Big Yellow Group PLC

Half Year Report 2016

Thinking about our Customers

It's the reason we exist

At Big Yellow we believe storage should be the easy bit

Welcome

to the UK's brand leader in **self storage**

THE BIG YELLOW SELF STORAGE COMPANY

Get some space in your life.™

Highlights

Britain's favourite self storage company

Continued growth in our key metrics

Financial metrics	Six months ended 30 September 2016	Six months ended 30 September 2015	%
Revenue	**£54.8 million**	£50.2 million	9
Like-for-like Revenue [1]	**£53.8 million**	£50.2 million	7
Store EBITDA [2]	**£36.9 million**	£33.1 million	11
Adjusted profit before tax [3]	**£27.0 million**	£23.9 million	13
Adjusted EPRA diluted earnings per share [4]	**16.9 pence**	15.1 pence	12
Interim dividend per share	**13.5 pence**	12.1 pence	12
Cash flow from operating activities (after finance costs) [5]	**£28.9 million**	£26.3 million	10
Store metrics			
Occupancy growth – all stores (sq ft) [2]	**210,000**	200,000	5
Occupancy – like-for-like stores [1,2]	**79.0%**	76.7%	3
Like-for-like average net rent per sq ft [1,2]	**£26.15**	£25.43	3
Statutory metrics			
Profit before tax	**£57.7 million**	£59.6 million	(3)
Basic earnings per share	**36.7 pence**	38.2 pence	(4)

[1] Like-for-like metrics exclude Cambridge, Nine Elms and Twickenham; [2] see Portfolio Summary; [3] see note 6; [4] see note 8;
[5] Cash flow from operating activities (after finance costs) excludes working capital movements – see reconciliation in Financial Review

Contents

First Half Highlights

- Good first half with growth in both occupancy and net rent per sq ft
- Strong revenue performance driving EBITDA, earnings and dividend growth
- Adjusted profit before tax up 13% to £27.0 million
- Cash flow from operating activities (after finance costs) increased by 10% to £28.9 million
- 12% increase in interim dividend to 13.5 pence per share
- Acquisition of four store Lock and Leave portfolio in April 2016 for £21 million
  - Nine Elms and Twickenham acquired by Big Yellow
  - Canterbury and West Molesey acquired by Armadillo

If the current uncertainties throw up any new opportunities in London we will aggressively pursue them. That said, we have little doubt that these opportunities will be rare, and supply of appropriate land limited.

Growth

of Revenue and Earnings

Big Yellow Group PLC, the UK's brand leader in self storage, is pleased to announce its results for the six months ended 30 September 2016. In this seasonally stronger six month trading period, the Group has delivered a solid performance with like-for-like revenue growth of 7% compared to the same period last year.

Closing like-for-like Group occupancy is up 2.7 percentage points to 79.0% compared to 76.3% at 31 March 2016. Occupancy growth over the six month period was 210,000 sq ft (2015: 200,000 sq ft), which includes 76,000 sq ft of occupancy acquired in the Nine Elms and Twickenham 2 stores. The growth in the closing net rent per sq ft on a like-for-like basis was 2.8% compared to 30 September last year.

Given that our central overhead and operating expense is largely embedded in the business, this reported revenue growth has led to a 12% increase in adjusted earnings per share and equally in the interim dividend.

Financial results

Revenue for the period was £54.8 million (2015: £50.2 million), an increase of 9%. Cash inflows from operating activities (after finance costs) increased by 10% to £28.9 million for the period (2015: £26.3 million).

The Group made an adjusted profit before tax in the period of £27.0 million, up 13% from £23.9 million for the same period last year (see note 6). Adjusted diluted EPRA earnings per share were 16.9 pence (2015: 15.1 pence), an increase of 12%. The Group's statutory profit before tax for the period was £57.7 million, a decrease of 3% from £59.6 million for the same period last year, due to a slightly lower revaluation gain in the period.

The Group's interest cover for the period (expressed as the ratio of cash generated from operations pre-working capital movements against interest paid) was 6.1 times (2015: 6.4 times). This is comfortably ahead of our internal minimum interest cover requirement of 5 times.

Investment in new capacity

Developing stores in our core area of London and the South East remains challenging. Sites are scarce, and faced with a housing shortage, policy makers are focussed on residential provision at the expense of commercial development. Despite the referendum result, we still expect London's population to continue to grow, intensifying these pressures. This makes creation of new supply difficult and we are aware of only two stores likely to open in London in the next 12 months. We believe that this leaves our existing platform almost irreplaceable.

We continue to look for land and existing storage centres, with a focus on London, and should the current uncertainties throw up new opportunities, we will pursue them aggressively.

We will not be opening a store in the current year, but intend to commence construction on Guildford Central shortly, with a view to it opening in January 2018.

At 30 September, the future cost of the current pipeline of seven development sites and extensions, six of which are subject to planning, is estimated to be £55 million. This excludes any net proceeds that may be received on the redevelopment of our Battersea store and adjoining retail units into a mixed use scheme of residential, retail and self storage.

Dividends

The Group's dividend policy is to distribute 80% of adjusted earnings per share. The interim dividend declared is 13.5 pence per share. This has all been declared as Property Income Dividend ("PID"). The interim dividend declared represents an increase of 12% from 12.1 pence per share for the same period last year.

Outlook

I will leave it to others to comment on the momentous political events of the last six months. Only time will tell whether this translates into economic reversals, but we are on heightened alert.

It would not come as a surprise to us for activity levels and demand in the next year or two to be more subdued than in recent years. That said, we have been planning for this eventuality since 2008, and believe that the business is well placed to face down most challenges.

We have never been much interested in the short term but are largely focussed on the long term. In that regard we have high confidence in Big Yellow's business model and positioning. That confidence stems from our conviction that London, where we are heavily concentrated, will continue to consolidate its position as one of the world's great city states.

If the current uncertainties throw up any new opportunities in London we will aggressively pursue them. That said, we have little doubt that these opportunities will be rare, and supply of appropriate land limited.

Whilst demand for self storage will ebb and flow, new supply in our key areas of operation, a key risk to the business, will, in our view, be constrained over the medium to longer term. We therefore look forward to future challenges with a mixture of caution and confidence.

Nicholas Vetch
Executive Chairman

21 November 2016

Our core proposition remains a high quality product, **competitively priced, with excellent customer service, providing value for money to our customers.**

Delivering results

Trading performance

We are pleased to report a solid trading performance for the six months with growth in both occupancy and achieved net rents. Like-for-like revenue growth in the first quarter was 8%, which moderated to 6.5% in the second quarter, with the average for the half year of 7.2%.

