Directors, Officers and Advisers

Executive Directors

Nicholas Vetch, 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, a Trustee of Bedales School and a Trustee of Global Human Rights and Global Human Rights UK.

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

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

Non-Executive Directors

Tim Clark, Non-Executive Director. He was a partner in Slaughter and May, one of the leading international law firms in the world, for 25 years; initially working as a corporate and M&A adviser to a range of companies and institutions and then for the last seven years as senior partner (before retiring in April 2008). He is the Chair of 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, and the Board of the HighTide 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, 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, Non-Executive Director, started her media career at Express Newspapers plc where she was appointed Advertising Director in 1994. She joined IPC Media Ltd in 1995 and went on to form IPC Advertising in 1998, where she was Managing Director. She was a member of the Board of IPC Media from 2000 and was Managing Director of the Regionals division of Trinity Mirror from 2005 to 2012, overseeing its transition to a digital platform. She is currently a Non-Executive Director of William Hill plc and the Senior Independent Non-Executive Director and Chair of the Remuneration Committee of McColl's Retail Group plc. She joined the Board in July 2013.

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

Mark Richardson, 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 Chairman and trustee of the Natural History Museum Development Trust and a trustee and Chairman of the Audit Committee of WWF-UK. 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 Nabarro Olswang LLP
Lester Aldridge LLP
Slaughter and May

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 2017. The Report on Corporate Governance on pages 64 to 67 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 14.1 pence per share for the year (2016: 12.8 pence per ordinary share). An interim dividend of 13.5 pence per share was paid in the year (2016: 12.1 pence per share).

A property income dividend of 24.0 pence is payable for the year, of which 13.5 pence per share was paid with the interim dividend, and 10.5 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 20 July 2017, the final dividend will be paid on 27 July 2017. The Ex-div date is 22 June 2017 and the Record date is 23 June 2017.

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_2e)) as follows:

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

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

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

Year	2012	2013	2014	2015	2016	**2017**
Total Scope 1 and 2 GHG Emissions (tCO_2e)	6,283.6	6,470.0	5,681.8	4,908.0	4,456.2	**4,126.9**
Scope 3 Electricity Transmission Losses	525	501	445	417	355	**147**
Kg CO_2e / Annual Revenue (£)	0.10	0.09	0.08	0.06	0.04	**0.04**
Kg CO_2e / Customer Occupancy (m^2)	26.0	26.5	22.6	17.3	14.6	**12.7**
Kg CO_2e / GIFA m^2	11.0	11.1	9.8	7.7	7.2	**6.6**

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 from page 64.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. 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 513,580 shares to satisfy the exercise of share options (2016: 732,302).

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 60.

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 2017 and 22 May 2017.

	No. of ordinary shares 31 March 2017	Percentage of voting rights and issued share capital 31 March 2017	No. of ordinary shares 22 May 2017	Percentage of voting rights and issued share capital 22 May 2017
Cohen & Steers Inc	13,659,535	8.7%	12,651,583	8.0%
Blackrock Inc	11,271,724	7.1%	12,785,828	8.1%
Old Mutual Plc	8,983,009	5.7%	8,921,666	5.7%
Ameriprise Financial Inc	6,169,744	3.9%	6,667,121	4.2%
PGGM Investments	5,380,776	3.4%	5,435,069	3.4%
LaSalle Investment Management	5,055,933	3.2%	4,890,538	3.1%
State Street Global Advisors Limited	4,811,518	3.0%	n/a	n/a

State Street Global Advisors Limited holding at 22 May 2017 was below 3%, The interest of the Directors in the share capital of the Company is shown on page 82 of the Remuneration Report.

Purchase of own shares

The Company was granted authority at the AGM in 2016 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. 46% of eligible employees participate in the Group's Sharesave Scheme.

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

Disabled employees

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

Human Rights

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

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

Modern Slavery Act

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

Auditor

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

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

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

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

Shauna Beavis
Company Secretary
22 May 2017

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 2017, the Company has been in compliance with the Code provisions set out in section 1 of the 2014 UK Corporate Governance Code.

Statement about applying the principles of the Code

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

LEADERSHIP

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

Chairman and Chief Executive

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

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

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

EFFECTIVENESS

Composition of the Board

The Nominations Committee is responsible for reviewing the Board Composition, and makes recommendations to the Board on the appointment of Directors. There are 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.

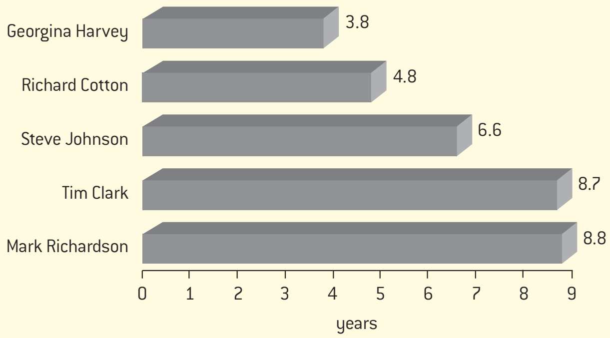
All of the Non-Executive Directors bring considerable knowledge, judgement and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non-pensionable. The Non-Executive Directors are encouraged to communicate 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 2017 is set out below:



Changes to the Board and its Committees

Mark Richardson has informed the Board of his intention to retire from the Board at the forthcoming Annual General Meeting. The Board is currently recruiting for his replacement as a Non-Executive Director and Audit Committee Chair. It is anticipated that the replacement will be announced before the Company's Annual General Meeting.

Tim Clark is to stand down as the Senior Independent Director with effect from the Annual General Meeting. He will remain as a Non-Executive Director for a further year, to provide continuity in light of Mark Richardson's retirement, after which he has indicated he will retire from the Board. The Board will commence recruitment for Tim's replacement during the forthcoming financial year, with a view to a new independent Non-Executive Director being in place by March 2018. Notwithstanding this, the Board believes that Tim Clark should be considered an independent Non-Executive, even though he has served on the Board for nine years exceeding the Combined Code recommended limit. This was concluded after considering his integrity and the effectiveness with which he carries out his responsibilities to the Company.

Richard Cotton will replace Tim Clark as the Senior Independent Director and also as Chair of the Nominations Committee with effect from the forthcoming Annual General Meeting. Georgina Harvey will replace Tim Clark as Chair of the Remuneration Committee with effect from the forthcoming Annual General Meeting.

THE BOARD AND ITS COMMITTEES

Standing committees of the Board

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

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

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

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

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

● attended
○ absent

Adrian Lee, Mark Richardson and Steve Johnson each missed one meeting due to unavoidable business commitments.

THE BOARD AND ITS COMMITTEES (continued)

Standing committees of the Board (continued)

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

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

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

Information and professional development

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

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

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

ACCOUNTABILITY

Risk management and internal control

The Group operates a rigorous system of risk management and internal control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

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

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

A formal risk identification and assessment exercise has been carried out resulting in a risk framework document summarising the key risks, potential impact and the mitigating factors or controls in place. The Board have a stated policy of reviewing this risk framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

During the reviews, the Directors:

- challenged the framework to ensure that the list of significant risks to business objectives is still valid and complete;
- considered new and emerging risks to business objectives and included them in the framework if significant;
- ensured that any changes in the impact or likelihood of the risks are reflected in the risk framework; and
- ensured that there are appropriate action plans in place to address unacceptable risks.

The results of 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 to business objectives in the future;
- progress on action plans to address significant risks; and
- any actual or potential control failures or weaknesses during the period (including "near misses").

ACCOUNTABILITY (continued)

Risk management and internal control (continued)

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

GOING CONCERN

The Group's activities, and a fair review of the business, are included in the Strategic Report on pages 16 to 30. The financial position of the Group, including its cash flow, liquidity, and committed debt facilities are discussed in the Financial Review on pages 31 to 39.

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, South Africa and the Netherlands. During the year ended 31 March 2017, the Chief Executive and other Executive Directors carried out 237 meetings with UK and overseas institutional shareholders and potential investors. These meetings comprised group and individual presentations and tours of our stores.

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

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

Report of the Nominations Committee

Introduction

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

Committee members and attendance

Member	Position	Number of meetings attended
Tim Clark	Chairman and Senior Independent Director	●●
Richard Cotton	Member	●●
Georgina Harvey	Member	●●
Steve Johnson	Member	●○
Mark Richardson	Member	●●

● attended
○ absent

Steve Johnson missed one meeting due to an unavoidable business commitment.

Richard Cotton will replace Tim Clark as the Senior Independent Director and the Chairman of the Nominations Committee with effect from the Company's 2017 AGM.

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 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

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

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

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

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

Succession planning

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

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

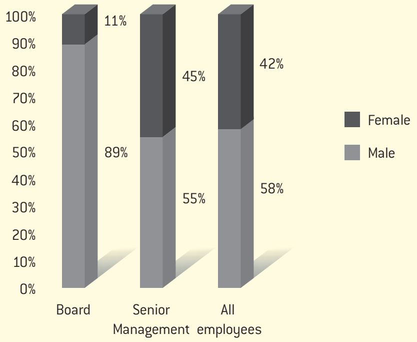
The Committee also addresses the development and continuity of the Senior Management team below Board level.

Policy on diversity

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

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	211	150	361



Directors standing for re-election

All of the Directors will retire in accordance with the UK Corporate Governance Code and, with the exception of Mark Richardson, 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 60.

Tim Clark
Nominations Committee Chairman

INTRODUCTION

This report describes the activities of the Remuneration Committee for the period from 1 April 2016 to 31 March 2017. It sets out a summary of the Directors' Remuneration Policy ("the Remuneration 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 Remuneration 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 which 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 2017. 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 2017

The business conditions and performance of the Group in the year ended 31 March 2017 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 eighth year in a row;
> revenue, cash flow and adjusted profit before tax increased by 8%, 10% and 11% respectively;
> like-for-like occupancy was increased by 2.8 ppts;
> the capital structure remains robust with interest cover of 6.2 times; and
> dividends are being increased by 11%.

Policy on executive remuneration

The Committee is keenly aware of the sensitivity of the public, shareholders and the government regarding executive remuneration currently. The Committee is also mindful of the concerns beings raised by these parties around the effectiveness of remuneration structures and the alignment of remuneration with shareholder interests and business outcomes. The Committee continues to closely monitor the latest developments in the executive remuneration space to ensure that our remuneration policy and its operation continues to remain fit-for-purpose for the Company.

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. 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 of 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 18 years and ten 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 does not intend to make any revisions at the 2017 AGM to the Policy approved in 2015. The Committee will be putting a new policy to a shareholder vote at the AGM in 2018 (as the current policy expires at that time).

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).

Remuneration changes during the year

All of the changes in remuneration in the year ended 31 March 2017 were within the Policy. In summary, the changes related to an increase in base salary of 2%, in line with the Group's staff.

