2012	2 August 2019	<b>2,075</b>	2,075
12 July 2010	nil p**	12 July 2013	11 July 2020	<b>4,781</b>	5,807
19 July 2011	nil p**	19 July 2013	19 July 2021	<b>7,112</b>	14,587
12 March 2012	240p*	1 April 2015	1 October 2015	<b>–</b>	92,347
11 July 2012	nil p**	11 July 2015	10 July 2022	<b>15,724</b>	616,977
12 March 2013	305.5p*	1 April 2016	1 October 2016	<b>31,365</b>	32,254
19 July 2013	nil p**	19 July 2016	19 July 2023	<b>511,821</b>	511,821
25 February 2014	442.6p*	1 April 2017	1 October 2017	<b>23,655</b>	24,711
29 July 2014	nil p**	29 July 2017	29 July 2024	<b>503,591</b>	511,091
16 March 2015	494.6p*	1 April 2018	1 October 2018	<b>101,014</b>	106,541
21 July 2015	nil p**	21 July 2018	21 July 2025	<b>399,117</b>	–
14 March 2016	608.0p*	1 April 2019	1 October 2019	<b>49,296</b>	–
				<b>1,649,551</b>	1,918,211

\* 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 (2015: 1,500,000), and following the cancellation of shares in September 2015, no shares are held in treasury (2015: 1,418,750).

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 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 £2,539,000 (2015: £2,059,000).

#### 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 73 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 and 2012 fully vested. The weighted average share price at the date of exercise for options exercised in the year was £7.04 (2015: £5.40).

LTIP scheme	2016 No. of options	2015 No. of options
Outstanding at beginning of year	1,662,358	1,649,374
Granted during the year	468,546	724,345
Lapsed during the year	(46,728)	(93,955)
Exercised during the year	(639,955)	(617,406)
Outstanding at the end of the year	1,444,221	1,662,358
Exercisable at the end of the year	29,692	22,469

The weighted average fair value of options granted during the year was £976,000 (2015: £907,000).

Employee Share Save Scheme ("SAYE")	2016 No. of options	2016 Weighted average exercise price (£)	2015 No. of options	2015 Weighted average exercise price (£)
Outstanding at beginning of year	255,853	3.74	188,199	2.84
Granted during the year	49,296	6.08	106,541	4.95
Forfeited during the year	(7,472)	4.65	(14,416)	2.83
Exercised during the year	(92,347)	2.40	(24,471)	2.63
Outstanding at the end of the year	205,330	4.87	255,853	3.74
Exercisable at the end of the year	–	–	–	–

Options outstanding at 31 March 2016 had a weighted average contractual life of 2.2 years (2015: 2.0 years).

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

	LTIP	SAYE
Expected volatility	24%	25%
Expected life	3 years	3 years
Risk-free rate	0.8%	0.8%
Expected dividends	3.4%	3.4%

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 2016 the weighted average contractual life was 2.3 years.

## 24. CAPITAL COMMITMENTS

At 31 March 2016 the Group had £0.4 million of amounts contracted but not provided in respect of the Group's properties (2015: £4.4 million of capital commitments).

## 25. EVENTS AFTER THE BALANCE SHEET DATE

In April 2016, the Group acquired the Lock and Leave portfolio. Big Yellow acquired the stores in Nine Elms and Twickenham for £14.6 million. The stores in Canterbury and West Molesey were acquired by Armadillo 1 for £6.4 million.

## 26. RELATED PARTY TRANSACTIONS

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

### Transactions with Big Yellow Limited Partnership

As described in note 13, the Group had a 33.3% interest in Big Yellow Limited Partnership, and entered into transactions with the Partnership during the prior year on normal commercial terms as shown in the table below. From 1 December 2014 the Partnership was wholly owned by the Group and therefore from this date activity with the Partnership is no longer shown in this note.

### Transactions with Armadillo Storage Holding Company Limited

As described in note 13, the Group has a 20% interest in Armadillo Storage Holding Company Limited, 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 13, the Group has a 20% interest in Armadillo Storage Holding Company 2 Limited, and entered into transactions with Armadillo 2 during the period on normal commercial terms as shown in the table below.

	31 March 2016 £000	31 March 2015 £000
Fees earned from Big Yellow Limited Partnership	–	458
Fees earned from Armadillo 1	414	560
Fees earned from Armadillo 2	291	208
Balance due from Armadillo 1	103	287
Balance due from Armadillo 2	89	71

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 72 to 79.

	31 March 2016 £000	31 March 2015 £000
Short term employee benefits	1,316	1,282
Post-employment benefits	148	95
Share based payments	1,973	4,410
	3,437	5,787

### 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 £24,000 (2015: £24,000).

No other related party transactions took place during the years ended 31 March 2016 and 31 March 2015.