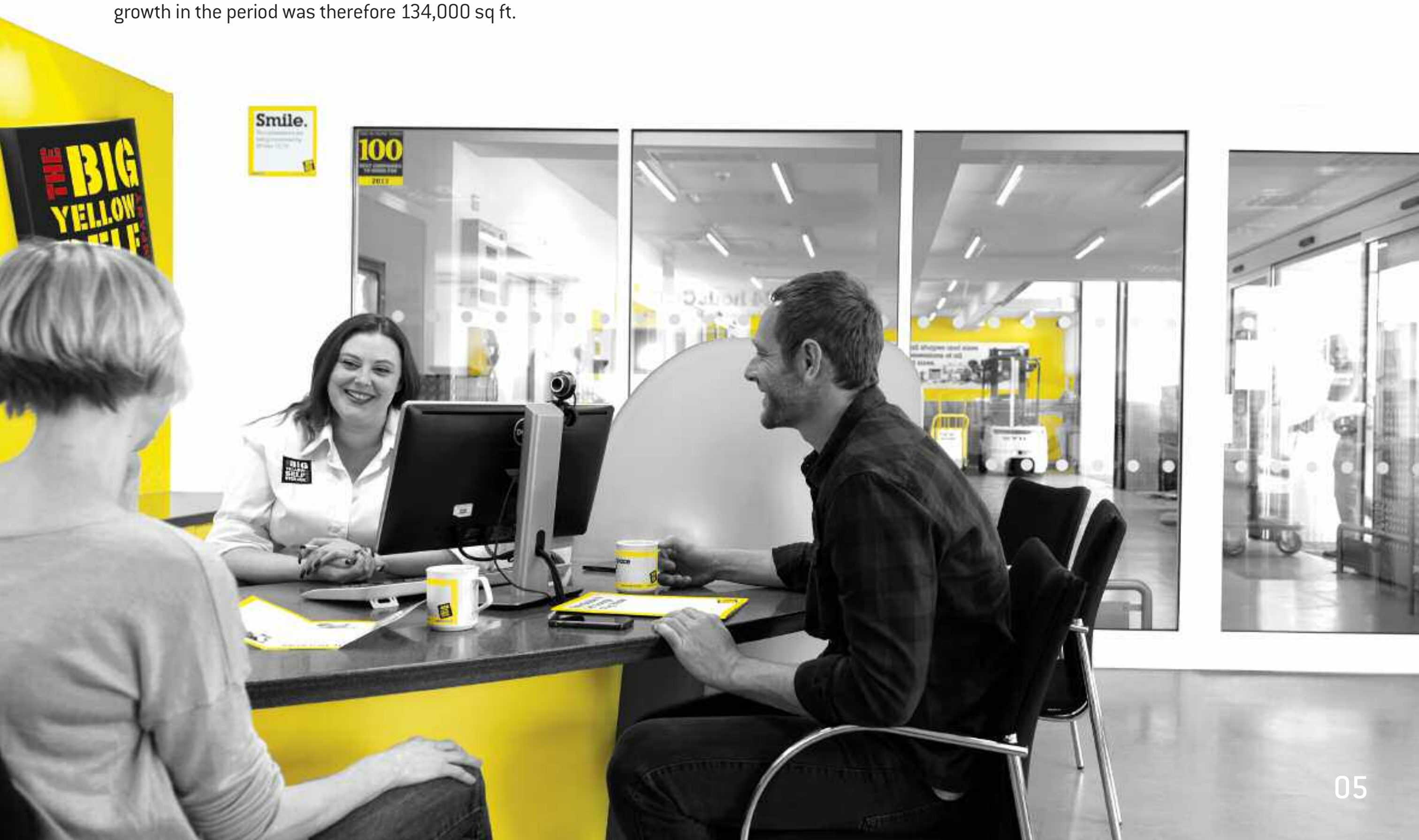
As we have often said, the biggest risk to this business is around competition and new supply in our areas of operation. Competitor store openings remain constrained, particularly in London and our other core areas of operation, due to the scarcity of land and competition from other land users. In the market as a whole, new capacity is increasing at around 1 to 2% per annum.

Broader awareness of self storage continues to grow as a result of wider use of the product and the marketing spend from Big Yellow and the industry as a whole. We expect to continue to see this growth in awareness incrementally improve demand for self storage. We are confident that Big Yellow benefits disproportionately from this improving market for our product, due to our market leading brand and operating platform with our focus on London, the South East and large metropolitan cities. Our digital platform now accounts for 87% of our prospects, of which half come through our mobile site.

Store occupancy

Prospects for the six months were in line with last year, albeit on average we saw a slightly lower conversion to move-in which could reflect some hesitancy before, and indeed after, the referendum.

Occupancy growth over the six month period was 210,000 sq ft (2015: 200,000 sq ft), this includes 76,000 sq ft of occupancy acquired in the Nine Elms and Twickenham 2 stores (which are shown within mature stores as they have been open for more than six years). The net occupancy growth in the period was therefore 134,000 sq ft.



Since the referendum result, we have seen a slight moderation in demand with lower move-in and move-out activity, resulting in less churn in the business. Self storage is a business where we typically have three to four weeks' visibility and although our book of business is relatively healthy, there remain uncertainties around the economy.

We saw a higher net loss in occupancy in October this year as a result of move outs early in the month but our level of notices is now significantly lower than last year, and November's occupancy performance is trading slightly ahead of last year. We do expect to return to occupancy growth in our seasonally stronger March quarter.

Store move-ins	2016	2015	%	Net move-ins	Net sq ft
April	**5,409**	5,229	3%	**(54)**	**(12,000)**
May	**6,189**	6,514	(5%)	**1,079**	**42,000**
June	**7,911**	8,298	(5%)	**2,859**	**80,000**
July	**7,352**	7,532	(2%)	**793**	**48,000**
August	**6,848**	7,413	(8%)	**239**	**6,000**
September	**6,502**	6,760	(4%)	**(2,569)**	**(30,000)**
Total	**40,211**	41,746	(4%)	**2,347**	**134,000**
October	**5,762**	6,258	(8%)	**(1,284)**	**(64,000)**

The 64 mature stores are 79.7% occupied compared to 78.3% at the same time last year. The 6 established stores have grown in occupancy from 69.2% to 75.4%. The 3 developing stores added 29,000 sq ft of occupancy in the period to reach closing occupancy of 60.0%. Overall store occupancy has increased over the 12 months from 76.7% to 78.5%.

Excluding Cambridge (opened January 2016), Nine Elms and Twickenham 2 (acquired April 2016), like-for-like closing occupancy was 79.0%, representing growth of 2.7 percentage points from 1 April.

	Occupancy at 30 September 2016 %	Occupancy growth from March 2016 000 sq ft	30 September 2016 000 sq ft	31 March 2016 000 sq ft	30 September 2015 000 sq ft
64 mature stores	**79.7%**	**165**	**3,153**	2,988	3,027
6 established stores	**75.4%**	**16**	**306**	290	281
3 developing stores	**60.0%**	**29**	**114**	85	70
Total – all 73 stores	**78.5%**	**210**	**3,573**	3,363	3,378

Of our occupied space today, 15% is occupied by customers who are longer stay lifestyle users decluttering into small rooms as an extension to their accommodation; 50% are using it for less than 12 months as a result of an event in their life, which could be inheritance, moving, carrying out work; and the balance of 35% are businesses, typically SMEs.

If we look at the demand into our stores over the six months, there has not been a significant change compared to the prior period, with approximately 42% of move-ins linked to the housing market; either customers renting storage space whilst moving within the rental sector or the owner occupied sector. During the period 10% of our customers who moved in took storage space as a spare room for decluttering and approximately 37% of our customers used the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited possessions, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 11% of our customer demand during the period came from businesses.

There is a growing trend towards self-employment and smaller business start-ups in the UK, dynamics which are positive for self storage. Additionally, businesses in the UK are increasingly seeking flexible office and storage space as a means of operation, shying away from longer inflexible leases. The deindustrialisation of big cities also points to a structural growth in demand for storage for businesses.

Our third quarter is historically the weakest trading quarter and in recent years we have typically lost two to three percentage points of occupancy before a return to growth in the new year. Since the end of September we have lost 84,000 sq ft (1.8% of maximum lettable area "MLA"), compared to 47,000 sq ft (1.1% of MLA) lost at this stage last year. As stated above, most of this loss was in October, and November's occupancy performance is trading slightly ahead of last year.

All 73 stores open at the period end are trading profitably at the EBITDA level, including Cambridge which made a positive monthly EBITDA within six months of the store opening.

Pricing and rental yield

Our core proposition remains a high quality product, competitively priced, with excellent customer service, providing value for money to our customers. We offer a headline opening promotion of 50% off for up to the first 8 weeks, and we continue to manage pricing dynamically, taking account of customer demand and local competition.

The like-for-like closing net achieved rent per sq ft at 30 September 2016 was £26.37, up 2.8% compared to 30 September last year. Over the six months to 30 September 2016, net rent in the like-for-like stores grew by 1.8%.

As our portfolio is now at a higher level of occupancy, our pricing model is reducing promotions and increasing asking prices where individual units are in scarce supply. This lowering of promotions, coupled with price increases to existing and new customers, leads to an increase in net achieved rents. The table below illustrates this, showing the growth in net rent per sq ft for the portfolio over the period (the table below excludes Cambridge which opened in January 2016 and Nine Elms and Twickenham 2).

Average occupancy in the six months	Number of stores	Net rent per sq ft growth over the six months to 30 September 2016
0 to 60%	2	**(0.4%)**
60 to 70%	9	**1.8%**
70 to 80%	31	**2.3%**
Above 80%	28	**2.7%**

The rental growth for the stores with an average occupancy above 80% equates to 5.4% on an annualised basis.