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

- *Base salary*: increased by £20,000 (2%) – in line with increases provided to staff
- *Taxable benefits*: increased by £4,000 (25%)
- *Annual bonus*: was 10% of salary for the year – in line with the average for all staff of the Company (compared to 12% in the prior year) a reduction of £18,000 (15%).
- *Pension contributions*: remained at 15% of base salary, and therefore increased in line with the increase in base salaries by 2% (£3,000).
- *Sharesave Scheme*: there were no gains from Sharesave schemes in the year (2016: one Director's Sharesave Scheme vested producing a gain of £14,000 in total)
- *Long term incentives*:
  - the 2013 award of shares granted under the LTIP vested at 100% (representing a total gain for all of the Executive Directors of £1,566,000). 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 £1,004,000 – an increase of £20,000 (2% in line with the increase in base salary); and
  - no awards were made under the Long Term Bonus Performance Plan ("LTBPP") in the year (2016: total awards of £4.43 million were made to the four Executive Directors). The Remuneration Committee reviewed the performance targets for the year and concluded that, based on the relative achievement of those targets, the awards under the Plan have provisionally vested at 90% in respect of the year ended 31 March 2017. The provisional vesting for the year ended 31 March 2016 was 90%. There is a further year's performance on which the LTBPP is assessed and a final assessment of the whole three year period to March 2017 is then made. This final assessment will determine the extent to which the awards vest.
- Salaries for the Executive Directors for the year ending 31 March 2018 have been increased by 2%, in line with the increase applied to all Group staff. There are no other changes to the remuneration structure for the year ending 31 March 2018.

In considering the relative importance of the spend on pay (see page 84):

- **Total employee pay**: increased by 3%, (and amounted to £15.6 million)
- **Profit distributed by way of dividend**: increased by 13% (and amounted to £41.2 million)
- **Retained profit for the year**: reduced by 23% (and amounted to £58.4 million)

As part of the remuneration package for our employees, we operate an Employee Share Save Scheme ("SAYE") which allows any employee who has more than six months' service to save annually up to £6,000, over a three year savings contract with the ability under the scheme to purchase shares at a 20% discount to the average quoted market price of the Group shares at the date of grant of the SAYE option. In addition, our annual bonus scheme provides an opportunity for all our employees to earn a bonus based on the performance of the store they are based in against their store KPIs and targets for the year.

More details of the remuneration of the Directors in the year ended 31 March 2017 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

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 for and scope of 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. Georgina Harvey will replace Tim Clark as Chairman of the Committee at the 2017 AGM.

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. This includes details of the policy regarding target-setting; remuneration arrangements for new appointments; payments for loss of office and other matters.

Element	Operation of element
Salary, Benefits and Pension To provide a level of fixed compensation that can attract and retain talent required to successfully deliver on our business strategy.	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. When considering any increases to base salaries in the normal course (as opposed to a change in role or responsibility), the Committee will take into consideration: > level of skill, experience, scope of responsibilities and performance; > business performance, economic climate and market conditions; > increases provided to Executive Directors in comparable companies; > pay and employment conditions of employees throughout the Group, including increases provided to staff; and > inflation. 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.
Annual bonus To provide cash awards which aligns reward to key Group strategic objectives and drives short-term performance.	Maximum opportunity of 25% of salary with 10% of salary payable at target and 0% payable at threshold. Awards are directly aligned to the level of staff bonus and therefore linked to store performance, which is measured based on occupancy growth and net contribution, customer satisfaction and store standards.
Long Term Incentive Plan ("LTIP") To align Executive Directors' interests with those of shareholders and rewards value creation.	LTIP maximum grant is 100% of salary per annum with grants normally made at the maximum. Awards (granted from 2015 onwards) will vest at the end of a three year performance period subject to: > EPS (70% of award) which provides a link to earnings growth and value creation in the Company; and > Relative TSR (30% of award) which provides a link to delivering returns in excess of companies in the FTSE Real Estate Index. The LTIP contains clawback and malus provisions.

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

Element	Operation of element
Long Term Bonus Performance Plan 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.	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). Vesting depends on an assessment of performance (over three years but reviewed annually) against a series of financial and non-financial targets aligned with the annual business plan. The value accrued to participants may be subject to clawback if subsequent performance reflects adversely on achievement of the targets. The LTBPP also contains malus provisions. 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. 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 pages 78 and 79.
Sharesave Scheme To encourage share ownership by all employees.	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.
Shareholding Ensures that Executive Directors' interests are aligned with shareholders' over a longer time period.	Each Executive Director is required to build and maintain a holding of at least two times base salary in shares of the Company, through retaining at least 50% of shares vesting in share plans if this guideline has not been met.
Non-Executive Director Fees 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.	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. Fees are intended to rise in line with inflation. The fees may be paid in the form of shares.

Illustrations of application of the Policy

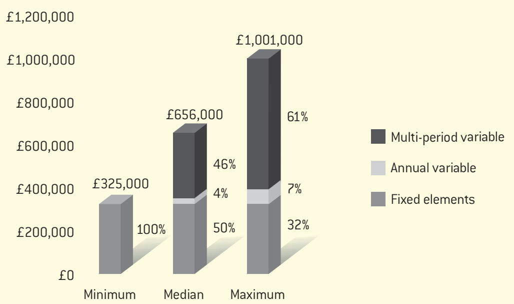
The graph below seeks to demonstrate how pay varies with performance for the Executive Directors based on the Policy approved by shareholders. This is based on pay for the year ending 31 March 2018.

Element	Description
Fixed	Total amount of salary, pension and benefits.
Annual variable	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).
Multiple period variable	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 LTBPP. For the purposes of these charts, the LTBPP 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.

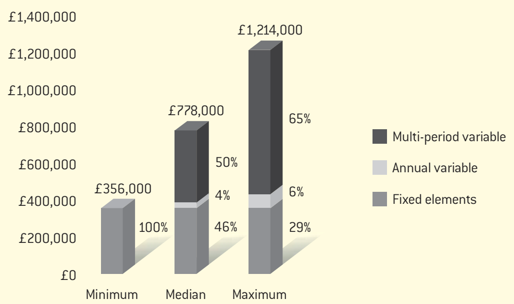
Assumptions used in determining the level of pay out under given scenarios are as follows:

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

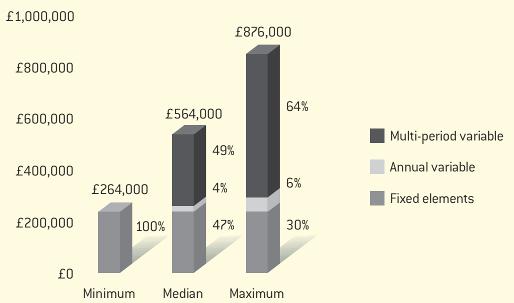
Executive Chairman



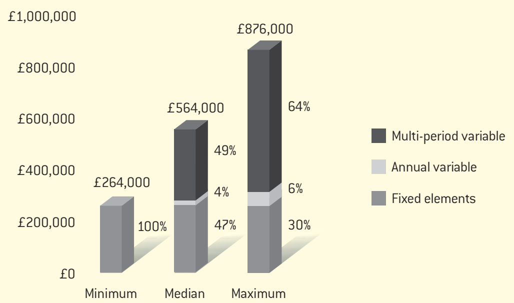
CEO



Operations Director



CFO



ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report contains details of how the Directors' Remuneration Policy ("the Remuneration Policy") was implemented during the year ended 31 March 2017. The 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 2017. The figures have been calculated in accordance with the remuneration disclosure regulations.

	Salary £		Taxable benefits[1] £		Annual bonus £		Long term incentives £		Pensions[2] £		Sharesave Scheme £		Total £	
Year ended 31 March 2017	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Nicholas Vetch	**269,800**	264,500	**5,313**	4,081	**26,980**	31,740	**433,011**	548,680	**40,470**	39,675	**–**	–	**775,574**	888,676
James Gibson	**296,000**	290,100	**5,713**	4,681	**29,600**	34,812	**474,914**	601,738	**44,400**	43,515	**–**	13,965	**850,627**	988,811
Adrian Lee	**219,300**	215,000	**4,806**	4,041	**21,930**	25,800	**329,102**	404,353	**32,895**	32,250	**–**	–	**608,033**	681,444
John Trotman	**219,300**	215,000	**2,061**	2,227	**21,930**	25,800	**329,102**	404,353	**32,895**	32,250	**–**	–	**605,288**	679,630
Total	**1,004,400**	984,600	**17,893**	15,030	**100,440**	118,152	**1,566,129**	1,959,124	**150,660**	147,690	**–**	13,965	**2,839,522**	3,238,561

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

The value shown in long term incentives in the current year is the LTIP award granted in 2013 which vested on 22 July 2016 to 100% of its maximum value and is valued using the share price on that date of 718.5p. The award granted for 2017 is 100% of salary for each Executive Director.

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

The value shown for the Sharesave Scheme in the prior year 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 all the Group's stores on achieving their targets during the course of the year. It is an important part of the Group's culture that the Executive team are rewarded with the same level of annual bonus as the average for all staff.

In respect of the year under review, the Executive Directors' performance was carefully reviewed by the Committee, in consultation with the Executive Chairman in respect of the other Executive Directors, and it was determined that the performance in the year by the Executive Directors results in a bonus of 10% of salary in line with the average bonus as a percentage of salary paid across the stores.

Overview of the staff bonus scheme

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

Occupancy performance against target

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

The bonus awarded to each store increases as the store moves further ahead of target. No bonus is awarded if the store fails to meet its target. The individual store targets have not been disclosed as it would be impractical and commercially sensitive to disclose the targets for every one of our 73 stores in this report.

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

Annual Bonus Plan awards (continued)

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

1. Occupancy

Performance against target	Below target	0 to 10% ahead of target	10 to 20% ahead of target	20 to 30% ahead of target	30 to 40% ahead of target	> 40% ahead of target	Total
No of stores	39	2	3	3	3	23	73
Average bonus paid	0%	0.7%	2.0%	4.5%	5.9%	8.7%	3.1%

Additionally, eight stores were awarded bonuses for averaging 85% occupancy and above earning a total weighted average bonus of 0.2%. The weighted average bonus paid to stores for performance against occupancy targets is therefore 3.3% of salary for the year.

2. Profitability

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

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

Performance against target	Below target	0 to 1% ahead of target	1 to 2% ahead of target	2 to 3% ahead of target	>3% ahead of target	Total
No of stores	37	14	11	7	4	73
Average bonus paid	0%	3.3%	4.2%	9.2%	9.7%	2.7%

The weighted average bonus paid to stores for performance against profitability targets is therefore 2.7% of salary for the year.

3. Store audits

Stores receive a bonus if they receive an audit score of in excess of 85% based on visits carried out by the Group's store compliance team. There were 31 instances of stores receiving an audit score of 85% and above across the year, leading to a weighted average bonus paid to the stores of 0.7% of salary.