# Company Balance Sheet

Year ended 31 March 2016

	Note	2016 £000	2015 £000
<b>Non-current assets</b>			
Plant, equipment and owner-occupied property	29a	1,890	1,557
Investment in subsidiary companies	29b	15,696	13,157
		<b>17,586</b>	14,714
<b>Current assets</b>			
Trade and other receivables	30	528,125	606,104
Cash and cash equivalents		1	33
		<b>528,126</b>	606,137
<b>Total assets</b>		<b>545,712</b>	620,851
<b>Current liabilities</b>			
Trade and other payables	31	(3,075)	(2,757)
		<b>(3,075)</b>	(2,757)
<b>Non-current liabilities</b>			
Derivative financial instruments	32	(315)	(955)
Bank borrowings	32	(148,755)	(189,747)
		<b>(149,070)</b>	(190,702)
<b>Total liabilities</b>		<b>(152,145)</b>	(193,459)
<b>Net assets</b>		<b>393,567</b>	427,392
<b>Equity</b>			
Share capital	22	15,737	15,806
Share premium account		45,227	44,922
Reserves		332,603	366,664
<b>Equity shareholders' funds</b>		<b>393,567</b>	427,392

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2016. They were signed on its behalf by:

**James Gibson**                      **John Trotman**  
Director                                  Director

Company Registration No. 03625199

# Company Cash Flow Statement

Year ended 31 March 2016

	2016 £000	2015 £000
Operating loss	(939)	(974)
Depreciation	41	36
Decrease/(increase) in receivables	77,979	(100,333)
Decrease in payables	370	661
<b>Cash generated/(used) by operations</b>	<b>77,451</b>	<b>(100,610)</b>
Interest paid	(4,293)	(5,126)
Interest received	4,249	9
Tax credit received	-	184
<b>Cash flows from operating activities</b>	<b>77,407</b>	<b>(105,543)</b>
Purchase of non-current assets	(374)	(41)
<b>Cash flows from investing activities</b>	<b>(374)</b>	<b>(41)</b>
<b>Financing activities</b>		
Issue of share capital	378	77,094
Equity dividends paid	(36,443)	(27,890)
Payments to cancel interest rate derivative	-	(1,408)
Refinancing fees	-	(1,234)
(Repayment)/borrowing of Lloyds short term loan	(70,000)	70,000
Increase/(decrease) in borrowings	29,000	(12,000)
<b>Cash flows from financing activities</b>	<b>(77,065)</b>	<b>104,562</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(32)</b>	<b>(1,022)</b>
<b>Opening cash and cash equivalents</b>	<b>33</b>	<b>1,055</b>
<b>Closing cash and cash equivalents</b>	<b>1</b>	<b>33</b>



## Company Statement of Changes in Equity

Year ended 31 March 2016

	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 2015	15,806	44,922	74,950	1,653	295,684	(5,623)	427,392
Total comprehensive loss for the year	–	–	–	–	(299)	–	(299)
Dividend	–	–	–	–	(36,443)	–	(36,443)
Issue of share capital	73	305	–	–	–	–	378
Cancellation of treasury shares	(142)	–	–	142	(3,727)	3,727	–
Use of own shares to satisfy share options	–	–	–	–	(877)	877	–
Credit to equity for equity-settled share based payments	–	–	–	–	2,539	–	2,539
<b>At 31 March 2016</b>	<b>15,737</b>	<b>45,227</b>	<b>74,950</b>	<b>1,795</b>	<b>256,877</b>	<b>(1,019)</b>	<b>393,567</b>

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 2015

	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 2014	14,306	44,278	–	1,653	323,806	(5,623)	378,420
Total comprehensive loss for the year	–	–	–	–	(2,291)	–	(2,291)
Dividend	–	–	–	–	(27,890)	–	(27,890)
Issue of share capital	1,500	644	74,950	–	–	–	77,094
Credit to equity for equity-settled share based payments	–	–	–	–	2,059	–	2,059
At 31 March 2015	15,806	44,922	74,950	1,653	295,684	(5,623)	427,392

# Notes to the Financial Statements

Year ended 31 March 2016

## 27. PROFIT 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 loss for the year attributable to equity shareholders dealt with in the financial statements of the Company was £0.3 million (2015: loss of £2.3 million).

## 28. BASIS OF ACCOUNTING

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

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

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

### Going concern

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

### IFRIC 11, IFRS 2 Group and Treasury Share Transactions

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

## 29. NON-CURRENT ASSETS

### a) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Fixtures, fittings & office equipment £000	Total £000
<b>Cost</b>				
At 31 March 2015	1,885	18	–	1,903
Additions	298	46	30	374
<b>At 31 March 2016</b>	<b>2,183</b>	<b>64</b>	<b>30</b>	<b>2,277</b>
<b>Accumulated depreciation</b>				
At 31 March 2015	(328)	(18)	–	(346)
Charge for the year	(39)	–	(2)	(41)
<b>At 31 March 2016</b>	<b>(367)</b>	<b>(18)</b>	<b>(2)</b>	<b>(387)</b>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<b>1,816</b>	<b>46</b>	<b>28</b>	<b>1,890</b>
At 31 March 2015	1,557	–	–	1,557