Security of income

Our principal financial aims remain to grow cash flow, earnings and dividend. We believe that self storage income is essentially evergreen income with highly defensive characteristics driven from buildings with very low obsolescence risk. Although our contract with our customers is in theory as short as a week, we do not need to rely on contracts for our income security. At 30 September 2016 the average length of stay for existing customers was 23 months. For all customers, including those who have moved out of the business, the average length of stay has remained at 8 months. In our portfolio, 30% of our customers by occupied space have been storing with us for over two years, and a further 18% of customers have been in the business for between one and two years.

The location of our stores, brand, security, and most importantly customer service, together with the diversity of our 53,000 customers, serve better than any contract.

Revenue

Total revenue for the period was £54.8 million, an increase of £4.6 million (9%) from £50.2 million in the prior period. Like-for-like revenue for the six month period was £53.8 million, an increase of 7% from the prior period. Like-for-like revenue excludes Cambridge which opened in January 2016 and Nine Elms and Twickenham 2, which were both acquired from Lock and Leave in April 2016.

Other sales (included within the above), comprising the selling of packing materials, insurance and storage related charges, represented 17.0% of storage income for the period (2015: 17.6%) and generated revenue of £7.8 million for the period, up 6% from £7.4 million in 2015 (see Portfolio Summary).

The other revenues earned are management fee income from the Armadillo Partnerships and tenant income on sites where we have not started development.

Operating costs

Cost of sales comprises principally of direct store operating costs, including store staff salaries, utilities, business rates, insurance, a full allocation of the central marketing budget, and repairs and maintenance.

The breakdown of the portfolio's operating costs compared to the prior period is shown in the table at the bottom of the page (see Portfolio Summary).

Store operating costs have increased by £0.6 million compared to the same period last year. The operating costs of the new stores at Cambridge, Nine Elms and Twickenham 2 account for £0.5 million of the increase, with the remaining increase inflationary, in part offset by the reduction in the Group's irrecoverable VAT (see below).

During the period, the Group agreed a new Partial Exemption Special Method with HMRC. This method increases the Group's VAT recoverability from 89.0% to 99.4%. This saves approximately £350,000 per annum on the Group's operating costs, in addition to reducing the irrecoverable VAT on construction projects. There is a credit in respect of prior periods of £0.3 million from the date the application was submitted, which is an item in the adjustments to the Group's recurring profit for the period.

Following the recent rating review, we have calculated that the impact on the Group's rates bill for the year ending 31 March 2018 will be an increase of 8%, (£0.8 million). Our forecasts were assuming an increase in rates over the next five years, and the improvement in our VAT position mentioned above will serve to mitigate part of this increased cost.

Administrative expenses in the income statement have increased by £0.5 million. £0.3 million of the increase is as a result of the write-off of the Group's acquisition costs for the purchase of Lock and Leave, which has been adjusted from recurring profit. Recurring administrative expenses have increased by £0.2 million due to inflation and an increased investment in IT infrastructure. The non-cash share based payments charge represents £1.1 million of the overall £5.2 million expense.

Category	Period ended 30 September 2016 £000	Period ended 30 September 2015 £000	% increase	% of store operating costs in period
Cost of sales (insurance and packing materials)	**1,237**	1,073	15%	8%
Staff costs	**4,434**	4,017	10%	28%
General & Admin	**558**	581	(4%)	3%
Utilities	**752**	724	4%	5%
Property Rates	**5,044**	4,995	1%	32%
Marketing	**2,062**	2,056	0%	13%
Repairs / Maintenance	**1,272**	1,167	9%	8%
Insurance	**384**	423	(9%)	2%
Computer Costs	**221**	208	6%	1%
Irrecoverable VAT	**7**	167	(96%)	–
Total	**15,971**	15,411	4%	

Store EBITDA

Store EBITDA for the six month period included in the income statement was £36.9 million, an increase of 11% from the prior period (2015: £33.1 million).

The overall store EBITDA margin increased to 68.5% (2015: 67.0%).

Interest

The interest on bank borrowings during the period was £5.8 million, £0.3 million higher than the same period last year, due to the higher average debt levels in the period, partly offset by a lower average cost of borrowing compared to the same period last year.

There was no capitalised interest in the period (2015: £0.3 million), as the Group was not building any stores during the current period.

Results

The 13% increase in adjusted profit before tax to £27.0 million is reconciled in the table below:

Movement in adjusted profit before tax	£m
Adjusted profit before tax for the six months to 30 September 2015	23.9
Increase in gross profit	3.8
Increase in administrative expenses	(0.2)
Increase in share of associates' recurring profit	0.1
Increase in net interest payable	(0.3)
Decrease in capitalised interest	(0.3)
Adjusted profit before tax for the six months to 30 September 2016	**27.0**

The Group's statutory profit before tax for the period was £57.7 million, a decrease of 3% from £59.6 million for the same period last year. This decrease is due to the lower revaluation surplus in the period, in part offset by the increase in adjusted profit before tax.

The table below reconciles the statutory profit before tax to the adjusted profit before tax:

Profit before tax analysis	Six months ended 30 September 2016 £m	Six months to 30 September 2015 £m
Profit before tax	57.7	59.6
Adjusted for:		
Gain on revaluation of investment properties	(31.6)	(34.8)
Change in fair value of interest rate derivatives	1.0	(0.5)
Acquisition costs written off	0.3	–
Prior period VAT recovery	(0.3)	–
Share of non-recurring gains in associates	(0.1)	(0.4)
Adjusted profit before tax	27.0	23.9

Diluted EPRA earnings per share was 16.9 pence (2015: 15.1 pence), an increase of 12% from the same period last year.

Cash flow growth

Cash flows from operating activities (after net finance costs and pre working capital movements) have increased by 10% to £28.9 million for the period (2015: £26.3 million), in line with the growth in store EBITDA. These operating cash flows are after the ongoing maintenance costs of the stores, which are on average £35,000 per store per annum. The Group's net debt has increased over the period to £305.2 million (March 2016: £295.0 million).

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Cash generated from operations pre working capital	34.6	31.2
Finance costs (net) (see below)	(5.7)	(4.9)
Free cash flow pre working capital	28.9	26.3
Working capital movements	(4.4)	(0.6)
Sale of surplus land	0.3	–
Capital expenditure	(17.1)	(8.2)
Receipt from Capital Goods Scheme	1.6	–
Dividend received from associates	0.2	0.1
Cash flow after investing activities	9.5	17.6
Dividends	(20.0)	(17.5)
Issue of share capital	0.3	0.4
Decrease in borrowings	(1.1)	(4.1)
Net cash outflow	(11.3)	(3.6)

The capital expenditure in the period principally relates to the costs to acquire the stores in Nine Elms and Twickenham from Lock and Leave. The negative working capital movements in the period are principally due to movements on VAT balances owing to HMRC.

Taxation

The Group is a Real Estate Investment Trust ("REIT"). We benefit from a zero tax rate on our qualifying self storage earnings. We only pay corporation tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, and management fees earned by the Group.

There is a £0.3 million tax charge in the residual business for the period ended 30 September 2016 (six months to 30 September 2015: £0.2 million).

Dividends

REIT regulatory requirements determine the level of Property Income Dividend ("PID") payable by the Group. A PID of 13.5 pence per share is proposed as the total interim dividend, an increase of 12% from 12.1 pence per share PID for the same period last year.

The interim dividend will be paid on 6 January 2017. The ex-div date is 8 December 2016 and the record date is 9 December 2016.

Financing and treasury

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to allow us to build out our development pipeline and achieve our strategic growth objectives, which we believe improve returns for shareholders. We aim to ensure that there are sufficient medium-term facilities in place to finance our committed development programme, secured against the freehold portfolio, with debt serviced by our strong operational cash flows.

We maintain a keen watch on medium and long-term rates and the Group's policy in respect of interest rates is to maintain a balance between flexibility and hedging of interest rate risk.

The table below summarises the Group's debt facilities at 30 September 2016.