4. Customer satisfaction

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

NPS score	<65	65 to 75	75 to 80	>80	Total
No of stores	9	20	15	29	73
Average bonus paid	0%	1.3%	2.3%	2.9%	1.9%

The weighted average bonus paid to stores for performance against net promoter scores is therefore 1.9% of salary for the year.

The bonus paid to stores for individual customer service awards amounted to a further 1.4% of salary, which, combined with the net promoter score, amounted to a weighted average bonus paid to the stores for Customer satisfaction of 3.3% of salary.

Summary

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

Category	Actual % weighting for category	Average % of salary bonus paid across stores
1. Occupancy	33%	3.3%
2. Profitability	27%	2.7%
3. Store audits	7%	0.7%
4. Customer satisfaction	33%	3.3%
Total	100%	10%

Annual Bonus Plan awards (continued)

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

The performance in the year resulted in a bonus of 10% of salary, which equated to the following payments for the Executive Directors:

> Nicholas Vetch – £26,980
> James Gibson – £29,600
> Adrian Lee – £21,930
> John Trotman – £21,930

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, which relate to EPS and TSR, are set out below.

Vesting is conditional on the achievement of EPS growth of an average of 3% above RPI per annum. This hurdle was met for the 2013 awards, with average annual growth in EPS of 20%, compared to RPI plus 3% of 6% per annum.

The Committee assessed the extent to which the TSR performance condition has been satisfied for the 2013 award which vested in 2016, 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%	4 out of 34 in comparator group of companies in the FTSE Real Estate Index	100%
Total	**100%**					100%

The full vesting of the 2013 LTIP award in 2016, equated to the following value for the Executive Directors based on the share price at the date of vesting:

> Nicholas Vetch – £433,011 (60,266 shares)
> James Gibson – £474,914 (66,098 shares)
> Adrian Lee – £329,102 (45,804 shares)
> John Trotman – £329,102 (45,804 shares)

LTIP awards granted in year ended 31 March 2017

The table below sets out the details of the long term incentive awards granted in the year ended 31 March 2017 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(1)	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Performance period end date	Performance conditions
Nicholas Vetch	Annual cycle of awards over nil cost options	100% of salary	£269,800	25%	100%	22 July 2019	Adjusted EPS growth and relative TSR
James Gibson			£296,000				
Adrian Lee			£219,300				
John Trotman			£219,300				

(1) The face value of the award is calculated using the average share price three days prior to the grant date of 22 July 2016 (average share price of 721 pence).

LTIP awards granted in year ended 31 March 2017 (continued)

The performance conditions applicable to the awards granted in the year ended 31 March 2017 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%	The average of the Group's closing mid-market share price over the three months preceding the start of the performance period and preceding the end of the performance period will be used, including dividends re-invested.
Adjusted EPS	70%	Adjusted EPS growth of RPI+3% per annum	Adjusted EPS growth of RPI+8% per annum	25% to 100%	The adjusted EPS figure reported in the audited results of the Group for the last complete financial year ending before the start of the performance period and the last complete financial year ending before the end of the performance period will be used.
Total	**100%**				

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

Long Term Bonus Performance Plan

No awards were granted under the LTBPP during the year.

The following awards were made during the prior year (year ended 31 March 2016) under the LTBPP:

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 LTBPP 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 2017 (other than those which remain commercially sensitive) is summarised in the table below:

Objective	Committee Comment
Grow the Group's annual free cash flow by £5 million (pre working capital movements) for the year to 31 March 2017 compared to the year to 31 March 2016.	The Group's free cash flow for the year to 31 March 2017 was £58.3 million, an increase of £5.0 million from the prior year.
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 £61 million to £890.4 million.
Grow the occupancy of the like-for-like stores open at 31 March 2016 from 75.3% to 77.8% by 30 September 2016, and following the seasonal occupancy loss in the third quarter, recover to this level by 31 March 2017.	The occupancy of these stores at 30 September 2016 was 78.5%. At the end of March 2017, the like-for-like occupancy was 78.1%.
Grow the average net rent per square foot across the stores from £25.90 per square foot by 2.5% to £26.55 by 31 March 2017.	The closing net rent per sq ft at 31 March 2017 was £26.03, an increase of 0.5%. Management's focus remains on driving occupancy performance across the stores.
Meet budgeted revenue (£109.3 million) and profit before tax (£54.5 million) targets.	Revenue for the full year was £109.1 million, and adjusted PBT was £54.6 million, slightly behind and slightly ahead of budget respectively.

Long Term Bonus Performance Plan (continued)

Objective	Committee Comment
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 ranged between 31% and 38% over the course of the financial year. The nearest competitor had a market share of 16% to 21% 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 continued to investigate opportunities for land acquisitions in London and a number of key towns outside. In May 2017 the Group exchanged contracts to acquire a site in Wapping, East London – a key target location. The Group continues to monitor other opportunities.
Complete the acquisition of the Lock and Leave portfolio into Big Yellow and Armadillo.	The Lock and Leave portfolio acquisition completed in April 2016, in line with the original timetable.
Submit a planning application for the development at Camberwell by the end of the financial year.	The planning application for Camberwell was submitted in November 2016. The application was rejected in February 2017, and the Group has subsequently submitted an appeal.
Obtain planning consent for the extension of the Wandsworth store.	Planning consent was obtained for the Wandsworth extension in December 2016. Construction has commenced on the extension with the work due to complete in April 2018.
Obtain revised planning consent for Guildford Central, and commence construction of the store in the year.	The revised planning consent for Guildford Central was obtained in July 2016. Construction has commenced on the store with a view to a March 2018 opening.
Maintain the net promoter score for customer satisfaction from the Customer Experience programme in excess of 65 for move in and move out surveys.	The move in NPS score for the year was 83, a significant increase from 75 in the prior year. The move out NPS score for the year was 67, an increase from 66 in the prior year.
Maintain the Group's brand leadership of unprompted and prompted awareness throughout the UK, to be measured by third party survey in the year.	The You Gov survey commissioned in April 2017 has shown our prompted awareness to be at 74% in London, two and half times higher than our nearest competitor and 41% for the rest of the UK, nearly three times higher than our nearest competitor. This compares to 74% and 38% respectively last year. For unprompted brand awareness, our recall in London is 47%, nearly six times higher than our nearest competitor and for the rest of the UK it is 21%, more than eight times higher than our nearest competitor.
Reduce the carbon intensity for the year to 31 March 2017 ($KgCO_2/m^2$ of occupied space) by 5% from the year to 31 March 2016.	Carbon intensity was reduced by 13% for the year to 31 March 2017.

The other targets, covering areas such as real estate, staffing and certain financial targets, were met in the majority of cases.

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 2017 has provisionally vested at 90% of its potential amount for the year. For the year ended 31 March 2016, the Committee concluded that the award had provisionally vested as to 90% of its potential amount for the year. There is a further year's performance on which the LTBPP is assessed before any awards vest. Part of the award will then be subject to a holding period in line with the Remuneration Policy.

Sharesave Scheme

The Group's Sharesave Scheme is open to all UK employees (including Executive Directors) with a minimum of six months' service and meets UK HMRC 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 82.

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 2017, 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 2017 (2016: 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 2017 (2016: 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 2017.

	Fees £	
	2017	2016
Tim Clark	**43,700**	42,800
Richard Cotton	**41,000**	40,100
Georgina Harvey	**38,400**	37,600
Steve Johnson	**38,400**	37,600
Mark Richardson	**41,000**	40,100
Total	**202,500**	198,200

Non-Executive Director fees were increased by 2% for the year ended 31 March 2017. Non-Executive Directors received no taxable benefits for the year ended 31 March 2017.

Implementation of the Policy in coming year

The main elements of Executive Director remuneration for the year ended 31 March 2017 and the forthcoming financial year are summarised below:

Element	Implementation in 2016/17	Implementation in 2017/18
Base salary	Salary levels for Executive Directors: > Executive Chairman: £269,800 > Chief Executive: £296,000 > Operations Director: £219,300 > Chief Financial Officer: £219,300 Salaries were increased by 2% from the 2015/16 salaries. Increases for the wider employee population were 2%.	Salary levels for Executive Directors: > Executive Chairman: £275,200 > Chief Executive: £302,000 > Operations Director: £223,700 > Chief Financial Officer: £223,700 Salaries were increased by 2% from the 2016/17 salaries. Increases were made in accordance with the Policy. Increases for the wider employee population were 2%.
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.	*No change*
Annual bonus	Maximum opportunity of 25% of salary. Assessed on stores' performance against our Key Performance Indicators: > Occupancy and net contribution together represented 60% of the bonus > Customer satisfaction (33% of the bonus) > Store standards (7% of the bonus)	*No change*

Implementation of the Policy (continued)

Element	Implementation in 2016/17	Implementation in 2017/18
Long Term Incentive Plan	Maximum opportunity of 100% of salary, with grants of 100% of salary for each of the Executive Directors. These awards were granted with the following performance conditions: > 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.; > 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.	*No change*
Long Term Bonus Performance Plan	> No awards were made under the scheme this year as awards are granted every three years. The assessment of targets for the year ended 31 March 2017 can be found on page 78 and 79.	No awards will be made this year as awards are granted every three years.

Non-Executive Directors

During the year, fees for Non-Executive Directors have been reassessed for the year ending 31 March 2018.

The Company reviewed the Non-Executive Director base fee and decided to adjust it from £38,400 to £39,200 (2.1% increase) and to harmonise the additional fee provided for Committee Chairs and the Senior Independent Director to £5,000.

Non-Executive	2016/17 fee	2017/18 fee
Richard Cotton	£41,000	£44,200
Tim Clark	£43,700	£44,200
Georgina Harvey	£38,400	£44,200
Mark Richardson	£41,000	£44,200
Steve Johnson	£38,400	£39,200

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

No changes took place in the interests of the Directors in the shares of the Company between 31 March 2017 and the date of this report.

