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

KPMG

1. Our opinion is unmodified

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

In our opinion:

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

Basis for opinion

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

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

Overview

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

Risks of material misstatement

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

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

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

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

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

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

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

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

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

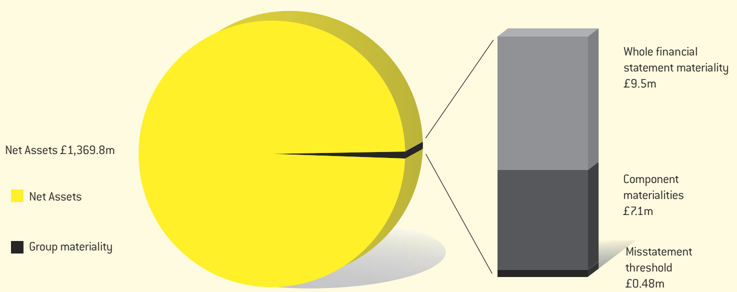
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements relating to line items above group profit before tax exceeding £475,000 and those relating to Balance Sheet classification exceeding £1.0m, in addition to other identified misstatements that warranted reporting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

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

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

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

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



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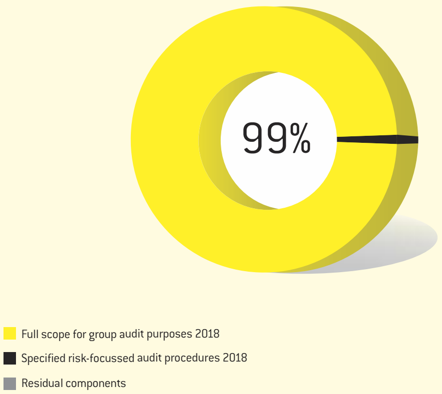

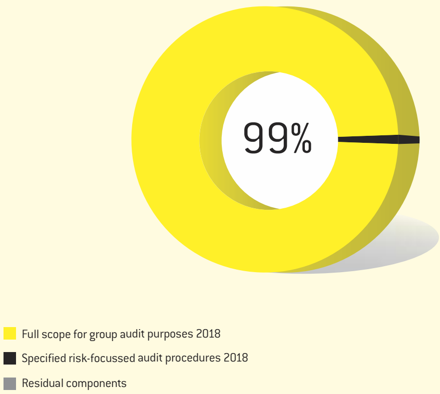

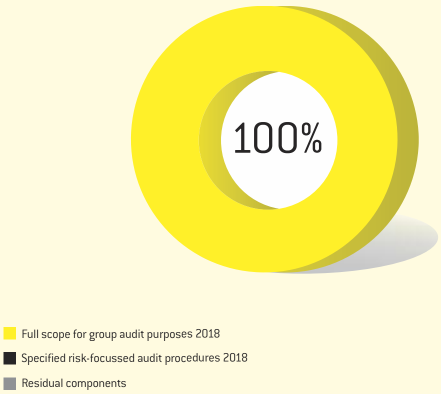

4. We have nothing to report on going concern

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

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

Strategic report and Directors' report

Based solely on our work on the other information:

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

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

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

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

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

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

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

Corporate governance disclosures

We are required to report to you if:

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

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

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

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

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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