Notes to the Financial Statements

Year ended 31 March 2018

1. GENERAL INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial statements

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

New and revised IFRSs in issue but not yet effective

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

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

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

IFRS 9 – Financial Instruments

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 – Revenue Recognition

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

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

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

IFRS 16 – Leases

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

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

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

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted, which have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements in the current and preceding year, are set out below:

Going concern

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

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

Basis of consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

Intangible assets

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

Investment in associates

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

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

Revenue recognition

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

Other storage related income comprises:

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

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

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

Operating leases

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

Borrowings

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

Finance costs and income

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Debt modification

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

Non-recurring items of income and expenditure

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

Operating profit

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

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset as there is a legally enforceable right to set off current tax assets against current tax liabilities.

Plant, equipment and owner occupied property

All property, plant and equipment, not classified as investment property, is carried at historic cost less depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and investment properties, less any residual value over their estimated useful lives, using the straight-line method, on the following bases:

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property
The criteria used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and/or for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS 40, investment property held as a leasehold is stated gross of the recognised finance lease liability.

Gains or losses arising from the changes in fair value of investment property are included in the statement of comprehensive income for the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Leasehold properties that are leased under operating leases are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception, and is shown within note 21. Lease payments are apportioned between finance charges and a reduction of the outstanding lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Investment property under construction
Investment property under construction is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers.

Gains or losses arising from the changes in fair value of investment property under construction are included in the statement of comprehensive income in the period in which they arise.

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

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

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

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

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

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

B – Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

C – Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

D – Cash and cash equivalents

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

E – Financial liabilities and equity

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

F – Equity instruments

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

G – Trade payables

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

Retirement benefit costs

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

Share-based payments

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

Fair value is measured by use of the Black-Scholes model and excludes the effect of non-market based vesting conditions. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recovered in the income statement such that the cumulative expenses reflects the revised estimate with a corresponding adjustment to equity reserves.

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

Critical accounting estimates and judgements

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

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

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

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

Judgement of business combinations

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

3. REVENUE

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

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

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

4. SEGMENTAL INFORMATION

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

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

5. PROFIT FOR THE YEAR

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

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

b) Analysis of auditor's remuneration:

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

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

6. EMPLOYEE COSTS

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

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

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

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

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

7. INVESTMENT INCOME

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

8. FINANCE COSTS

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

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

9. TAXATION

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

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

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

A reconciliation of the tax charge is shown below:

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

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

10. ADJUSTED PROFIT

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

10. ADJUSTED PROFIT (continued)

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

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

11. DIVIDENDS

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

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

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

12. EARNINGS PER SHARE

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

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

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

13. NET ASSETS PER SHARE

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

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

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

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

14. NON-CURRENT ASSETS

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

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

14. NON-CURRENT ASSETS (continued)

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

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

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

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

b) Plant, equipment and owner occupied property

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

c) Intangible assets

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

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

d) Investment in associates

Armadillo

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

14. NON-CURRENT ASSETS (continued)

d) Investment in associates (continued)

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

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

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

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

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

15. VALUATION OF INVESTMENT PROPERTY

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

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

The wholly owned freehold and leasehold investment properties have been valued at 31 March 2018 by external valuers, Cushman & Wakefield ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Global Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential, as appropriate.

The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- one of the members of the RICS who has been a signatory to the valuations provided to the Group for the same purposes as this valuation, has done so since September 2004. This is the third occasion on which the other member has been a signatory;
- C&W have been carrying out this annual valuation for the same purposes as this valuation on behalf of the Group since September 2004;
- C&W do not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of the total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per store, and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self storage property. C&W note that in the UK since Q1 2015 there have only been thirteen transactions involving multiple assets and ten single asset transactions. C&W state that due to the lack of comparable market information in the self storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

Portfolio Premium

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

15. VALUATION OF INVESTMENT PROPERTY (continued)

Assumptions

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

B. The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 74 trading stores (both freeholds and leaseholds) open at 31 March 2018 averages 83.6% (31 March 2017: 82.8%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 74 stores to trade at their maturity levels is 16 months (31 March 2017: 22 months).

C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 74 stores is 6.5% (31 March 2017: 6.5%) rising to a stabilised net yield pre-administration expenses of 6.9% (31 March 2017: 7.2%). The weighted average exit capitalisation rate adopted (for both freeholds and leaseholds) is 6.3% (31 March 2017: 6.6%).

D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 9.4% (31 March 2017: 9.7%).

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

Short leasehold

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 14.0 years (31 March 2017: 15.0 years unexpired).

Sensitivities

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

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

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

Investment properties under construction

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

15. VALUATION OF INVESTMENT PROPERTY (continued)

Immature stores: value uncertainty

C&W have assessed the value of each property individually. However, two of the Group's stores are relatively immature and have low initial cash flows. C&W have endeavoured to reflect the nature of the cash flow profile for these properties in their valuation, and the higher associated risks relating to the as yet unproven future cash flows, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction. Please note C&W's comments in relation to market uncertainty in the self storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios. C&W state that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short-term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W have not adjusted their opinion of Fair Value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, they highlight the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the market place. C&W consider this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value. As noted above, C&W have not assumed that the entire portfolio of properties owned by the entity would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly from the aggregate of the individual values for each property in the portfolio, reflecting the lotting assumption described above.