### b) Investments in subsidiary companies

	Investment in subsidiary undertakings £000
<b>Cost</b>	
At 31 March 2015	13,157
Additions	2,539
<b>At 31 March 2016</b>	<b>15,696</b>

## Notes to the Financial Statements (continued)

Year ended 31 March 2016

### 29. NON-CURRENT ASSETS (continued)

#### b) Investments in subsidiary companies

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. All of the subsidiaries' registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The subsidiaries at 31 March 2016 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
Big Yellow Construction Company Limited	Construction management
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	Self storage
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 6 Limited	Dormant
Big Yellow Self Storage Company 7 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	Self storage
BYSSCo Limited	Self storage
BYSSCo M Limited	Dormant
Last Mile Company Limited	Holding Company
Silicon Investments Limited	Dormant
Speed 8546 Limited	Dormant

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

The Group has a 20% interest in two associates, and the companies are incorporated, registered and operate in England and Wales. The Company's associates at 31 March 2016 are listed below:

Name of associate	Principal activity
Armadillo Storage Holding Company Limited	Self Storage
Armadillo Storage Holding Company 2 Limited	Self Storage

### 30. TRADE AND OTHER RECEIVABLES

	31 March 2016 £000	31 March 2015 £000
Amounts owed by Group undertakings	528,015	606,001
Prepayments and accrued income	110	103
	<b>528,125</b>	606,104

### 31. TRADE AND OTHER PAYABLES

	31 March 2016 £000	31 March 2015 £000
<b>Current</b>		
Other payables	2,675	2,277
Accruals and deferred income	400	480
	<b>3,075</b>	2,757

### 32. 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 2.80% (excluding the margin on the underlying debt instrument) until September 2016. The floating rate at 31 March 2016 was paying a weighted average margin of 1.3% above one month LIBOR, the fixed rate debt was paying a margin of 1.5%. 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 2016 £000	31 March 2015 £000
Bank borrowings	150,000	191,000
Unamortised loan arrangement fees	(1,245)	(1,253)
	<b>148,755</b>	189,747

#### Maturity profile of financial liabilities

	2016 Financial liabilities £000	2015 Financial liabilities £000
Between one and two years	–	70,000
Between two and five years	150,000	121,000
Gross financial liabilities	<b>150,000</b>	191,000

The fair value of interest rate derivatives at 31 March 2016 was a liability of £315,000 (2015: liability of £955,000). See note 18 for detail of the interest rate profile of financial liabilities.

### 33. FINANCIAL INSTRUMENTS

The disclosure relating to the Company's financial instruments are disclosed in note 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 £3,075,000 in the current year (2015: £2,757,000), which are held at amortised cost in the financial statements.

### 34. RELATED PARTY TRANSACTIONS

Included within these financial statements are amounts owing from Group undertakings of £528,015,000 (2015: £606,001,000), including intercompany interest receivable of £4,249,000 (2015: £5,892,000).

## Ten Year Summary

Year ended 31 March 2016

Results	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Revenue	<b>101,382</b>	84,276	72,196	69,671	65,663	61,885	57,995	58,487	56,870	51,248
Operating profit before gains and losses on property assets	<b>59,854</b>	48,420	39,537	37,454	35,079	32,058	29,068	30,946	29,342	27,067
Cash flow from operating activities	<b>55,467</b>	42,397	32,752	30,186	27,388	23,534	19,063	10,203	14,388	16,726
Profit/(loss) before taxation	<b>112,246</b>	105,236	59,848	31,876	(35,551)	6,901	10,209	(71,489)	102,618	152,837
Adjusted profit before taxation	<b>48,952</b>	39,405	29,221	25,471	23,643	20,207	16,514	13,791	15,006	14,233
Net assets	<b>829,387</b>	750,914	594,064	552,628	494,500	544,949	547,285	502,317	580,886	487,979
EPRA earnings per share	<b>31.1p</b>	27.1p	20.5p	19.3p	18.2p	15.5p	13.0p	11.9p	11.7p	10.0p
Declared total dividend per share	<b>24.9p</b>	21.7p	16.4p	11.0p	10.0p	9.0p	4.0p	0p	9.5p	9.0p
<b>Key statistics</b>										
Number of stores open	<b>71</b>	69	66	66	65	62	60	54	48	43
Sq ft occupied (000)	<b>3,363</b>	3,178	2,832	2,632	2,458	2,130	1,915	1,775	1,850	1,835
Occupancy increase in year (000 sq ft)	<b>185</b>	346	200	174	328	215	140	(75)	15	163
Number of customers	<b>50,000</b>	47,250	41,800	38,500	36,300	32,800	30,500	28,500	30,500	30,100
Average no. of employees during the year	<b>318</b>	300	289	286	279	273	252	239	218	191