Statement of Directors' shareholding (continued)

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

Director	Share ownership requirement (multiple of salary)	Share ownership requirements met	Holding as multiple of salary	Beneficially owned shares	LTIP awards subject to performance conditions	Unexercised Sharesave options	Options exercised in the financial year
Nicholas Vetch	2x	Yes	240.6x	9,062,663	125,999	–	60,266
James Gibson	2x	Yes	60.0x	2,479,700	138,207	1,480	66,098
Adrian Lee	2x	Yes	27.9x	854,643	102,385	2,960	45,804
John Trotman	2x	Yes	5.1x	154,658	100,322	3,639	45,804
Richard Cotton	N/a	N/a	N/a	73,485	–	–	–
Mark Richardson	N/a	N/a	N/a	27,225	–	–	–
Tim Clark	N/a	N/a	N/a	20,615	–	–	–
Steve Johnson	N/a	N/a	N/a	10,000	–	–	–
Georgina Harvey	N/a	N/a	N/a	13,013	–	–	–

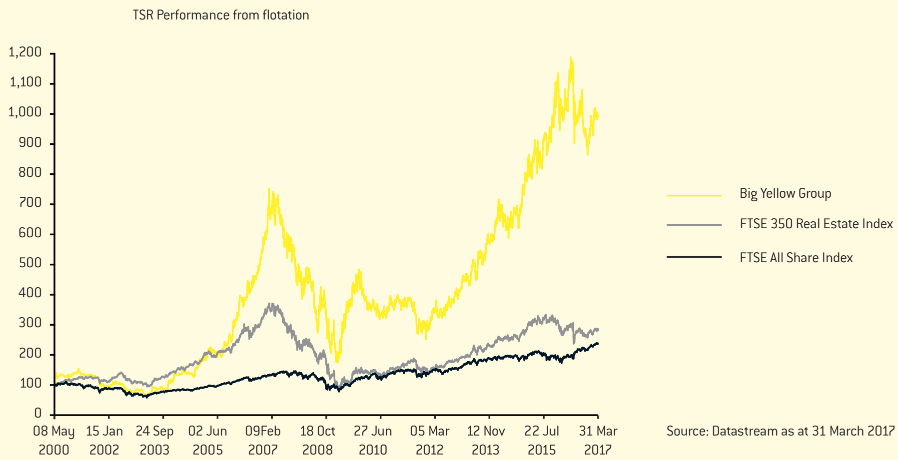
Directors' share options

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

Name	Date option granted	Scheme	No. of shares under option at 31 March 2016	Granted during the year	Exercised during the year	Lapsed during the year	**No. of shares under option at 31 March 2017**	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
Nicholas Vetch	22 July 2013	LTIP	60,266	–	(60,266)	–	**–**	nil p	696.0 p	22 July 2016	21 July 2023
	29 July 2014	LTIP	50,467	–	–	–	**50,467**	nil p	–	29 July 2017	28 July 2024
	21 July 2015	LTIP	38,112	–	–	–	**38,112**	nil p	–	21 July 2018	20 July 2025
	22 July 2016	LTIP	–	37,420	–	–	**37,420**	nil p	–	22 July 2019	21 July 2026
James Gibson	22 July 2013	LTIP	66,098	–	(66,098)	–	**–**	nil p	766.7 p	22 July 2016	21 July 2023
	29 July 2014	LTIP	55,352	–	–	–	**55,352**	nil p	–	29 July 2017	28 July 2024
	21 July 2015	LTIP	41,801	–	–	–	**41,801**	nil p	–	21 July 2018	20 July 2025
	14 March 2016	SAYE	1,480	–	–	–	**1,480**	608.0p	–	31 March 2019	1 October 2019
	22 July 2016	LTIP	–	41,054	–	–	**41,054**	nil p	–	22 July 2019	21 July 2026
Adrian Lee	22 July 2013	LTIP	45,804	–	(45,804)	–	**–**	nil p	766.7 p	22 July 2016	21 July 2023
	29 July 2014	LTIP	40,989	–	–	–	**40,989**	nil p	–	29 July 2017	28 July 2024
	21 July 2015	LTIP	30,980	–			**30.980**	nil p	–	21 July 2018	20 July 2025
	14 March 2016	SAYE	2,960	–	–	–	**2,960**	608.0p	–	31 March 2019	1 October 2019
	22 July 2016	LTIP	–	30,416	–	–	**30,416**	nil p	–	22 July 2019	21 July 2026
John Trotman	22 July 2013	LTIP	45,804	–	(45,804)	–	**–**	nil p	766.7 p	22 July 2016	21 July 2023
	29 July 2014	LTIP	38,926	–	–	–	**38,926**	nil p	–	29 July 2017	28 July 2024
	16 March 2015	SAYE	3,639	–	–	–	**3,639**	494.6p	–	31 March 2018	1 October 2018
	21 July 2015	LTIP	30,980	–	–	–	**30,980**	nil p	–	21 July 2018	20 July 2025
	22 July 2016	LTIP	–	30,416	–	–	**30,416**	nil p	–	22 July 2019	21 July 2026

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 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 eight financial years.

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

The single figure of remuneration for 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 2017 compared with 2016	
	CEO	Employees
Salary and fees	2%	2%
All taxable benefits	22%	2%
Annual bonuses	(15%)	(15%)

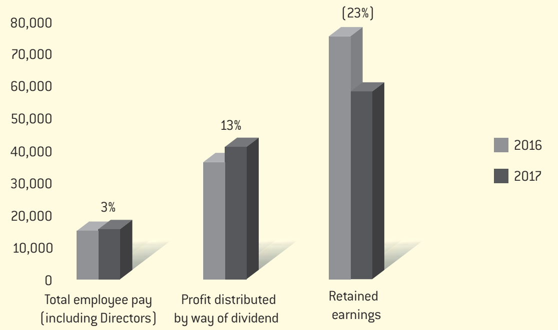
Statement of consideration of employment conditions elsewhere in the Group

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 awarded to Executive Directors is directly linked to the bonuses awarded to all staff.

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

Relative importance of spend on pay

The graph sets out the relative importance of spend on pay in the year ended 31 March 2017 and 31 March 2016 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 2016/17	Fees in relation to remuneration advice
PwC	Remuneration Committee in 2008	Remuneration market practice, governance updates and support in the drafting of the Directors' Remuneration Report.	£6,000

Attendance at Remuneration Committee meetings

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

Director	Number of meetings attended
Tim Clark	●●●
Richard Cotton	●●●
Georgina Harvey	●●●
Steve Johnson	●●○
Mark Richardson	●●●

● attended ○ absent

Steve Johnson missed one meeting due to an unavoidable business commitment.

Consideration of shareholders' views

The Group is committed to ongoing shareholder dialogue and monitors and reviews 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. Following feedback from shareholders, we have enhanced the disclosures surrounding the annual bonus paid to the Executive Directors in this report.

The table below shows the advisory vote on the 2016 Remuneration Report at the AGM held on 22 July 2016.

	Votes for	**%**	**Votes Against**	**%**	**Votes withheld**
2016 Remuneration Report	125,349,939	99.25	944,742	0.75	239,135

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.

Tim Clark
Chairman of the Remuneration Committee
22 May 2017

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 tendered the Group's external audit and continued to focus on the narrative reporting and corporate governance disclosures in the Annual Report. The Committee was asked by the Board to review the statement by the Directors that the Annual report presents a fair, balanced and 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

Richard Cotton and Steve Johnson both missed one Audit Committee meeting during the year due to unavoidable business commitments.

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

Mark Richardson has announced his intention to retire from the Board at the 2017 Annual General Meeting. The Board has commenced recruitment for his successor as Audit Committee Chairman and anticipates announcing his successor before the AGM. It is the Board's intention that his successor will be a financially qualified member.

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;
- 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 2017 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;
- having considered audit firm rotation, the Committee conducted a tender for the appointment of a new external auditor during the year;
- 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 2017 provides a fair, balanced 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 2017 provides a fair, balanced and understandable view and includes the necessary information as set out above. The Committee has confirmed this to the Board, whose statement is included in the Statement of Directors' Responsibilities on page 88.

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.

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.

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 2017, the auditor's remuneration comprised £186,000 for audit work and £85,000 for other work, principally relating to the interim review, VAT work, and the assurance of the CSR report. In addition, over a three year rolling period, the level of non-audit fees is below the audit fee.

Audit rotation

The Group's current 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. During the year the Committee tendered the external audit with a view to changing auditors given this year marked the end of the five year term of the current audit partner.

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

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

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 pages 37 to 39.

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
22 May 2017

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 the Group 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.

This responsibility statement was approved by the Board of Directors on 22 May 2017 and is signed on its behalf by:

James Gibson	**John Trotman**
Chief Executive Officer	Chief Financial Officer

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

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 2017 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 that we have audited comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Cash Flow Statements;
- the Consolidated and Parent Company Statements of Changes in Equity; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and 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.

Summary of our audit approach

Key risks

The key risk identified in the current year relates to the key assumptions implicit in the valuations of the investment property portfolio.

Materiality

The materiality that we used in the current year was £8.9m (2016: £7.9m) which was determined on the basis of 1% of net assets.

Scoping

We performed full scope audits on all components of the Group which account for 100% of the Group's revenue and net assets. We also performed specified procedures on the Group's associates.

Significant changes in our approach

There have been no material changes to the scope of our audit in the current year.

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 and the Directors' statement on the longer-term viability of the Group on page 39.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 37 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 37 to 39 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; and
- the Directors' explanation on page 39 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 confirm that we have nothing material to add or draw attention to in respect of these matters.

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.

Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.	**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.**
Our assessment of risks of material misstatement	The assessed risk of material misstatement described below is the risk that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	

Investment property valuation

Risk description	As at 31 March 2017, the Group held wholly-owned investment properties and investment properties under construction valued at £1,190.5 million (2015: £1,126.2 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 £69.3 million (2016: £57.7 million) in self storage assets, of which 20% is recognised by the Group. Investment properties are held at fair value on the Consolidated Balance Sheet. The net valuation gain in the year relating to Group held wholly-owned investment properties was £43.7 million (2016: £58.0 million), which was recognised through the Consolidated Income Statement. The net valuation gain, included within the share of profit of associates, relating to the properties held by the Associates was £4.0 million (2016: £3.5 million) on a gross basis and therefore £0.8 million (2016: £0.7 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 2017. In addition, external valuers apply professional judgement concerning market conditions and factors impacting individual properties. We consider investment property valuation to be a significant and key risk of material misstatement as the valuation process is subjective and inherently judgemental in nature. The investment market for prime self storage, in particular, is subject to market uncertainty due to the low volume of transactions. Refer to the accounting policies of the Group set out on page 101 and 103 for the Group's investment property valuation policy and the associated critical accounting judgement for determining fair value. See also note 14 to the financial statements, and the Audit Committee's Report on pages 85 to 87.
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 ten 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.

Investment property valuation

Key observations	> We concluded that the underlying assumptions included in the valuation are reasonable; > At a property level, no exceptions were identified that required reporting to the Audit Committee; and > The valuation, as a whole, is a reasonable reflection of the fair value of the portfolio

These matters were 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 these matters.

Our application of materiality

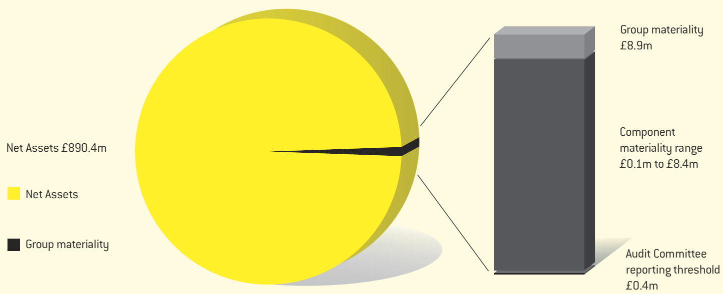
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality
£8.9 million (2016: £7.9 million)

Basis for determining materiality
1% of Net Assets

Rationale for the benchmark applied
Net assets is the measure of principal interest of investors when measuring return on investment. Furthermore, the property valuation is the source of most subjectivity and judgment in the financial statements.