The Group's loan with Aviva is at a fixed rate and amortises to £60 million over the course of its 15 year term. The M&G loan is 50% fixed and 50% floating and is for a bullet seven year term.

During the period, the Group exercised its option to extend the expiry of the Group's bank loan by a year to October 2021. The Group's revolving bank debt pays a margin of 125 bps and the term debt 150 bps. The Group 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.

During the period, the Group took out an interest rate derivative of £30 million expiring in September 2021 at a pre-margin cost of 0.4%, replacing an expiring swap which was at the pre-margin cost of 2.8%. The bank loan requires 45% of all drawn debt to be hedged or fixed.

The Group was comfortably in compliance with its banking covenants at 30 September 2016.

The net debt to gross property assets ratio is 26% (2015: 26%) and the net debt to adjusted net assets ratio is 32% (2015: 33%).

Debt	Expiry	Facility	Drawn	Average cost
Aviva Loan	April 2027	£91.1 million	£91.1 million	4.9%
M&G loan	June 2022	£70 million	£70 million	3.6%
Bank loan (Lloyds & HSBC)	October 2021	£190 million	£150 million	1.7%
Total	Average term 6.4 years	£351.1 million	£311.1 million	3.1%

Development pipeline

The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Guildford	Prime location in the centre of Guildford on Woodbridge Meadows.	Consent granted, store due to open in January 2018, cost to complete of £6.0 million.	56,000 sq ft
Wandsworth, London	Extension to existing 47,000 sq ft store.	Planning application submitted in June 2016, awaiting determination.	Additional 27,000 sq ft
Camberwell, London	Located in prominent location on Southampton Way.	Planning application submitted in November 2016.	55,000 to 60,000 sq ft
Kings Cross, London	Prominent location on York Way.	Discussions ongoing with adjoining landowner for a land swap to improve scale of development, with joint planning application currently being prepared.	90,000 to 100,000 sq ft
Battersea, London	Prominent location on junction of Lombard Road and York Road (South Circular).	Potential redevelopment to increase size of existing 34,000 sq ft Big Yellow store. Redevelopment of adjoining retail into a mixed use led residential scheme. Ongoing detailed planning discussions with the Borough Council.	Up to an additional 60,000 sq ft
Newcastle	Prime location on Scotswood Road.	Negotiations ongoing with existing long leasehold tenant to obtain vacant possession.	50,000 to 60,000 sq ft
Manchester	Prime location on Water Street in central Manchester.	Detailed pre-application planning discussions ongoing with Council.	60,000 to 65,000 sq ft

The capital expenditure committed for the remainder of the financial year is approximately £2 million, which relates to the construction of Guildford.

The Group manages the construction and fit-out of its stores in-house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget.

Investment property

The Group's investment properties are carried at the half year at Directors' valuation. They are valued externally by Cushman and Wakefield LLP ("C&W") at the year end. The Directors' valuations reflect the latest cash flows derived from each of the stores at the end of September. In performing the valuations, the Directors consider that the core assumptions underpinning the valuations including the stabilised occupancy assumptions used, rental growth, and discount rates used by C&W in the March 2016 valuations, are still appropriate at the September valuation date (see the Group's annual report for the year ended 31 March 2016 for the full detail of the valuation methodology). In consultation with C&W, the Directors have retained the capitalisation rates at the March levels. A significant open market self storage transaction completed in October 2016, which supported this view on capitalisation rates.

At 30 September 2016 the total value of the Group's properties is shown in the table below:

Analysis of property portfolio	Value at 30 September 2016 £m	Revaluation movement in the period £m
Investment property	1,139.8	32.2
Investment property under construction	34.1	(0.6)
Investment property total	1,173.9	31.6

The revaluation surplus for the open stores in the period was £32.2 million, as the growth in cash flows feed through to the valuation.

The initial yield on the portfolio before administration expenses and assuming no rental growth, is 6.7% rising to a stabilised yield of 7.2% (31 March 2016: 6.5% rising to 7.2%).

Surplus land

During the period the Group sold its remaining piece of surplus land for its book value of £0.3 million.

Capital Goods Scheme receivable

At 30 September 2016 we had a receivable of £8.0 million in respect of payments due back to the Group under the Capital Goods Scheme as a consequence of the introduction of VAT on self storage from 1 October 2012. To date, we have received payments under the Capital Goods Scheme of £7.2 million, receiving £1.6 million during the period and £1.3 million subsequent to the period end.

Net asset value

The adjusted net asset value is 594.1 pence per share (see note 14), up 4% from 569.1 pence per share at 31 March 2016. The table below reconciles the movement from 31 March 2016.

Movement in adjusted net asset value	Equity shareholders' funds £m	EPRA adjusted NAV pence per share
1 April 2016	899.0	569.1
Adjusted profit before tax	27.0	17.0
Equity dividends paid	(20.0)	(12.6)
Revaluation movements (including share of associate)	31.9	20.1
Movement in purchaser's cost adjustment	2.1	1.3
Other movements (eg share schemes)	1.2	(0.8)
30 September 2016	941.2	594.1

Armadillo Self Storage

The Group has a 20% investment in Armadillo Storage Holding Company Limited and a 20% investment in Armadillo Storage Holding Company 2 Limited. In the consolidated accounts of Big Yellow Group PLC, our investments in the vehicles are treated as associates using the equity accounting method.

During the period, Armadillo acquired two stores from Lock and Leave, in Canterbury and West Molesey, with a combined capacity of 63,000 sq ft.

The occupancy of the portfolios is 536,000 sq ft, against a total capacity of 736,000 sq ft representing occupancy at 30 September 2016 of 72.8% (31 March 2016: 70.9%). The revenue of the portfolio increased by 16% to £5.2 million for the six months to 30 September 2016 (2015: £4.5 million), on a like-for-like basis, the increase was 4%.

The Armadillo Partnerships made a combined operating profit of £2.6 million in the period, of which Big Yellow's share is £0.5 million. After net interest costs, the revaluation of investment properties, deferred tax on the revaluation surplus and interest rate derivatives, the profit for the period was £2.8 million, of which the Group's share was £0.6 million.

Big Yellow has a five year management contract in place in each Partnership. For the period to 30 September 2016, the Group earned management fees of £0.4 million.

The Group's share of the interim dividend declared for the period is £0.2 million, representing a 5.5% yield on our original equity investment for the six months.

James Gibson
Chief Executive Officer

John Trotman
Chief Financial Officer

21 November 2016

Responsibility Statement

We confirm to the best of our knowledge:

1. the condensed set of Interim Financial Statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
2. the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);
3. the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein); and
4. the Condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R.

By order of the Board

James Gibson
Director

John Trotman
Director

21 November 2016

Portfolio Summary – Big Yellow Stores

	2016				2015			
	Mature [1]	**Established**	**Developing**	**Total**	Mature	Established	Developing	Total
Number of stores	**64**	**6**	**3**	**73**	62	6	2	70
At 30 September:								
Total capacity (sq ft)	**3,955,000**	**406,000**	**190,000**	**4,551,000**	3,868,000	406,000	130,000	4,404,000
Occupied space (sq ft)	**3,153,000**	**306,000**	**114,000**	**3,573,000**	3,027,000	281,000	70,000	3,378,000
Percentage occupied	**79.7%**	**75.4%**	**60.0%**	**78.5%**	78.3%	69.2%	53.8%	76.7%
Net rent per sq ft	**£26.54**	**£24.96**	**£21.91**	**£26.26**	£25.81	£24.51	£22.33	£25.64
For the period:								
REVPAF [2]	**£24.48**	**£21.67**	**£13.52**	**£23.77**	£23.26	£19.52	£11.04	£22.47
Average occupancy	**79.0%**	**73.6%**	**52.1%**	**77.4%**	76.5%	67.3%	44.5%	74.7%
Average annual rent psf	**£26.30**	**£24.83**	**£21.97**	**£26.05**	£25.60	£24.42	£21.29	£25.43
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Self storage income	**41,044**	**3,722**	**1,090**	**45,856**	38,003	3,345	617	41,965
Other storage related income [3]	**6,973**	**636**	**191**	**7,800**	6,700	577	97	7,374
Ancillary store rental Income	**210**	**42**	**3**	**255**	97	40	4	141
Total store revenue	**48,227**	**4,400**	**1,284**	**53,911**	44,800	3,962	718	49,480
Direct store operating costs (excluding depreciation)	**(14,027)**	**(1,298)**	**(646)**	**(15,971)**	(13,664)	(1,292)	(455)	(15,411)
Short and long leasehold rent [4]	**(1,027)**	**–**	**–**	**(1,027)**	(937)	–	–	(937)
Store EBITDA [5]	**33,173**	**3,102**	**638**	**36,913**	30,199	2,670	263	33,132
Store EBITDA margin	**68.8%**	**70.5%**	**49.7%**	**68.5%**	67.4%	67.4%	36.6%	67.0%

