Independent Auditors' Report to the Members of Big Yellow Group PLC

Opinion on financial statements of Big Yellow Group PLC	In our opinion the financial statements: > the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2015 and of the Group's profit for the year then ended; > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; > the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
Going concern	As required by the Listing Rules we have reviewed the Directors' statement contained within the Strategic Report that the Group is a going concern. We confirm that: > we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and > we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Investment property valuation *See also note 14 to the financial statements, and the Audit Committee's Report on pages 84 to 86.* At 31 March 2015, the Group held wholly-owned investment properties and investment properties under construction valued at £1,022.8 million. In addition the Group acquired a 20% equity share in two associate entities, Armadillo Storage Holding Company Limited (the "Armadillo portfolio") and Armadillo Storage Holding Company 2 Limited (the "Big Store Portfolio") (together "the Associates"), for which equity accounting has been applied – see note 13. The Associates control investment properties with a combined value of £53.3 million. Investment properties are held at fair value on the balance sheet. The net valuation gain, relating to Group held properties was £64.5 million, which was recognised through the Consolidated Income Statement during the year. The net valuation gain relating to the properties held by the Associates was £11.5 million on a gross basis (£2.3 million Group share). The fair values at 31 March 2015 are calculated using actual and forecast inputs, such as occupancy, capitalisation rates, an assessment of cost to complete for investment properties under construction and net rent per square foot by property. In addition, the valuers apply professional judgment concerning market conditions and factors impacting individual properties. The valuation process is inherently judgemental, which is why we consider this to be a risk of material misstatement. In particular, changes in assumptions such as the capitalisation rates, forecast rent per square foot, forecast occupancy levels and in the case of investment property under construction, cost to complete, can lead to significant movements in the value of the property, as can changes in the underlying market conditions.	We assessed the design and implementation of controls around the property valuations by considering the level of management oversight and review of the valuations prepared by the external valuation specialists engaged by management, who have been named in note 14; We tested the integrity of the information provided by management to the valuers by agreeing key inputs such as actual occupancy and net rent per square foot to underlying records and source evidence; We modelled eight years of valuations and key valuation inputs of the investment property portfolio, to understand the historical trends of key inputs and compared these against the key forecast assumptions included in the property valuation; We met with the valuers covering both the Group and Associate portfolios. We assessed their independence, the scope of the work they were requested to perform by management, and the valuation methodology applied. For each property we identified as having significant or unusual valuation movements (compared to market data or previous periods), we challenged the valuers on the key assumptions applied. Our challenge was informed by input from our internal valuation specialists, utilising their knowledge and expertise in the market at a macro level and the relevant geographies to challenge the key judgmental inputs noted adjacent. We also researched comparable transactions and understood trends in analogous industries. We understood the rationale for outlying valuations or movements and obtained corroborative evidence. We also assessed the valuations for a sample of other properties; and We visited a sample of properties to assess the condition of the buildings.

Risk	How the scope of our audit responded to the risk
Fair value assessments in the acquisition of the Partnership See also note 13 to the financial statements and the Audit Committee's Report on pages 84 to 86. On 1 December 2014 (the "Acquisition Date"), the Group acquired the residual 66.7% interest in the Big Yellow Partnership Limited ("the Partnership"). The Group had a pre-existing interest of 33.3%. IFRS 3: Business Combinations require management to make the following assessments as part of the step acquisition accounting; > Determine the fair value of the consideration; > Determine the fair value of the pre-existing associate interest; > Determine the fair value of the net assets acquired; and > Identify and recognise any intangible assets that are identifiable and separable. The material asset was the investment property assets acquired. The fair valuation of the pre-existing associate interest and the fair value of the investment properties acquired are particularly subjective in that they rely on the application of management's judgment.	We tested the design and implementation of controls associated with business combination accounting. This centred around assessing whether the financial accounting was subject to sufficient management and technical review; We reviewed in detail the acquisition agreement and related documents to understand the commercial terms of the transaction; We agreed the consideration to the cash paid; We considered management's assessment of the factors which impact the fair value of the pre-existing interest and consulted with our valuation specialists to challenge these assumptions; We challenged the Directors' valuation prepared by management and met with the valuers of the investment properties, given the Directors' valuation was based on the September 2014 valuations, adjusted for two months growth to the Acquisition Date. We have challenged the valuers and management on the assumptions incorporated in the investment property valuation; We tested the completeness of management's assessment of intangibles by considering the application guidance offered in IFRS 3 and, including a consultation with our valuation specialists, to challenge the conclusion that there were no identifiable and separable intangible assets; and We have tested the other material components of the acquisition balance sheet in detail.

Last year, our report included one other risk which is not included in our report this year:

- **Valuation of VAT capital goods scheme (CGS) receivable** – the complexity arising from the VAT structure of the Group and in particular its impact on the recovery of the capital goods scheme receivable of £9.2m (2014: £9.0m), was simplified in the year ended 31 March 2015 due to the merging of VAT groups. Furthermore, the successful claim by a competitor of Big Yellow has established a precedent for Big Yellow's proposed basis of recovery.
- The only fluctuation in this balance in the year ended 31 March 2015 relates to the unwinding of the discount applied on initial recognition and annual repayment of the receivable, neither of which are judgmental in nature.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 84 to 86.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

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

We determined materiality for the Group to be £6.9 million (2014: £4.2 million), based on professional judgment, the requirements of auditing standards and the financial measures most relevant to users of the financial statements. We have used 1.0% of net assets (2014: 0.5% of non-current assets) as the benchmark for determining materiality. We concluded that determining materiality based on net assets was more consistent with industry peers, in particular real estate investment trusts, and because it reflects the measure of most interest to investors. We note the change in base accounted for £1.7m of the £2.7m increase in materiality.

In addition to net assets, we consider adjusted profit before tax to be a critical financial performance measure for the Group on the basis that it is a key metric to analysts and investors and has substantial prominence in the Annual Report. Adjusted profit before tax is £39.4m (2014: £29.2m), which is reconciled to IFRS profit after tax attributable to equity holders of the parent in Note 10 of the financial statements. We applied a lower threshold of £1.9 million (2014: £1.4 million) for testing all balances impacting adjusted profit before tax. This lower threshold was based on 5% (2014: 5%) of adjusted profit before tax.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £138,000 (2014: £80,000), which in both years equates to 2% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit	Our audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement. As in the prior year the Group audit team performed the audits of all non-dormant entities within the Group given they are all located in the United Kingdom and operate from a single location with consistent financial systems. As such, the scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets. During the year, the Group acquired 20% of the equity of the Associates. The Group equity accounts for these interests and the equity interest in Armadillo Storage Holding Company Limited and Armadillo Storage Holding Company 2 Limited amounts to £3.6m and £1.9m respectively. The Group also manages these portfolios. We have performed audit procedures on the significant balances and transactions in these entities for the purposes of supporting the Group audit opinion. In each case, we have attended a valuation meeting with the external valuer to challenge key assumptions and obtain comfort over the investment property values in these vehicles. The Group audit team continued to follow a programme of planned visits. At each site visited we undertook a stock count, tested the design and implementation of key controls around cash such as bank reconciliations and cash holding limits, agreed cash balances to bank reconciliations and held discussions with store staff. We also verified a sample of fixed assets.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: > we have not received all the information and explanations we require for our audit; or > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or > the Parent Company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: > materially inconsistent with the information in the audited financial statements; or > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or > otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

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

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

Scope of the audit of the financial statements

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

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Chartered Accountants and Statutory Auditor
Reading, United Kingdom
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