We applied a lower threshold of £2.7 million (2016: £2.3 million) for scoping the testing of all balances and classes of transactions impacting adjusted profit before tax. 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 £54.6 million (2016: £49.0 million), which is reconciled to profit before tax of £99.8 million (2016: £112.3 million) in accordance with IFRS in note 10 of the financial statements. This lower threshold was based on 5% (2016: 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 £0.4 million (2016: £0.4 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit	The Group is entirely UK based and wholly owned by Big Yellow Group PLC, with the exception of the 20% interests in the Associates. 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. As in previous years, the audit team performed full scope audits at a materiality lower than Group materiality for all entities within the Group. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets. Component materiality adopted for subsidiaries companies ranged from between £0.1 million and £8.4 million. The Group continues to hold 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 £5.0 million and £2.4 million respectively. We have performed specified audit procedures on all balances and transactions material to these entities for the purposes of supporting the Group audit opinion. The Group audit team continued to follow a programme of planned site visits during March 2017. 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.	
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; > 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; and > the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.	
Matters on which we are required to report by exception		
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: > we have not received all the information and explanations we require for our audit; or > adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or > the parent Company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration	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.**
Corporate Governance Statement	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.**
Our duty to read other information in the Annual Report	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: > materially inconsistent with the information in the audited financial statements; or > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or > otherwise misleading. 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.**

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.

Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
22 May 2017

Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	Note	2017 £000	2016 £000
Revenue	3	**109,070**	101,382
Cost of sales		**(34,075)**	(32,632)
Gross profit		**74,995**	68,750
Administrative expenses		**(9,679)**	(8,896)
Operating profit before gains on property assets		**65,316**	59,854
Gain on the revaluation of investment properties	13a,14	**43,706**	58,001
Profit on disposal of surplus land	15	**–**	4,754
Operating profit		**109,022**	122,609
Share of profit of associates	13d	**1,442**	1,104
Investment income – interest receivable	7	**356**	403
– fair value movement on derivatives	7, 18	**719**	–
Finance costs – interest payable	8	**(11,756)**	(11,866)
– fair value movement of derivatives	8, 18	**–**	(4)
Profit before taxation		**99,783**	112,246
Taxation	9	**(272)**	(247)
Profit for the year (attributable to equity shareholders)	5	**99,511**	111,999
Total comprehensive income for the year (attributable to equity shareholders)		**99,511**	111,999
Basic earnings per share	12	**63.6p**	71.9p
Diluted earnings per share	12	**63.1p**	71.6p

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 2017

	Note	2017 £000	2016 £000
Non-current assets			
Investment property	*13a*	**1,154,390**	1,092,210
Investment property under construction	*13a*	**36,115**	33,945
Interests in leasehold property	*13a*	**23,601**	20,165
Plant, equipment and owner-occupied property	*13b*	**3,216**	3,405
Goodwill	*13c*	**1,433**	1,433
Investment in associates	*13d*	**7,452**	6,406
Capital Goods Scheme receivable	*16*	**4,091**	6,561
		1,230,298	1,164,125
Current assets			
Surplus land	*15*	**–**	300
Inventories		**283**	266
Trade and other receivables	*16*	**18,042**	16,222
Cash and cash equivalents		**6,906**	17,207
		25,231	33,995
Total assets		**1,255,529**	1,198,120
Current liabilities			
Trade and other payables	*17*	**(36,935)**	(36,122)
Borrowings	*19*	**(2,356)**	(2,243)
Obligations under finance leases	*21*	**(2,005)**	(1,722)
		(41,296)	(40,087)
Non-current liabilities			
Derivative financial instruments	*18c*	**(2,964)**	(3,683)
Borrowings	*19*	**(299,323)**	(306,520)
Obligations under finance leases	*21*	**(21,596)**	(18,443)
		(323,883)	(328,646)
Total liabilities		**(365,179)**	(368,733)
Net assets		**890,350**	829,387
Equity			
Share capital	*22*	**15,788**	15,737
Share premium account		**45,462**	45,227
Reserves		**829,100**	768,423
Equity shareholders' funds		**890,350**	829,387

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2017. They were signed on its behalf by:

James Gibson
Director

John Trotman
Director

Company Registration No. 03625199

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

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

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

Year ended 31 March 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
At 31 March 2016	15,737	45,227	74,950	1,795	692,697	(1,019)	829,387

Consolidated Cash Flow Statement

Year ended 31 March 2017

	Note	2017 £000	2016 £000
Operating profit		**109,022**	122,609
Gain on the revaluation of investment properties	*13a, 14*	**(43,706)**	(58,001)
Profit on disposal of surplus land	*15*	**–**	(4,754)
Depreciation	*13b*	**738**	663
Depreciation of finance lease capital obligations	*13a*	**1,196**	967
Employee share options	*6*	**2,324**	2,539
Cash generated from operations pre working capital movements		**69,574**	64,023
(Increase)/decrease in inventories		**(17)**	38
(Increase)/decrease in receivables		**(1,456)**	369
(Decrease)/increase in payables		**(892)**	1,785
Cash generated from operations		**67,209**	66,215
Interest paid		**(10,980)**	(10,763)
Interest received		**16**	15
Tax paid		**(271)**	–
Cash flows from operating activities		**55,974**	55,467
Investing activities			
Sale of surplus land		**300**	7,835
Acquisition of Lock and Leave (net of cash acquired)	*13a*	**(14,239)**	–
Purchase of non-current assets		**(6,338)**	(44,509)
Additions to surplus land		**–**	(66)
Receipts from Capital Goods Scheme		**2,917**	184
Dividend received from associates	*13d*	**396**	270
Cash flows from investing activities		**(16,964)**	(36,286)
Financing activities			
Issue of share capital		**286**	378
Payment of finance lease liabilities		**(1,196)**	(967)
Equity dividends paid	*11*	**(41,158)**	(36,443)
Drawing of M&G loan		**–**	70,000
Repayment of Lloyds short term loan		**–**	(70,000)
(Decrease)/increase in borrowings		**(7,243)**	26,864
Cash flows from financing activities		**(49,311)**	(10,168)
Net (decrease)/increase in cash and cash equivalents		**(10,301)**	9,013
Opening cash and cash equivalents		**17,207**	8,194
Closing cash and cash equivalents		**6,906**	17,207

Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2017

	Note	2017 £000	2016 £000
Net (decrease)/increase in cash and cash equivalents in the year		**(10,301)**	9,013
Cash flow from decrease/(increase) in debt financing		**7,243**	(26,864)
Change in net debt resulting from cash flows		**(3,058)**	(17,851)
Movement in net debt in the year		**(3,058)**	(17,851)
Net debt at the start of the year		**(294,991)**	(277,140)
Net debt at the end of the year	*18*	**(298,049)**	(294,991)

Notes to the Financial Statements

Year ended 31 March 2017

1. GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The nature of the Group's operations and its principal activities are set out in note 4 and in the Strategic Report on pages 16 to 30.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial statements

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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
Annual Improvements to IFRSs: 2012-2014	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:

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

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

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 2018 and projections contained in the longer term business plan which covers the period to March 2021. The Directors have carefully considered the Group's trading performance and cash flows as a result of the uncertain global economic environment and the other principal risks to the Group's performance, and are satisfied with the Group's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements

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

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

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

The Group's self storage centres and stores under development are valued using a discounted cash flow methodology which is based on projections of net operating income. The Group employs expert external valuers, Cushman & Wakefield LLP, who report on the values of the Group's stores on an annual basis. The stores within the Armadillo Partnerships are valued by Jones Lang LaSalle. The principal assumptions underlying the estimation of the fair value are those related to: stabilised occupancy levels; expected future growth in storage rents, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 14 to the accounts.

3. REVENUE

Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 22.

	2017 £000	2016 £000
Open stores		
Self storage income	**91,600**	84,900
Other storage related income	**15,189**	14,568
Ancillary store rental income	**526**	354
	107,315	99,822
Other revenue		
Non-storage income	**885**	808
Management fees earned	**870**	752
Revenue per statement of comprehensive income	**109,070**	101,382
Interest receivable on bank deposits (see note 7)	**16**	15
Total revenue per IAS 18	**109,086**	101,397

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):

	2017 £000	2016 £000
Depreciation of plant, equipment and owner-occupied property	**738**	663
Leasehold property depreciation	**1,196**	967
Gain on the revaluation of investment property	**(43,706)**	(58,001)
Profit on disposal of surplus land	**–**	(4,754)
Cost of inventories recognised as an expense	**1,035**	1,095
Employee costs (see note 6)	**15,622**	15,094
Operating lease rentals	**133**	78
Auditor's remuneration for audit services (see below)	**186**	186

b) Analysis of auditor's remuneration:

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**156**	156
Fess payable to the Company's auditor for the subsidiaries' annual accounts	**30**	30
Total audit fees	**186**	186
Audit related assurance services – interim review	**31**	31
Tax advisory services	**19**	60
Other assurance services – assurance of CSR report	**22**	22
Other services – planning consultancy	**11**	–
Other services	**2**	–
Total non-audit fees	**85**	113

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 the Group's associates, Armadillo Storage Holding Company Limited and Armadillo Storage Holding Company 2 Limited in the year amounted to £49,000 (2016: £43,000), which all related to audit services.

6. EMPLOYEE COSTS

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

	2017 Number	2016 Number
Sales	**279**	271
Administration	**50**	47
	329	318

At 31 March 2017 the total number of Group employees was 361 (2016: 358).

	2017 £000	2016 £000
Their aggregate remuneration comprised:		
Wages and salaries	**10,990**	10,443
Social security costs	**1,783**	1,634
Other pension costs	**525**	478
Share-based payments	**2,324**	2,539
	15,622	15,094

Details of Directors' Remuneration is given on pages 70 to 84.

7. INVESTMENT INCOME

	2017 £000	2016 £000
Bank interest receivable	**16**	15
Unwinding of discount on Capital Goods Scheme receivable	**340**	388
Total interest receivable	**356**	403
Change in fair value of interest rate derivatives	**719**	–
Total investment income	**1,075**	403

8. FINANCE COSTS

	2017 £000	2016 £000
Interest on bank borrowings	**10,953**	11,187
Capitalised interest	**(128)**	(247)
Interest on obligations under finance leases	**931**	926
Total interest payable	**11,756**	11,866
Change in fair value of interest rate derivatives	**–**	4
Total finance costs	**11,756**	11,870

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%. This rate was incorporated in Finance Act 2016 which was fully enacted on 15 September 2016.