Deemed cost	**£m**	**£m**	**£m**	**£m**
To 30 September 2016	**430.4**	**81.8**	**34.2**	**546.4**
Capex to complete	**0.4**	**–**	**0.5**	**0.9**
Total	**430.8**	**81.8**	**34.7**	**547.3**

(1) The mature stores have been open for more than six years at 1 April 2016. The established stores have been open for between three and six years at 1 April 2016 and the developing stores have been open for fewer than three years at 1 April 2016. The Group acquired two stores during the period in Nine Elms and Twickenham. These are shown within mature stores as they have been open for more than six years. Like-for-like measures presented within this statement exclude the two acquired stores, and also Cambridge which opened in January 2016.

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

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

(4) Rent for seven mature short leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 420,000 sq ft, and a long leasehold mature store with a capacity of 64,000 sq ft. The EBITDA margin for the 57 freehold mature stores is 71.0%, and 51.3% for the seven leasehold mature stores.

(5) Store earnings before interest, tax, depreciation and amortisation.

Portfolio Summary – Armadillo Stores

	2016	2015
Number of stores (1)	**16**	14
At 30 September:		
Total capacity (sq ft)	**736,000**	673,000
Occupied space (sq ft)	**536,000**	486,000
Percentage occupied	**72.8%**	72.2%
Net rent per sq ft	**£16.59**	£15.46
For the period:		
REVPAF	**£14.30**	£13.29
Average occupancy	**73.8%**	71.2%
Average annual rent psf	**£16.14**	£15.33

	£000	£000
Self storage income	**4,333**	3,685
Other storage related income	**834**	783
Ancillary store rental income	**20**	4
Total store revenue	**5,187**	4,472
Direct store operating costs (excluding depreciation)	**(2,042)**	(1,819)
Short leasehold rent	**(206)**	(205)
Store EBITDA	**2,939**	2,448
Store EBITDA margin	**56.7%**	54.7%

Cumulative capital expenditure	£m
To 30 September 2016	**50.0**
To complete	**0.6**
Total capital expenditure	**50.6**

(1) Armadillo acquired two stores in April 2016 in Canterbury and West Molesey.

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 September 2016

	Note	**Six months ended 30 September 2016 (unaudited) £000**	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Revenue	*2*	**54,793**	50,211	101,382
Cost of sales		**(17,023)**	(16,459)	(32,632)
Gross profit		**37,770**	33,752	68,750
Administrative expenses		**(5,178)**	(4,721)	(8,896)
Operating profit before gains and losses on property assets		**32,592**	29,031	59,854
Gain on the revaluation of investment properties	*9a*	**31,577**	34,794	58,001
Gains on surplus land		**–**	–	4,754
Operating profit		**64,169**	63,825	122,609
Share of profit of associates	*9d*	**557**	760	1,104
Investment income – interest receivable	*3*	**213**	203	403
– fair value movement of derivatives	*3*	**–**	482	–
Finance costs – interest payable	*4*	**(6,220)**	(5,655)	(11,866)
– fair value movement of derivatives	*4*	**(971)**	–	(4)
Profit before taxation		**57,748**	59,615	112,246
Taxation	*5*	**(325)**	(200)	(247)
Profit for the period (attributable to equity shareholders)		**57,423**	59,415	111,999
Total comprehensive income for the period attributable to equity shareholders		**57,423**	59,415	111,999
Basic earnings per share	*8*	**36.7p**	38.2p	71.9p
Diluted earnings per share	*8*	**36.5p**	38.0p	71.6p

Adjusted profit before taxation is shown in note 6 and EPRA earnings per share is shown in note 8.

All items in the income statement relate to continuing operations.

Condensed Consolidated Balance Sheet

30 September 2016

	Note	**30 September 2016 (unaudited) £000**	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
Non-current assets				
Investment property	*9a*	**1,139,786**	1,052,510	1,092,210
Investment property under construction	*9a*	**34,107**	13,670	33,945
Interest in leasehold properties	*9a*	**22,034**	20,426	20,165
Plant, equipment and owner-occupied property	*9b*	**3,484**	3,366	3,405
Goodwill	*9c*	**1,433**	1,433	1,433
Investment in associates	*9d*	**6,772**	6,243	6,406
Capital Goods Scheme receivable	*11*	**4,006**	6,421	6,561
		1,211,622	1,104,069	1,164,125
Current assets				
Surplus land	*10*	**–**	3,341	300
Inventories		**280**	285	266
Trade and other receivables	*11*	**14,368**	13,512	16,222
Cash and cash equivalents		**5,862**	4,603	17,207
		20,510	21,741	33,995
Total assets		**1,232,132**	1,125,810	1,198,120
Current liabilities				
Trade and other payables	*12*	**(29,382)**	(29,866)	(36,122)
Obligations under finance leases		**(1,866)**	(1,739)	(1,722)
Borrowings	*13*	**(2,299)**	(2,189)	(2,243)
		(33,547)	(33,794)	(40,087)
Non-current liabilities				
Derivative financial instruments		**(4,654)**	(3,197)	(3,683)
Borrowings	*13*	**(305,514)**	(275,650)	(306,520)
Obligations under finance leases		**(20,168)**	(18,687)	(18,443)
		(330,336)	(297,534)	(328,646)
Total liabilities		**(363,883)**	(331,328)	(368,733)
Net assets		**868,249**	794,482	829,387
Equity				
Called up share capital		**15,777**	15,729	15,737
Share premium account		**45,480**	45,222	45,227
Reserves		**806,992**	733,531	768,423
Equity shareholders' funds		**868,249**	794,482	829,387

Consolidated Statement of Changes in Equity

Six months ended 30 September 2016 (unaudited)

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2016	15,737	45,227	74,950	1,795	692,697	(1,019)	829,387
Total comprehensive income for the period	–	–	–	–	57,423	–	57,423
Issue of share capital	40	253	–	–	–	–	293
Credit to equity for equity-settled share based payments	–	–	–	–	1,149	–	1,149
Dividends	–	–	–	–	(20,003)	–	(20,003)
At 30 September 2016	**15,777**	**45,480**	**74,950**	**1,795**	**731,266**	**(1,019)**	**868,249**

Six months ended 30 September 2015 (unaudited)

	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 income for the period	–	–	–	–	59,415	–	59,415
Issue of share capital	65	300	–	–	–	–	365
Cancellation of treasury shares	(142)	–	–	142	(3,727)	3,727	–
Credit to equity for equity-settled share based payments	–	–	–	–	1,329	–	1,329
Dividends	–	–	–	–	(17,541)	–	(17,541)
At 30 September 2015	15,729	45,222	74,950	1,795	658,682	(1,896)	794,482

Year ended 31 March 2016 (audited)