Valuation assumption for purchaser's costs

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

16. TRADE AND OTHER RECEIVABLES

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

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

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

16. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

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

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

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

Ageing of past due but not impaired receivables

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

Movement in the allowance for doubtful debts

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

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

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

17. TRADE AND OTHER PAYABLES

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

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

18. FINANCIAL INSTRUMENTS

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

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

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

A. Balance sheet management

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

The gearing ratio at the year end is as follows:

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

B. Debt management

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

18. FINANCIAL INSTRUMENTS (continued)

C. Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

At 31 March 2018 the Group had two interest rate derivatives in place; £30 million fixed at 0.4% (excluding the margin on the underlying debt instrument) until October 2021, and £35 million fixed at 0.76% (excluding the margin on the underlying debt instrument) until June 2023.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

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

The £35 million interest rate swap settles on a three-monthly basis. The floating rate on the interest rate swap is three month LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the statement of comprehensive income. A reconciliation of the movement in derivatives is provided in the table below:

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

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

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

D. Interest rate sensitivity analysis

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

At 31 March 2018, it is estimated that an increase of 0.25 percentage points in interest rates would have reduced the Group's adjusted profit before tax and net equity by £445,000 (2017: reduced adjusted profit before tax by £375,000) and a decrease of 0.25 percentage points in interest rates would have increased the Group's adjusted profit before tax and net equity by £445,000 (2017: increased adjusted profit before tax by £375,000). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

The Group's sensitivity to interest rates has increased during the year, following the increase in the amount of floating rate debt. The Board monitors closely the exposure to the floating rate element of our debt.

E. Cash management and liquidity

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

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

18. FINANCIAL INSTRUMENTS (continued)

F. Foreign currency management

The Group does not have any foreign currency exposure.

G. Credit risk

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

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

H. Financial maturity analysis

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

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

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

I. Fair values of financial instruments

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

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

18. FINANCIAL INSTRUMENTS (continued)

J. Maturity analysis of financial liabilities

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

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

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

K. Reconciliation of maturity analyses

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

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

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

19. BORROWINGS

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

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

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

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

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

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

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

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

Interest rate profile of financial liabilities

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

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

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

20. DEFERRED TAX

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

21. OBLIGATIONS UNDER FINANCE LEASES

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

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

22. SHARE CAPITAL

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

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

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

22. SHARE CAPITAL (continued)

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

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

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

OWN SHARES

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

23. SHARE-BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely an LTIP scheme (with approved and unapproved components), an Employee Share Save Scheme ("SAYE") and a Long Term Bonus Performance Plan. The Group recognised a total expense in the year related to equity-settled share-based payment transactions of £2,470,000 (2017: £2,324,000).

Equity-settled share option plans

Since 2004 the Group has operated an Employee Share Save Scheme ("SAYE") which allows any employee who has more than six months service to purchase shares at a 20% discount to the average quoted market price of the Group shares at the date of grant. The associated savings contracts are three years at which point the employee can exercise their option to purchase the shares or take the amount saved, including interest, in cash. The scheme is administered by Yorkshire Building Society.

On an annual basis since 2004 the Group awarded nil-paid options to senior management under the Group's Long Term Incentive Plan ("LTIP"). The awards are conditional on the achievement of challenging performance targets as described on page 76 of the Remuneration Report. The awards granted in 2004, 2005 and 2006 vested in full. The awards granted in 2007 and 2009 lapsed, and the awards granted in 2008 and 2010 partially vested. The awards granted in 2011, 2012, 2013 and 2014 fully vested. The weighted average share price at the date of exercise for options exercised in the year was £7.25 (2017: £7.38).

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

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

23. SHARE-BASED PAYMENTS (continued)

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

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

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

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

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

Long Term bonus performance plan

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

24. CAPITAL COMMITMENTS

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

25. EVENTS AFTER THE BALANCE SHEET DATE

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

26. CASH FLOW NOTES

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

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

b) Reconciliation of net cash flow movement to net debt

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

27. RELATED PARTY TRANSACTIONS

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

Transactions with Armadillo Storage Holding Company Limited

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

Transactions with Armadillo Storage Holding Company 2 Limited

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

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

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

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

AnyJunk Limited

James Gibson is a Non-Executive Director and shareholder in AnyJunk Limited and Adrian Lee is a shareholder in AnyJunk Limited. During the year AnyJunk Limited provided waste disposal services to the Group on normal commercial terms, amounting to £37,000 (2017: £36,000).

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

28. PROFIT/(LOSS) FOR THE YEAR

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

29. BASIS OF ACCOUNTING

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

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

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

Going concern

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

Investment in subsidiaries

These are recognised at cost less provision for any impairment.

IFRIC 11, IFRS 2 Group and Treasury Share Transactions

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

30. NON-CURRENT ASSETS

a) Plant, equipment and owner occupied property

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

30. NON-CURRENT ASSETS (continued)

b) Investments in subsidiary companies

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

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

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

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

Audit exemption statement

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

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

31. TRADE AND OTHER RECEIVABLES

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

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

32. TRADE AND OTHER PAYABLES

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

33. BANK BORROWINGS AND FINANCIAL INSTRUMENTS

Interest rate derivatives

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

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

Maturity profile of financial liabilities

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

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

34. FINANCIAL INSTRUMENTS

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

35. RELATED PARTY TRANSACTIONS

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

36. NOTES TO THE COMPANY CASH FLOW STATEMENT

Reconciliation of profit after tax to cash generated from operations

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

37. GLOSSARY

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

37. GLOSSARY (continued)

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