	2017 £000	2016 £000
UK current tax		
Current tax:		
– Current year	**417**	247
– Prior year	**(145)**	–
	272	247

9. TAXATION (continued)

A reconciliation of the tax charge is shown below:

	2017 £000	2016 £000
Profit before tax	**99,783**	112,246
Tax charge at 20% (2016 – 20%) thereon	**19,957**	22,449
Effects of:		
Revaluation of investment properties	**(8,741)**	(11,600)
Share of profit of associates	**(288)**	(220)
Other permanent differences	**(1,242)**	(930)
Profits from the tax exempt business	**(8,791)**	(7,725)
Profit on disposal of surplus land	**–**	(951)
Utilisation of brought forward losses	**–**	(51)
Movement on other unrecognised deferred tax assets	**(478)**	(725)
Current year tax charge	**417**	247
Prior year adjustment	**(145)**	–
Total tax charge	**272**	247

At 31 March 2017 the Group has unutilised tax losses of £32.6 million (2016: £32.3 million) available for offset against certain types of future taxable profits. All losses can be carried forward indefinitely.

10. ADJUSTED PROFIT

	2017 £000	2016 £000
Profit before tax	**99,783**	112,246
Gain on revaluation of investment properties – wholly owned	**(43,706)**	(58,001)
– in associate (net of deferred tax)	**(756)**	(566)
Change in fair value of interest rate derivatives – Group	**(719)**	4
– in associate	**8**	23
Profit on disposal of surplus land	**–**	(4,754)
Prior period VAT recovery	**(328)**	–
Acquisition costs written off	**296**	–
Share of associate acquisition costs written off	**63**	–
Adjusted profit before tax	**54,641**	48,952
Tax	**(272)**	(247)
Adjusted profit after tax	**54,369**	48,705

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.

11. DIVIDENDS

	2017 £000	2016 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2016 of 12.8p (2015: 11.3p) per share.	**20,003**	17,541
Interim dividend for the year ended 31 March 2017 of 13.5p (2016: 12.1p) per share.	**21,155**	18,902
	41,158	36,443
Proposed final dividend for the year ended 31 March 2017 of 14.1p (2016: 12.8p) per share.	**22,107**	20,003

Subject to approval by shareholders at the Annual General Meeting to be held on 20 July 2017, the final dividend will be paid on 27 July 2017. The ex-div date is 22 June 2017 and the record date is 23 June 2017.

The Property Income Dividend ("PID") payable for the year is 24.0 pence per share (2016: 18.1 pence per share).

12. EARNINGS AND NET ASSETS PER SHARE

Earnings per ordinary share

	Year ended 31 March 2017			Year ended 31 March 2016		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic	**99.5**	**156.5**	**63.6**	112.0	155.8	71.9
Dilutive share options	**–**	**1.2**	**(0.5)**	–	0.7	(0.3)
Diluted	**99.5**	**157.7**	**63.1**	112.0	156.5	71.6
Adjustments:						
Gain on revaluation of investment properties	**(43.7)**	**–**	**(27.7)**	(58.0)	–	(37.1)
Change in fair value of interest rate derivatives	**(0.7)**	**–**	**(0.4)**	–	–	–
Profit on disposal of surplus land	**–**	**–**	**–**	(4.8)	–	(3.1)
Acquisition costs written off	**0.3**	**–**	**0.2**	–	–	–
Prior period VAT recovery	**(0.3)**	**–**	**(0.2)**	–	–	–
Share of associate non-recurring gains	**(0.7)**	**–**	**(0.5)**	(0.5)	–	(0.3)
EPRA – diluted	**54.4**	**157.7**	**34.5**	48.7	156.5	31.1
EPRA – basic	**54.4**	**156.5**	**34.8**	48.7	155.8	31.3

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.

12. EARNINGS AND NET ASSETS PER SHARE (continued)

Net assets per share

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

	31 March 2017 £000	31 March 2016 £000
Basic net asset value	**890,350**	829,387
Exercise of share options	**820**	700
EPRA NNNAV	**891,170**	830,087
Adjustments:		
Fair value of derivatives	**2,964**	3,683
Fair value of derivatives – share of associate	**77**	69
Share of deferred tax in associates	**626**	573
EPRA NAV	**894,837**	834,412
Basic net assets per share (pence)	**568.0**	530.8
EPRA NNNAV per share (pence)	**562.1**	525.5
EPRA NAV per share (pence)	**564.4**	528.3
EPRA NAV (as above) (£000)	**894,837**	834,412
Valuation methodology assumption (see note 14) (£000)	**68,530**	64,560
Adjusted net asset value (£000)	**963,367**	898,972
Adjusted net assets per share (pence)	**607.6**	569.1

	No. of shares	No. of shares
Shares in issue	**157,882,867**	157,369,287
Own shares held in EBT	**(1,122,907)**	(1,122,907)
Basic shares in issue used for calculation	**156,759,960**	156,246,380
Exercise of share options	**1,781,652**	1,707,743
Diluted shares used for calculation	**158,541,612**	157,954,123

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).

13. NON-CURRENT ASSETS

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

	Investment property £000	Investment property under construction £000	Interests in leasehold property £000	Total £000
At 31 March 2015	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)
At 31 March 2016	1,092,210	33,945	20,165	1,146,320
Additions	17,817	2,827	1,871	22,515
Adjustment to present value	–	–	2,761	2,761
Revaluation (see note 14)	44,363	(657)	–	43,706
Depreciation	–	–	(1,196)	(1,196)
At 31 March 2017	**1,154,390**	**36,115**	**23,601**	**1,214,106**

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

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 22. Included within additions is £0.1 million of capitalised interest (2016: £0.2 million), calculated at the Group's average borrowing cost for the year of 3.3%. 55 of the Group's investment properties are pledged as security for loans, with a total external value of £951.8 million.

Acquisition of Lock and Leave

On 28 April 2016 the Group acquired the entire share capital and control of three companies from the Lock and Leave Group – Lock and Leave Limited, Kator Storage Limited and Lock and Leave (Twickenham) Limited ("the Companies"), for a consideration of £14.6 million. The net consideration is shown below. The Companies owned two self storage centres in London.

To determine the assets and liabilities acquired at the date of completion of the Companies, the Group has used the balance sheet at the date of acquisition. The following provides a breakdown of the fair value of the assets and liabilities acquired. The investment property was carried at cost in the companies' balance sheets, and hence the fair value adjustment shown below is to increase the carrying amount to open market valuation.

	Book value £000	Adjustments £000	Fair value £000
Non-current assets	5,792	8,808	14,600
Current assets	950	–	950
Current liabilities	(697)	–	(697)
Non-current liabilities	(176)	–	(176)
Net assets (100%)	5,869	8,808	14,677

	£000
Purchase consideration	14,677
Purchase consideration paid	14,677
Cash held in Companies acquired	(438)
Cash outflow on acquisition	14,239

From the date of acquisition of the Companies on 28 April 2016 to 31 March 2017, the revenue of the Companies was £1.8 million, and the statutory profit before tax was £4.4 million. The costs of acquisition amounted to £0.3 million. These are included in administrative expenses in the income statement.

13. NON-CURRENT ASSETS (continued)

b) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 31 March 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
At 31 March 2016	2,183	101	592	25	1,498	4,399
Retirement of fully depreciated assets	–	(4)	(34)	–	(489)	(527)
Additions	6	–	91	30	422	549
Disposals	–	–	–	(23)	–	(23)
At 31 March 2017	**2,189**	**97**	**649**	**32**	**1,431**	**4,398**
Depreciation						
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)
At 31 March 2016	(367)	(52)	(197)	(25)	(353)	(994)
Retirement of fully depreciated assets	–	4	34	–	489	527
Charge for the year	(42)	(2)	(102)	(5)	(587)	(738)
Disposals	–	–	–	23	–	23
At 31 March 2017	**(409)**	**(50)**	**(265)**	**(7)**	**(451)**	**(1,182)**
Net book value						
At 31 March 2017	**1,780**	**47**	**384**	**25**	**980**	**3,216**
At 31 March 2016	1,816	49	395	–	1,145	3,405

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 2017 £000	31 March 2016 £000	**31 March 2017 £000**	31 March 2016 £000
At the beginning of the year	**4,173**	3,638	**2,233**	1,934
Share of results (see below)	**1,093**	718	**349**	386
Dividends	**(218)**	(183)	**(178)**	(87)
Share of net assets	**5,048**	4,173	**2,404**	2,233

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

The investment properties owned by Armadillo 1 and Armadillo 2 have been valued at 31 March 2017 by Jones Lang LaSalle.

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 1		Armadillo 2	
	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000	**Year ended 31 March 2017 £000**	Year ended 31 March 2016 £000
Income statement (100%)				
Revenue	**6,324**	4,829	**4,159**	4,139
Cost of sales	**(3,270)**	(2,560)	**(1,763)**	(1,954)
Administrative expenses	**(207)**	(77)	**(88)**	(97)
Operating profit	**2,847**	2,192	**2,308**	2,088
Gain on the revaluation of investment properties	**3,725**	2,340	**322**	1,111
Net interest payable	**(718)**	(514)	**(729)**	(688)
Acquisition costs written off	**(316)**	–	**–**	–
Fair value movement of interest rate derivatives	**8**	(9)	**(49)**	(104)
Deferred and current tax	**(78)**	(421)	**(109)**	(478)
Profit attributable to shareholders	**5,468**	3,588	**1,743**	1,929
Dividends paid	**(1,091)**	(916)	**(890)**	(434)
Retained profit	**4,377**	2,672	**853**	1,495
Balance sheet (100%)				
Investment property	**43,375**	32,825	**25,900**	24,825
Interest in leasehold properties	**–**	–	**3,526**	3,809
Other non-current assets	**1,125**	1,015	**1,487**	1,490
Current assets	**1,177**	888	**867**	845
Current liabilities	**(1,895)**	(1,193)	**(1,821)**	(1,840)
Derivative financial instruments	**(199)**	(207)	**(188)**	(139)
Non-current liabilities	**(18,341)**	(12,463)	**(17,753)**	(17,825)
Net assets (100%)	**25,242**	20,865	**12,018**	11,165
Group share (20%)				
Operating profit	**569**	439	**462**	418
Gain on the revaluation of investment properties	**745**	468	**64**	222
Net interest payable	**(144)**	(103)	**(146)**	(138)
Acquisition costs written off	**(63)**	–	**–**	–
Fair value movement of interest rate derivatives	**2**	(2)	**(10)**	(21)
Deferred and current tax	**(16)**	(84)	**(21)**	(95)
Profit attributable to shareholders	**1,093**	718	**349**	386
Dividends paid	**(218)**	(183)	**(178)**	(87)
Retained profit	**875**	535	**171**	299
Associates' net assets	**5,048**	4,173	**2,404**	2,233

14. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
Freehold stores			
At 31 March 2016	566,913	483,367	1,050,280
Movement in year	16,384	44,246	60,630
At 31 March 2017	**583,297**	**527,613**	**1,110,910**
Leasehold stores			
At 31 March 2016	14,777	27,153	41,930
Movement in year	1,433	117	1,550
At 31 March 2017	**16,210**	**27,270**	**43,480**
Total of open stores			
At 31 March 2016	581,690	510,520	1,092,210
Movement in year	17,817	44,363	62,180
At 31 March 2017	**599,507**	**554,883**	**1,154,390**
Investment property under construction			
At 31 March 2016	42,650	(8,705)	33,945
Movement in year	2,827	(657)	2,170
At 31 March 2017	**45,477**	**(9,362)**	**36,115**
Valuation of all investment property			
At 31 March 2016	624,340	501,815	1,126,155
Movement in year	20,644	43,706	64,350
At 31 March 2017	**644,984**	**545,521**	**1,190,505**

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 2017 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 second 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 nine 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.