	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

Six months ended 30 September 2016

	Note	**Six months ended 30 September 2016 (unaudited) £000**	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Operating profit		**64,169**	63,825	122,609
Gain on the revaluation of investment properties		**(31,577)**	(34,794)	(58,001)
Gains on surplus land		**–**	–	(4,754)
Depreciation	*9b*	**367**	319	663
Depreciation of finance lease obligations	*9a*	**557**	473	967
Employee share options		**1,149**	1,329	2,539
Cash generated from operations (pre-working capital)		**34,665**	31,152	64,023
(Increase)/decrease in inventories		**(14)**	19	38
Decrease in receivables		**3,475**	3,258	369
(Decrease)/increase in payables		**(7,817)**	(3,840)	1,785
Cash generated from operations		**30,309**	30,589	66,215
Interest paid		**(5,740)**	(4,903)	(10,763)
Interest received		**13**	9	15
Cash flows from operating activities		**24,582**	25,695	55,467
Investing activities				
Sale of surplus land		**300**	–	7,835
Acquisition of Lock and Leave (net of cash acquired)	*19*	**(14,239)**	–	–
Purchase of non-current assets		**(2,409)**	(7,645)	(44,509)
Additions to surplus land		**–**	(26)	(66)
Receipt from Capital Goods Scheme		**1,605**	–	184
Dividend received from associates	*9d*	**191**	89	270
Cash flows from investing activities		**(14,552)**	(7,582)	(36,286)
Financing activities				
Issue of share capital		**293**	365	378
Payment of finance lease liabilities		**(557)**	(473)	(967)
Equity dividends paid		**(20,003)**	(17,541)	(36,443)
Repayment of Lloyds bridging loan		**–**	(70,000)	(70,000)
Drawing of M&G loan		**–**	70,000	70,000
(Decrease)/increase in borrowings		**(1,108)**	(4,055)	26,864
Cash flows from financing activities		**(21,375)**	(21,704)	(10,168)
Net (decrease)/increase in cash and cash equivalents	*A*	**(11,345)**	(3,591)	9,013
Opening cash and cash equivalents		**17,207**	8,194	8,194
Closing cash and cash equivalents		**5,862**	4,603	17,207

A. Reconciliation of net cash flow to movement in net debt

Six months ended 30 September 2016

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Net (decrease)/increase in cash and cash equivalents	**(11,345)**	(3,591)	9,013
Cash flow from movement in debt financing	**1,108**	4,055	(26,864)
Change in net debt resulting from cash flows	**(10,237)**	464	(17,851)
Movement in net debt in the period	**(10,237)**	464	(17,851)
Net debt at start of period	**(294,991)**	(277,140)	(277,140)
Net debt at end of period	**(305,228)**	(276,676)	(294,991)

Net debt is gross bank borrowings less cash and cash equivalents, and excluding finance leases.

1. ACCOUNTING POLICIES

Basis of preparation

The results for the period ended 30 September 2016 are unaudited and were approved by the Board on 21 November 2016. The financial information contained in this report in respect of the year ended 31 March 2016 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of Big Yellow Group PLC are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting", as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

Valuation of assets and liabilities held 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 13. 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 derivatives 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 13. Investment Property and Investment Property under Construction have been classified as Level 3. This is discussed further in note 15.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chairman's Statement and the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the interim statement. 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 within the Group's Annual Report for the year ended 31 March 2016.

The Directors have considered carefully the Group's trading performance and cash flows in the context of the uncertain global economic environment and the other principal risks to the Group's performance. After reviewing Group and Company cash balances, projected cash flows, and the borrowing facilities available to the Group, 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 carefully considered the Group's operating plan and budget and projections contained in the detailed longer term business plan. For this reason, they continue to adopt the going concern basis in preparing the half year report.

2. SEGMENTAL INFORMATION

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

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Open stores			
Self storage income	**45,856**	41,965	84,900
Other storage related income	**7,800**	7,374	14,568
Ancillary store rental income	**255**	141	354
	53,911	49,480	99,822
Other revenue			
Non-storage income	**448**	325	808
Management fees	**434**	406	752
Revenue per income statement	**54,793**	50,211	101,382
Investment income (see note 3)	**13**	9	15
Total revenue per IAS 18	**54,806**	50,220	101,397

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

Further analysis of the Group's operating revenue and costs can be found in the Portfolio Summary.

The seasonality of the business is discussed in note 18.

3. INVESTMENT INCOME

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Bank interest receivable	**13**	9	15
Unwinding of discount on Capital Goods Scheme receivable	**200**	194	388
Total interest receivable	**213**	203	403
Fair value movement on derivatives	**–**	482	–
Total investment income	**213**	685	403

4. FINANCE COSTS

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Interest on bank borrowings	**5,750**	5,449	11,187
Capitalised interest	**–**	(258)	(247)
Interest on finance lease obligations	**470**	464	926
Total interest payable	**6,220**	5,655	11,866
Change in fair value of interest rate derivatives	**971**	–	4
Total finance costs	**7,191**	5,655	11,870

5. 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.

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Current tax:			
– Current year	**325**	200	247
– Prior year	**–**	–	–
	325	200	247

6. ADJUSTED PROFIT BEFORE TAX

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Profit before tax	**57,748**	59,615	112,246
Gain on revaluation of investment properties – Group	**(31,577)**	(34,794)	(58,001)
Share of gain on revaluation of investment properties – associates (net of deferred tax)	**(267)**	(450)	(566)
Change in fair value of interest rate swaps – Group	**971**	(482)	4
Share of change in fair value of interest rate swaps – associates	**54**	(5)	23
Acquisition costs written off	**296**	–	–
Prior period VAT recovery	**(328)**	–	–
Share of associate acquisition costs written off	**61**	–	–
Gains on surplus land	**–**	–	(4,754)
Adjusted profit before tax	**26,958**	23,884	48,952

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

7. DIVIDENDS

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2016 of 12.8p (2015: 11.3p) per share	**20,003**	17,541
Proposed interim dividend for the year ending 31 March 2017 of 13.5p (2016: 12.1p) per share	**21,155**	18,850

The proposed interim dividend of 13.5 pence per ordinary share will be paid to shareholders on 6 January 2017. The ex-div date is 8 December 2016 and the record date is 9 December 2016. The interim dividend is all Property Income Dividend.

8. EARNINGS PER ORDINARY SHARE

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of certain per share information and these are included in the following table.

	Six months ended 30 September 2016 (unaudited)			Six months ended 30 September 2015 (unaudited)			Year ended 31 March 2016 (audited)		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**57.4**	**156.3**	**36.7**	59.4	155.4	38.2	112.0	155.8	71.9
Dilutive share options	**–**	**1.1**	**(0.2)**	–	1.1	(0.2)	–	0.7	(0.3)
Diluted	**57.4**	**157.4**	**36.5**	59.4	156.5	38.0	112.0	156.5	71.6
Adjustments:									
Gain on revaluation of investment properties	**(31.6)**	**–**	**(20.1)**	(34.8)	–	(22.3)	(58.0)	–	(37.1)
Change in fair value of interest rate derivatives	**1.0**	**–**	**0.6**	(0.5)	–	(0.3)	–	–	–
Gains on surplus land	**–**	**–**	**–**	–	–	–	(4.8)	–	(3.1)
Acquisition costs written off	**0.3**	**–**	**0.2**	–	–	–	–	–	–
Prior period VAT recovery	**(0.3)**	**–**	**(0.2)**	–	–	–	–	–	–
Share of associates' non-recurring gains	**(0.2)**	**–**	**(0.1)**	(0.4)	–	(0.3)	(0.5)	–	(0.3)
EPRA – diluted	**26.6**	**157.4**	**16.9**	23.7	156.5	15.1	48.7	156.5	31.1
EPRA – basic	**26.6**	**156.3**	**17.0**	23.7	155.4	15.3	48.7	155.8	31.3

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

EPRA earnings per ordinary share, before the revaluation of investment properties, gains and losses on surplus land, the change in fair value of interest rate derivatives, one-off items of expenditure, and the Group's share of its associates' one-off items of expenditure, derivative and revaluation movements, has been disclosed to give a clearer understanding of the Group's underlying trading performance.