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.

14. VALUATION OF INVESTMENT PROPERTY (continued)

Valuation methodology

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

Freehold and long leasehold

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

Assumptions

A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.

B. The net operating income in future years is calculated assuming 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 73 trading stores (both freeholds and leaseholds) open at 31 March 2017 averages 82.8% (31 March 2016: 81.9%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 73 stores to trade at their maturity levels is 22 months (31 March 2016: 20 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 73 stores is 6.5% (31 March 2016: 6.5%) rising to a stabilised net yield pre-administration expenses of 7.2% (31 March 2016: 7.2%).

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 9.7% (31 March 2016: 9.9%).

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

Short leasehold

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 15.0 years (31 March 2016: 15.5 years unexpired).

Sensitivities

As noted in 'Significant judgements and key estimates' on page 103, self storage valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. For these reasons we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and rental growth rates. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in yields and stable occupancy is shown below.

		Impact of a change in capitalisation rates		Impact of a change in stabilised occupancy assumption	
		25 bps decrease (£m)	25 bps increase (£m)	1% increase (£m)	1% decrease (£m)
Reported group	£1,154.4m	£43.3m	(£40.1m)	£16.7m	(£17.2m)

Investment properties under construction

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

14. VALUATION OF INVESTMENT PROPERTY (continued)

Immature stores: value uncertainty

C&W have assessed the value of each property individually. However, one of the Group's stores is relatively immature and has low initial cash flows. C&W have endeavoured to reflect the nature of the cash flow profile for this property in their valuation, and the higher associated risks relating to the as yet unproven future cash flows, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction. Please note C&W's comments in relation to market uncertainty in the self storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the immature store 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 asset with other properties in the portfolio and all stores have been valued individually. However, they highlight the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the market place. C&W consider this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value. As noted above, C&W have not assumed that the entire portfolio of properties owned by the entity would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly from the aggregate of the individual values for each property in the portfolio, reflecting the lotting assumption described above.

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of circa 6.1% to 6.8% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. The assets would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure. This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2017 of £1,258.5 million (£68.0 million higher than the value recorded in the financial statements). The total valuations in the two Armadillo Partnerships performed by Jones Lang LaSalle are £2.5 million higher than the value recorded in the financial statements, of which the Group's share is £0.5 million. The sum of these is £68.5 million and translates to 43.2 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 2016	**300**
Disposal	**(300)**
At 31 March 2017	**–**

During the year the remaining surplus land was sold at book value. During the prior year 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).

16. TRADE AND OTHER RECEIVABLES

	31 March 2017 £000	31 March 2016 £000
Current		
Trade receivables	**3,174**	3,050
Capital Goods Scheme receivable	**2,725**	2,866
Other receivables	**266**	241
Prepayments and accrued income	**11,877**	10,065
	18,042	16,222
Non-current		
Capital Goods Scheme receivable	**4,091**	6,561

Trade receivables are net of a bad debt provision of £7,000 (2016: £11,000). 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.

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 £250,000 (2016: £353,000) 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 (2016: 19 days past due).

Ageing of past due but not impaired receivables

	2017 £000	2016 £000
1 – 30 days	**214**	285
30 – 60 days	**23**	45
60 + days	**13**	23
Total	**250**	353

Movement in the allowance for doubtful debts

	2017 £000	2016 £000
Balance at the beginning of the year	**11**	19
Amounts provided in year	**63**	76
Amounts written off as uncollectible	**(67)**	(84)
Balance at the end of the year	**7**	11

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.

16. TRADE AND OTHER RECEIVABLES (continued)

Ageing of impaired trade receivables

	2017 £000	2016 £000
1 – 30 days	**–**	–
30 – 60 days	**2**	4
60 + days	**5**	7
Total	**7**	11

17. TRADE AND OTHER PAYABLES

	31 March 2017 £000	31 March 2016 £000
Current		
Trade payables	**13,279**	10,453
Other payables	**8,352**	10,592
Accruals and deferred income	**15,304**	15,077
	36,935	36,122

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

18. FINANCIAL INSTRUMENTS

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

	2017 £000	2016 £000
Debt	**(304,955)**	(312,198)
Cash and cash equivalents	**6,906**	17,207
Net debt	**(298,049)**	(294,991)
Balance sheet equity	**890,350**	829,387
Net debt to equity ratio	**33.5%**	35.6%

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.

18. FINANCIAL INSTRUMENTS (continued)

B. Debt management

The Group currently borrows through a senior term loan, secured on 25 self storage assets and sites, a 15 year loan with Aviva Commercial Finance Limited secured on a portfolio of 15 self storage assets, and a £70 million seven year loan from M&G Investments Limited secured on a portfolio of 15 self storage assets. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged through banks and financial institutions with whom the Group has a strong working relationship.

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 2017 the Group had two interest rate derivatives in place; £30 million fixed at 0.4% (excluding the margin on the underlying debt instrument) until October 2021, and £35 million fixed at 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 gain in the statement of comprehensive income for the year on the fair value of interest rate derivatives was £719,000 (2016: loss of £4,000).

The fair value of the above derivatives at 31 March 2017 was a liability of £2,964,000 (2016: liability of £3,683,000).

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 2017, it is estimated that an increase of 0.25 percentage points in interest rates would have reduced the Group's adjusted profit before tax and net equity by £375,000 (2016: reduced adjusted profit before tax by £388,000) and a decrease of 0.25 percentage points in interest rates would have increased the Group's adjusted profit before tax and net equity by £375,000 (2016: increased adjusted profit before tax by £388,000). 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 52,500 customers in our stores.

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

18. FINANCIAL INSTRUMENTS (continued)

H. Financial maturity analysis

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

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

2016 maturity	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Aviva loan	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	–
Total	312,198	2,243	2,356	157,799	149,800

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.

18. FINANCIAL INSTRUMENTS (continued)

J. Maturity analysis of financial liabilities

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

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

2016	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
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
Total	21,045	3,920	390,777	31,653	447,395

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.

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

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
Total	312,198	75,144	3,435	390,777

19. BORROWINGS

Secured borrowings at amortised cost	31 March 2017 £000	31 March 2016 £000
Current liabilities		
Aviva loan	**2,356**	2,243
	2,356	2,243
Non-current liabilities		
Bank borrowings	**145,000**	150,000
Aviva loan	**87,599**	89,955
M&G loan	**70,000**	70,000
Unamortised loan arrangement costs	**(3,276)**	(3,435)
Total non-current borrowings	**299,323**	306,520
Total borrowings	**301,679**	308,763

The weighted average interest rate paid on the borrowings during the year was 3.3% (2016: 3.6%).

The Group has £45,000,000 in undrawn committed bank borrowing facilities at 31 March 2017, which expire between four and five years (2016: £20,000,000 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 £190 million five year bank facility with Lloyds and HSBC expiring in October 2021. £85 million of the facility is term loan with £105 million revolving. The blended margin on the facility when fully drawn is 1.36%. During the year, the Group exercised an option to extend this loan's term by a further year. The Group also has an option to increase the amount of the revolving loan facility by a further £60 million during the course of the loan's term.

The Group has a £70 million seven year loan with M&G Investments Limited, with a bullet repayment in June 2022. 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 2017 and throughout the year. The main covenants are summarised in the table below:

Covenant	Covenant level	At 31 March 2017
Consolidated EBITDA	Minimum 1.5x	6.5x
Consolidated net tangible assets (less goodwill)	Minimum £250m	£888.9m
Bank loan income cover	Minimum 1.75x	10.8x
Aviva loan interest service cover ratio	Minimum 1.5x	3.8x
Aviva loan debt service cover ratio	Minimum 1.2x	2.5x
M&G income cover	Minimum 1.5x	5.9x

19. BORROWINGS (continued)

Interest rate profile of financial liabilities

	Total £000	Floating rate £000	Fixed rate £000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2017						
Gross financial liabilities	**304,955**	**150,000**	**154,955**	**3.2%**	**7.0 years**	**5.9 years**
At 31 March 2016						
Gross financial liabilities	312,198	155,000	157,198	3.5%	7.3 years	6.3 years

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

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

20. DEFERRED TAX

Deferred tax assets in respect of share based payments (£0.1 million), interest rate swaps (£0.5 million), corporation tax losses (£4.5 million), capital allowances in excess of depreciation (£0.3 million) and capital losses (£1.0 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	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Amounts payable under finance leases:				
Within one year	**2,039**	1,752	**2,005**	1,722
Within two to five years inclusive	**8,155**	7,007	**7,193**	6,136
Greater than five years	**25,556**	22,894	**14,403**	12,307
	35,750	31,653	**23,601**	20,165
Less: future finance charges	**(12,149)**	(11,488)		
Present value of lease obligations	**23,601**	20,165		

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	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Ordinary shares of 10 pence each	**20,000**	20,000	**15,788**	15,737

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

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

At 31 March 2017 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 2017**	Number of ordinary shares 2016
3 August 2009	nil p**	3 August 2012	2 August 2019	**–**	2,075
12 July 2010	nil p **	12 July 2013	11 July 2020	**–**	4,781
19 July 2011	nil p **	19 July 2013	19 July 2021	**2,400**	7,112
11 July 2012	nil p **	11 July 2015	10 July 2022	**8,559**	15,724
12 March 2013	305.5p *	1 April 2016	1 October 2016	**–**	31,365
19 July 2013	nil p **	19 July 2016	19 July 2023	**78,469**	511,821
25 February 2014	442.6p*	1 April 2017	1 October 2017	**21,624**	23,655
29 July 2014	nil p**	29 July 2017	29 July 2024	**485,032**	503,591
16 March 2015	494.6p*	1 April 2018	1 October 2018	**95,016**	101,014
21 July 2015	nil p**	21 July 2018	21 July 2025	**379,293**	399,117
14 March 2016	608.0p*	1 April 2019	1 October 2019	**41,809**	49,296
22 July 2016	nil p**	22 July 2019	21 July 2026	**402,225**	–
15 March 2017	580.0p	1 April 2020	1 October 2020	**65,374**	–
				1,579,801	1,649,551

* 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 (2016: 1,122,907), and no shares are held in treasury.

23. SHARE-BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely an LTIP scheme (with approved and unapproved components), an Employee Share Save Scheme ("SAYE") and a Long Term Bonus Performance Plan. The Group recognised a total expense in the year related to equity-settled share-based payment transactions of £2,324,000 (2016: £2,539,000).

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 78 of the Remuneration Report. The awards granted in 2004, 2005 and 2006 vested in full. The awards granted in 2007 and 2009 lapsed, and the awards granted in 2008 and 2010 partially vested. The awards granted in 2011, 2012 and 2013 fully vested. The weighted average share price at the date of exercise for options exercised in the year was £7.38 (2016: £7.04).

LTIP scheme	2017 No. of options	2016 No. of options
Outstanding at beginning of year	1,444,221	1,662,358
Granted during the year	455,331	468,546
Lapsed during the year	(59,094)	(46,728)
Exercised during the year	(484,480)	(639,955)
Outstanding at the end of the year	1,355,978	1,444,221
Exercisable at the end of the year	89,428	29,692

The weighted average fair value of options granted during the year was £1,017,000 (2016: £976,000).

Employee Share Save Scheme ("SAYE")	2017 No. of options	2017 Weighted average exercise price (£)	2016 No. of options	2016 Weighted average exercise price (£)
Outstanding at beginning of year	205,330	4.87	255,853	3.74
Granted during the year	65,374	6.08	49,296	6.08
Forfeited during the year	(17,781)	4.65	(7,472)	4.65
Exercised during the year	(29,100)	2.40	(92,347)	2.40
Outstanding at the end of the year	223,823	4.87	205,330	4.87
Exercisable at the end of the year	–	–	–	–

Options outstanding at 31 March 2017 had a weighted average contractual life of 2.1 years (2016: 2.2 years).

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

	LTIP	SAYE
Expected volatility	30%	26%
Expected life	3 years	3 years
Risk-free rate	0.1%	0.1%
Expected dividends	3.9%	3.9%

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 2017 the weighted average contractual life was 1.3 years.

24. CAPITAL COMMITMENTS

At 31 March 2017 the Group had £8.6 million of amounts contracted but not provided in respect of the Group's properties (2016: £0.4 million of capital commitments).

25. EVENTS AFTER THE BALANCE SHEET DATE

On 19 May 2017, the Group acquired a property in Wapping, London for £10.75 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 Armadillo Storage Holding Company Limited

As described in note 13, the Group has a 20% interest in Armadillo Storage Holding Company Limited ("Armadillo 1"), and entered into transactions with Armadillo 1 during the period on normal commercial terms as shown in the table below.

Transactions with Armadillo Storage Holding Company 2 Limited

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

	31 March 2017 £000	31 March 2016 £000
Fees earned from Armadillo 1	**574**	414
Fees earned from Armadillo 2	**253**	291
Balance due from Armadillo 1	**86**	103
Balance due from Armadillo 2	**48**	89

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information on the remuneration of individual Directors is found in the audited part of the Directors' Remuneration Report on pages 75 to 83.

	31 March 2017 £000	31 March 2016 £000
Short term employee benefits	**1,325**	1,316
Post-employment benefits	**151**	148
Share based payments	**1,566**	1,973
	3,042	3,437

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 £36,000 (2016: £24,000).

No other related party transactions took place during the years ended 31 March 2017 and 31 March 2016.

Company Balance Sheet

Year ended 31 March 2017

	Note	2017 £000	2016 £000
Non-current assets			
Plant, equipment and owner-occupied property	*29a*	**1,840**	1,890
Investment in subsidiary companies	*29b*	**18,020**	15,696
		19,860	17,586
Current assets			
Trade and other receivables	*30*	**481,294**	528,125
Derivative financial instruments	*32*	**297**	–
Cash and cash equivalents		**1**	1
		481,592	528,126
Total assets		**501,452**	545,712
Current liabilities			
Trade and other payables	*31*	**(3,137)**	(3,075)
		(3,137)	(3,075)
Non-current liabilities			
Derivative financial instruments	*32*	**–**	(315)
Bank borrowings	*32*	**(143,635)**	(148,755)
		(143,635)	(149,070)
Total liabilities		**(146,772)**	(152,145)
Net assets		**354,680**	393,567
Equity			
Share capital	*22*	**15,788**	15,737
Share premium account		**45,462**	45,227
Reserves	*27*	**293,430**	332,603
Equity shareholders' funds		**354,680**	393,567

The Company reported a loss for the financial year ended 31 March 2017 of £0.3 million (2016: loss of £0.3 million). The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2017. They were signed on its behalf by:

James Gibson
Director

John Trotman
Director

Company Registration No. 03625199

Company Cash Flow Statement

Year ended 31 March 2017

	2017 £000	2016 £000
Operating loss	**(949)**	(939)
Depreciation	**53**	41
Decrease in receivables	**46,831**	77,979
(Increase)/decrease in payables	**(73)**	370
Cash generated by operations	**45,862**	77,451
Interest paid	**(3,572)**	(4,293)
Interest received	**3,585**	4,249
Cash flows from operating activities	**45,875**	77,407
Purchase of non-current assets	**(3)**	(374)
Cash flows from investing activities	**(3)**	(374)
Financing activities		
Issue of share capital	**286**	378
Equity dividends paid	**(41,158)**	(36,443)
Repayment of Lloyds short term loan	**–**	(70,000)
(Decrease)/increase in borrowings	**(5,000)**	29,000
Cash flows from financing activities	**(45,872)**	(77,065)
Net movement in cash and cash equivalents	**–**	(32)
Opening cash and cash equivalents	**1**	33
Closing cash and cash equivalents	**1**	1

Company Statement of Changes in Equity

Year ended 31 March 2017

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

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 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
At 31 March 2016	15,737	45,227	74,950	1,795	256,877	(1,019)	393,567

27. LOSS FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders dealt with in the financial statements of the Company was £0.3 million (2016: loss of £0.3 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
Cost				
At 31 March 2016	2,183	64	30	2,277
Additions	3	–	–	3
At 31 March 2017	**2,186**	**64**	**30**	**2,280**
Accumulated depreciation				
At 31 March 2016	(367)	(18)	(2)	(387)
Charge for the year	(41)	(2)	(10)	(53)
At 31 March 2017	**(408)**	**(20)**	**(12)**	**(440)**
Net book value				
At 31 March 2017	**1,778**	**44**	**18**	**1,840**
At 31 March 2016	1,816	46	28	1,890

b) Investments in subsidiary companies

	Investment in subsidiary undertakings £000
Cost	
At 31 March 2016	15,696
Additions	2,324
At 31 March 2017	**18,020**

29. NON-CURRENT ASSETS (continued)

b) Investments in subsidiary companies (continued)

The Group subsidiaries are all wholly-owned, the Group holds 100% of the voting power and the companies are incorporated, registered and operate in England and Wales. The registered office of all subsidiaries is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The subsidiaries at 31 March 2017 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 8 Limited	Self storage
Big Yellow Self Storage Company A Limited	Self storage
Big Yellow Self Storage Company M Limited	Self storage
BYRCo Limited	Property management
BYSSCo A Limited	Dormant
BYSSCo Limited	Self storage
Kator Storage Limited	Self storage
Last Mile Company Limited	Holding Company
Lock and Leave Limited	Self storage
Lock and Leave (Twickenham) Limited	Self storage

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 2017 are listed below:

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

Audit exemption statement

For its most recent year end the companies listed below were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members of these companies have not required them to obtain an audit of their financial statements for the year ended 31 March 2017.

.Big Yellow Self Storage (GP) Limited
Big Yellow Construction Company Limited
Big Yellow Holding Company Limited
Big Yellow Self Storage (Chester) Limited
Big Yellow Self Storage Company 8 Limited
BYRCo Limited
BYSSCo Limited
Kator Storage Limited
Last Mile Company Limited
Lock and Leave Limited
Lock and Leave (Twickenham) Limited

30. TRADE AND OTHER RECEIVABLES

	31 March 2017 £000	31 March 2016 £000
Amounts owed by Group undertakings	**481,188**	528,015
Prepayments and accrued income	**106**	110
	481,294	528,125

31. TRADE AND OTHER PAYABLES

	31 March 2017 £000	31 March 2016 £000
Current		
Other payables	**2,992**	2,675
Accruals and deferred income	**145**	400
	3,137	3,075

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 0.4% (excluding the margin on the underlying debt instrument) until October 2021. The floating rate at 31 March 2017 was paying a weighted average margin of 1.37% 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 66 and in note 18.

	31 March 2017 £000	31 March 2016 £000
Bank borrowings	**145,000**	150,000
Unamortised loan arrangement fees	**(1,365)**	(1,245)
	143,635	148,755

Maturity profile of financial liabilities

	2017 Financial liabilities £000	2016 Financial liabilities £000
Between one and two years	**–**	–
Between two and five years	**145,000**	150,000
Gross financial liabilities	**145,000**	150,000

The fair value of interest rate derivatives at 31 March 2017 was an asset of £297,000 (2016: liability of £315,000). 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 detailed in note 18 to the Group financial statements. These disclosures are relevant to the Company's bank borrowings and derivative financial instruments. In addition, the Company has trade and other payables of £3,137,000 in the current year (2016: £3,075,000), 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 £481,188,000 (2016: £528,015,000), including intercompany interest receivable of £3,585,000 (2016: £4,249,000).

Ten Year Summary

Year ended 31 March 2017

Results	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Revenue	**109,070**	101,382	84,276	72,196	69,671	65,663	61,885	57,995	58,487	56,870
Operating profit before gains and losses on property assets	**65,316**	59,854	48,420	39,537	37,454	35,079	32,058	29,068	30,946	29,342
Cash flow from operating activities	**55,974**	55,467	42,397	32,752	30,186	27,388	23,534	19,063	10,203	14,388
Profit/(loss) before taxation	**99,783**	112,246	105,236	59,848	31,876	(35,551)	6,901	10,209	(71,489)	102,618
Adjusted profit before taxation	**54,641**	48,952	39,405	29,221	25,471	23,643	20,207	16,514	13,791	15,006
Net assets	**890,350**	829,387	750,914	594,064	552,628	494,500	544,949	547,285	502,317	580,886
EPRA earnings per share	**34.5p**	31.1p	27.1p	20.5p	19.3p	18.2p	15.5p	13.0p	11.9p	11.7p
Declared total dividend per share	**27.6p**	24.9p	21.7p	16.4p	11.0p	10.0p	9.0p	4.0p	0p	9.5p
Key statistics										
Number of stores open	**73**	71	69	66	66	65	62	60	54	48
Sq ft occupied (000)	**3,551**	3,363	3,178	2,832	2,632	2,458	2,130	1,915	1,775	1,850
Occupancy increase in year 000 sq ft)	**188**	185	346	200	174	328	215	140	(75)	15
Number of customers	**52,500**	50,000	47,250	41,800	38,500	36,300	32,800	30,500	28,500	30,500
Average number of employees during the year	**329**	318	300	289	286	279	273	252	239	218

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

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

Pureprint Ltd is a Carbon Neutral® Printing Company.

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