9. NON-CURRENT ASSETS

a) Investment property

	Investment property £000	Investment property under construction £000	Interests in leasehold properties £000	Total £000
At 1 April 2016	1,092,210	33,945	20,165	1,146,320
Additions	15,387	774	1,871	18,032
Adjustment to present value	–	–	555	555
Revaluation	32,189	(612)	–	31,577
Depreciation	–	–	(557)	(557)
At 30 September 2016	**1,139,786**	**34,107**	**22,034**	**1,195,927**

Capital commitments at 30 September 2016 were £nil (31 March 2016: £2.9 million). Additions to the interests in leasehold properties relate to the leasehold at Twickenham 2, acquired from Lock and Leave during the period.

b) Plant, equipment and owner-occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Total £000
Cost						
At 1 April 2016	2,183	101	592	25	1,498	4,399
Additions	–	–	127	26	293	446
Disposal	–	–	–	(26)	–	(26)
Retirement of fully depreciated assets	–	–	(23)	–	(319)	(342)
At 30 September 2016	**2,183**	**101**	**696**	**25**	**1,472**	**4,477**
Accumulated depreciation						
At 1 April 2016	(367)	(52)	(197)	(25)	(353)	(994)
Charge for the period	(21)	(1)	(58)	(1)	(286)	(367)
Disposals	–	–	–	26	–	26
Retirement of fully depreciated assets	–	–	23	–	319	342
At 30 September 2016	**(388)**	**(53)**	**(232)**	**–**	**(320)**	**(993)**
Net book value						
At 30 September 2016	**1,795**	**48**	**464**	**25**	**1,152**	**3,484**
At 31 March 2016	1,816	49	395	–	1,145	3,405

c) Goodwill

Goodwill relates to the purchase of Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment or more frequently if there are indicators of impairment. The carrying value of £1.4 million remains unchanged from the prior year as there is considered to be no indication of impairment in the value of the asset.

9. NON-CURRENT ASSETS (continued)

d) Investment in associates

Armadillo Partnerships

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		
	30 September 2016 (unaudited) £000	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000	**30 September 2016 (unaudited) £000**	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
At the beginning of the period	**4,173**	3,638	3,638	**2,233**	1,934	1,934
Share of results (see below)	**273**	240	718	**284**	520	386
Dividends	**(104)**	(89)	(183)	**(87)**	–	(87)
At the end of the period	**4,342**	3,789	4,173	**2,430**	2,454	2,233

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

On 27 October 2016, Armadillo 1 declared an interim dividend of £572,000 and Armadillo 2 declared an interim dividend of £456,000, of which the Group's share is £114,000 and £91,000 respectively.

9. NON-CURRENT ASSETS (continued)

d) Investment in associates

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

	Armadillo 1			Armadillo 2		
	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000	**Six months ended 30 September 2016 (unaudited) £000**	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Income statement (100%)						
Revenue	**3,098**	2,427	4,829	**2,088**	2,045	4,139
Cost of sales	**(1,606)**	(1,262)	(2,560)	**(925)**	(876)	(1,954)
Administrative expenses	**(34)**	(38)	(77)	**(50)**	(56)	(97)
Operating profit	**1,458**	1,127	2,192	**1,113**	1,113	2,088
Gain on the revaluation of investment properties	**639**	385	2,340	**986**	2,430	1,111
Net interest payable	**(350)**	(259)	(514)	**(387)**	(390)	(688)
Acquisition costs written off	**(303)**	–	–	**–**	–	–
Fair value movement of interest rate derivatives	**(98)**	22	(9)	**(173)**	4	(104)
Current and deferred tax	**20**	(77)	(421)	**(120)**	(558)	(478)
Profit attributable to shareholders	**1,366**	1,198	3,588	**1,419**	2,599	1,929
Dividends paid	**(520)**	(447)	(916)	**(434)**	–	(434)
Retained profit	**846**	751	2,672	**985**	2,599	1,495
Balance sheet (100%)						
Investment property	**39,442**	30,752	32,825	**25,979**	25,848	24,825
Interest in leasehold properties	**–**	–	–	**3,668**	4,082	3,809
Other non-current assets	**1,552**	1,014	1,015	**1,487**	1,491	1,490
Current assets	**823**	1,057	888	**2,995**	1,089	845
Current liabilities	**(1,613)**	(1,533)	(1,193)	**(1,663)**	(1,980)	(1,840)
Derivative financial instruments	**(305)**	(175)	(207)	**(312)**	(31)	(139)
Non-current liabilities	**(18,188)**	(12,171)	(12,463)	**(20,004)**	(18,230)	(17,825)
Net assets (100%)	**21,711**	18,944	20,865	**12,150**	12,269	11,165
Group share (20%)						
Operating profit	**292**	225	439	**222**	223	418
Gain on the revaluation of investment properties	**128**	77	468	**197**	486	222
Net interest payable	**(70)**	(51)	(103)	**(77)**	(78)	(138)
Acquisition costs written off	**(61)**	–	–	**–**	–	–
Fair value movement of interest rate derivatives	**(20)**	4	(2)	**(34)**	1	(21)
Current and deferred tax	**4**	(15)	(84)	**(24)**	(112)	(95)
Profit attributable to shareholders	**273**	240	718	**284**	520	386
Dividends paid	**(104)**	(89)	(183)	**(87)**	–	(87)
Retained profit	**169**	151	535	**197**	520	299
Associates' net assets	**4,342**	3,789	4,173	**2,430**	2,454	2,233

The investment property is carried at Directors' valuation. The prior year 30 September balance sheet and income statement have been restated for Armadillo 2 to reflect finance lease accounting for the short leasehold property. There is no change to the prior period net assets or profit.

10. SURPLUS LAND

	£000
At 1 April 2016	300
Disposal	(300)
At 30 September 2016	**–**

The surplus land was sold at book value during the period.

11. TRADE AND OTHER RECEIVABLES

	30 September 2016 (unaudited) £000	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
Current			
Trade receivables	**3,431**	3,848	3,050
Capital Goods Scheme receivable	**3,978**	2,996	2,866
Other receivables	**213**	68	241
Prepayments and accrued income	**6,746**	6,600	10,065
	14,368	13,512	16,222
Non-current			
Capital Goods Scheme receivable	**4,006**	6,421	6,561

12. TRADE AND OTHER PAYABLES

	30 September 2016 (unaudited) £000	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
Current			
Trade payables	**5,722**	7,536	10,453
Other payables	**8,503**	8,143	10,592
Accruals and deferred income	**15,157**	14,187	15,077
	29,382	29,866	36,122

13. BORROWINGS

	30 September 2016 (unaudited) £000	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
Aviva mortgage	**2,299**	2,189	2,243
Current borrowings	**2,299**	2,189	2,243
Aviva mortgage	**88,791**	91,090	89,955
M&G mortgage	**70,000**	70,000	70,000
Bank borrowings	**150,000**	118,000	150,000
Unamortised debt arrangement costs	**(3,277)**	(3,440)	(3,435)
Non-current borrowings	**305,514**	275,650	306,520
Total borrowings	**307,813**	277,839	308,763

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The loss in the income statement for the period of these interest rate swaps was £971,000 (2015: gain of £482,000). At 30 September 2016 the Group and the Armadillo Partnerships were in compliance with all loan covenants.

14. ADJUSTED NET ASSETS PER SHARE

	30 September 2016 (unaudited) £000	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
Basic net asset value	**868,249**	794,482	829,387
Exercise of share options	**884**	718	700
EPRA NNNAV	**869,133**	795,200	830,087
Adjustments:			
Fair value of derivatives	**4,654**	3,197	3,683
Fair value of derivatives – share of associates	**123**	41	69
Share of deferred tax on revaluations in associates	**631**	538	573
EPRA NAV	**874,541**	798,976	834,412
Basic net assets per share (pence)	**554.3**	510.0	530.8
EPRA NNNAV per share (pence)	**548.6**	503.5	525.5
EPRA NAV per share (pence)	**552.0**	505.9	528.3
EPRA NAV (£000)	**874,541**	798,976	834,412
Valuation methodology assumption (£000) (see note 15)	**66,674**	48,028	64,560
Adjusted net asset value (£000)	**941,215**	847,004	898,972
Adjusted net assets per share (pence)	**594.1**	536.4	569.1

14. ADJUSTED NET ASSETS PER SHARE (continued)

	No. of shares	No. of shares	No. of shares
Shares in issue	**157,765,696**	157,287,061	157,369,287
Own shares held in EBT	**(1,122,907)**	(1,500,000)	(1,122,907)
Basic shares in issue used for calculation	**156,642,789**	155,787,061	156,246,380
Exercise of share options	**1,797,279**	2,132,912	1,707,743
Diluted shares used for calculation	**158,440,068**	157,919,973	157,954,123

Basic net assets per share are shareholders' funds divided by the number of shares at the period end. Any shares currently held in the Group's Employee Benefit Trust are excluded from both net assets and the number of shares.

Adjusted net assets per share include:

- the effect of those shares issuable under employee share option schemes; and
- the effect of alternative valuation methodology assumptions (see note 15).

15. VALUATIONS OF INVESTMENT PROPERTY

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 period.

The freehold and leasehold investment properties have been valued at 30 September 2016 by the Directors. The valuation has been carried out in accordance with the same methodology as the year end valuations prepared by Cushman & Wakefield LLP. Please see the accounts for the year ended 31 March 2016 for details of this methodology.

The Directors' valuations reflect the latest cash flows derived from each of the stores at the end of September. In performing the valuation, the Directors consider that the core assumptions underpinning the valuations including the stabilised occupancy assumptions used, rental growth, and discount rates used by C&W in the March 2016 valuations, are still appropriate at the September valuation date.

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 costs 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 Directors have therefore carried out a valuation on the above basis, and this results in a higher property valuation at 30 September 2016 of £1,240.0 million (£66.0 million higher than the value recorded in the financial statements). The valuations in the Armadillo Partnerships are £3.7 million higher than the value recorded in the financial statements, of which the Group's share is £0.7 million. The sum of these is £66.7 million and translates to 42.1 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 14).

16. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The table below sets out the categorisation of the financial instruments held by the Group at 30 September 2016. Where the financial instruments are held at fair value the valuation level indicates the priority of the inputs to the valuation technique. The fair value 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). Valuations categorised as Level 2 are obtained from third parties. 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.

	Valuation level	**30 September 2016 (unaudited) £000**
Interest rate derivatives	2	(4,654)

17. 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.

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 period AnyJunk Limited provided waste disposal services to the Group on normal commercial terms amounting to £12,000.

Transactions with Armadillo

As described in note 9d, the Group has a 20% interest in Armadillo Storage Holding Company Limited and a 20% interest in Armadillo Storage Holding Company 2 Limited, and entered into transactions with the Companies during the period on normal commercial terms as shown in the table below.

	30 September 2016 (unaudited) £000	30 September 2015 (unaudited) £000	31 March 2016 (audited) £000
Fees earned from Armadillo 1	**306**	208	414
Fees earned from Armadillo 2	**128**	152	291
Balance due from Armadillo 1	**73**	138	103
Balance due from Armadillo 2	**20**	24	89

18. RISKS AND UNCERTAINTIES

The operational risks facing the Group for the remaining six months of the financial year are consistent with those outlined in the Annual Report for the year ended 31 March 2016. The outlook for the housing market and the economy is more uncertain than in March 2016 following the Brexit vote, but the risk mitigating factors listed in the 2016 Annual Report are still appropriate.

The value of Big Yellow's property portfolio is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can rise and fall due to external factors beyond management's control. The uncertainties in global financial markets look set to continue. We have a high quality prime portfolio of assets which should help to mitigate the impact of this on the Group.

Self storage is a seasonal business, and over the last five years we have seen losses in occupancy of c. 2-4% in the December quarter. The New Year typically sees an increase in activity, occupancy and revenue growth. The visibility we have in the business is relatively limited at three to four weeks and is based on the net reservations we have in hand, which are currently in line with our expectations.

There is a risk that our customers may default on their rent payments, however we have not seen an increase in bad debts over the past few years. We have 53,000 customers and this, coupled with the diversity of their reasons for using storage, mean the risk of individual tenant default to Big Yellow is low. 83% of our customers pay by direct debit and we take a deposit from all customers. Furthermore, we have a right of lien over customers' goods, so in the ultimate event of default, we are able to auction the goods to recover the debts.

19. ACQUISITION OF LOCK AND LEAVE

On 28 April 2016 the Group acquired the entire share capital and hence 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 property value 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**

Independent Review Report to Big Yellow Group PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprises the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, the reconciliation of net cash flow to movement in net debt and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

21 November 2016

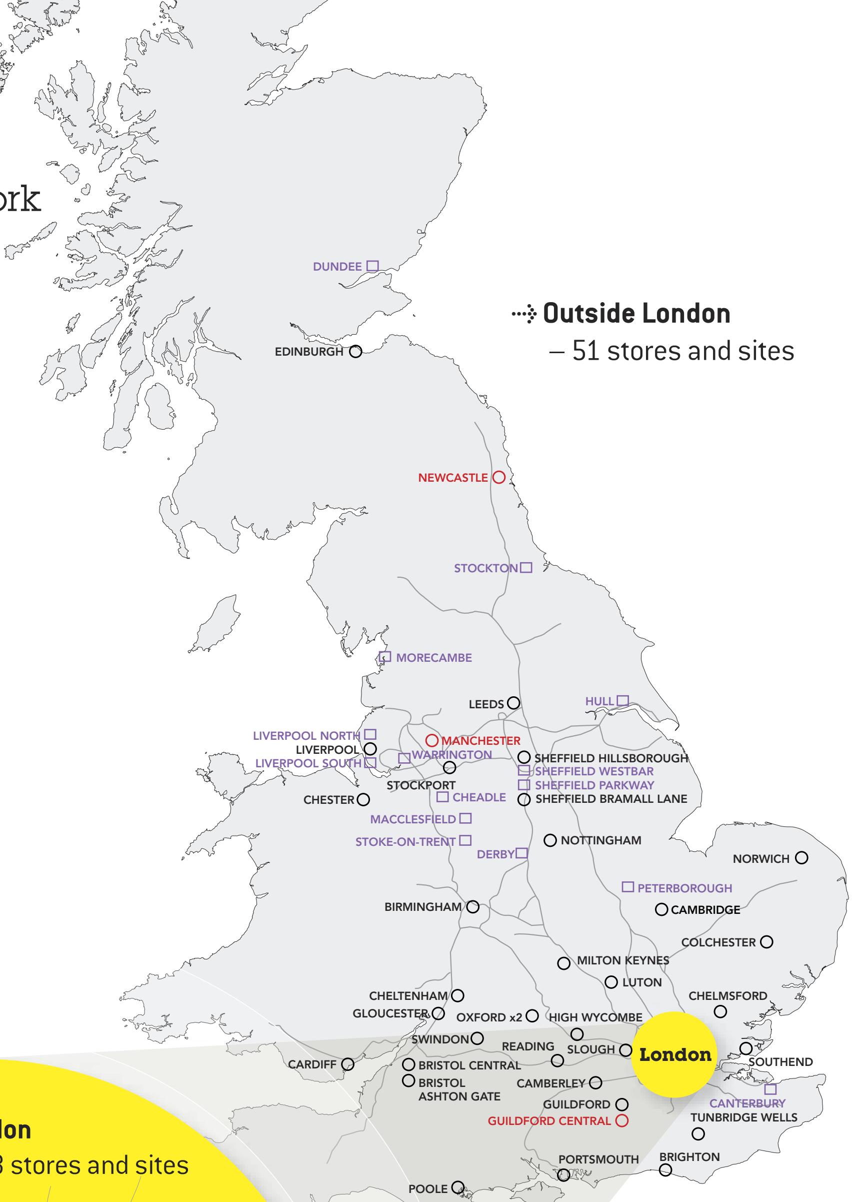
Our Portfolio

An extensive national network

Our customers like our modern, highly visible, purpose built stores which are situated in easily accessible locations.

We have an unrivalled portfolio across London, the South East and large metropolitan cities, with a network of 89 stores.

Our highly visible stores reinforce our brand 24/7



73 easy to find, high profile locations provide convenience for customers and unmissable exposure for the Big Yellow brand.

16 Armadillo stores further broaden our national coverage.

High profile locations.

KEY

- 73 Big Yellow stores
- 5 New Big Yellow stores under development
- 16 Armadillo stores

You can access
more information
about us on our website

bigyellow.co.uk

Thinking about our Customers

It's the reason we exist

think... people
service
security
locations
facilities
innovation
growth

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