

# Notes to the Financial Statements

Year ended 31 March 2009

## 1. GENERAL INFORMATION

Big Yellow Group PLC is a company incorporated in Great Britain under the Companies Act 1985. 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 Business Review on pages 12 to 19.

These financial statements are presented in pounds sterling because that is the currency of the economic environment in which the Group operates.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Adoption of new and revised standards

In the current year, the Group has adopted IAS 23 (revised) Borrowing Costs. The prior year comparatives have been restated to reflect this change in accounting policy. The impact on the current and prior periods is shown in the table below:

	2009 £000	2008 £000
<i>Income statement</i>		
Decrease in interest payable	1,924	1,691
Increase/decrease in revaluation (deficit)/surplus	(1,810)	(910)
Decrease/increase in (loss)/profit after tax	114	781
<i>Balance sheet</i>		
Increase in development assets	895	781
Increase in net assets	895	781
<i>Impact on earnings per share</i>		
Decrease/increase in (loss)/earnings per share – basic	0.10p	0.68p
Decrease/increase in (loss)/earnings per share – diluted	0.10p	0.67p

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 12 Service Concession Arrangements and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 3 (revised 2008)	Business Combinations
IFRS 8	Operating Segments
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-Cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

Improvements to IFRSs (2008): IAS 1, IAS 18, IAS 27, IAS 28, IAS 29, IAS 31, IAS 32, IAS 36, IAS 40, IAS 41, IFRS 1.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for an amendment to IAS 40 Investment Property (Improvements to IFRSs (May 2008)). Investment property in the course of construction will be recognised in investment property and measured at fair value. Currently investment property in the course of construction is included in development property. It is not possible to quantify at present the impact that this is expected to have on the Group's financial statements when the amendment is adopted. Development property is carried at cost less provision for impairment, and is not fair valued. The Group is not able to predict the future fair values of these assets.

### Basis of accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee, as adopted by the European Union, relevant to its operations and effective for accounting periods beginning on or after 1 April 2008.

The financial statements have been prepared on the historic cost basis except that investment properties and derivative financial instruments are stated at fair value. The principal accounting policies adopted are set out below.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 12 to 23 of the Operating and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes in 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 Operating and Financial Review.

After reviewing Group and Company cash balances, borrowing facilities 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 ended 31 March 2010 and projections contained in the longer term business plan. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment, the shortage of credit available in the bank finance market in particular and the other principal risks to the Group's performance. 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 govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Other than the adoption of IAS 23 (Revised) as described earlier, the principal accounting policies 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.

The Group accounts consolidate the accounts 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 income statement 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, plus any costs directly attributable to the business combination. 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 fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

### Investment in subsidiaries

These are recognised at cost less provision for any impairment.

### Investment in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale (see below). 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 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.

### Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

### Revenue recognition

Revenue represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Income is recognised over the period for which the storage unit is occupied by the customer. The Group recognises non-storage income over the period in which it is earned. The Group recognises investment income over the period in which it is earned.

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

Management fees earned are recognised over the period for which the services are provided. Franchise fees are recognised in the income statement as they fall contractually due to the Group.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### Bank borrowings

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

### Finance costs

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

### Operating (loss)/profit

Operating (loss)/profit is stated after gains and losses on non-current assets, 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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Plant, equipment & owner occupied property

All property, plant and equipment, not classified as investment or development property, are 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 properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold property	50 years
Freehold improvements	20 years
Leasehold improvements	Over period of the lease
Plant and machinery	10 years
Fixtures and fittings	5 years
Computer equipment	3 years

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

### Investment property

The criterion used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS40, investment property held 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 income statement of the period in which they arise. In accordance with IAS40, 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 or development properties, as appropriate, 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 13a. 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.

### Development property

Properties and land under development are recognised at historic cost less any provision for impairment. The assets are transferred to investment properties once the store has opened to customers. Any gains and losses on development property are recognised through the income statement.

### Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's net selling price and its value-in-use (ie 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 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.

### 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 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 income statement 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 income statement.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### B – Loans and receivables

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

#### C – Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### D – Cash and cash equivalents

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

#### E – Financial liabilities and equity

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

#### F – Equity instruments

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

#### G – Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### H – Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

#### Retirement benefit costs

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

#### Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

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. 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.

#### 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.

#### a) Estimate of Fair Value of Investment Properties

The Group values its self storage centres 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 a biannual basis. Principal assumptions underlying management's estimation of the fair value are those related to: stabilised occupancy levels; the absorption period to these stabilised levels; expected future growth in storage rents and operating costs; maintenance requirements; capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 14 to the accounts.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Critical accounting estimates and judgements (continued)

#### b) Development Property

The Group's development properties are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for redevelopment into self storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing with other stores within the portfolio and within the local area. These judgements taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of planning negotiations, revised construction costs or capacity of the new facility, for example, to make an assessment of the carrying value of the development property at historic cost. Once a store is opened, then it is valued as an investment property in the Group's balance sheet and transferred from development properties. The Group reviews all development property assets for impairment at each balance sheet date.

## 3. REVENUE

Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 24.

	2009 £000	2009 £000	2008 £000	2008 £000
<b>Open stores</b>				
Self storage revenue	47,206		46,486	
Other storage related revenue	7,964		7,869	
Ancillary store rental revenue	96		114	
Revenue from stores closed for refurbishment and transferred to associate	–		690	
		55,266		55,159
<b>Stores under development</b>				
Non-storage income	1,636		1,473	
		1,636		1,473
<b>Fee income</b>				
Fees earned from Big Yellow Limited Partnership	1,368		138	
Other management fees earned	67		–	
		1,435		138
<b>Franchise income</b>				
Franchise fees received	150		100	
		150		100
<b>Revenue per income statement</b>		58,487		56,870
Investment income (see note 7)		381		289
<b>Total revenue per IAS 18</b>		58,868		57,159

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

## 4. SEGMENTAL INFORMATION

Revenue represents amounts derived from the provision of self storage accommodation and related services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one activity, the provision of self storage accommodation and related services. These all arise in the United Kingdom, with the exception of £150,000 of income which arose in the Emirate of Dubai (2008: £100,000 of income which arose in the Kingdom of Bahrain).

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 5. (LOSS)/PROFIT FOR THE YEAR

### a) (Loss)/profit for the year has been arrived at after:

	2009 £000	2008 (restated) £000
Depreciation of plant, equipment and owner-occupied property	729	650
Finance lease depreciation	690	719
Decrease/(increase) in fair value of investment property	52,848	(92,777)
Cost of inventories recognised as an expense	751	921
Employee costs (see note 6)	8,333	7,562
Operating lease rentals	80	75
Auditors' remuneration for audit services (see below)	142	140

### b) Analysis of auditors' remuneration:

	2009 £000	2008 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	135	133
Other services – audit of the Company's subsidiaries' annual accounts	7	7
Total audit fees	142	140
Tax services – compliance	40	–
Tax services – advisory	78	46
Other services – establishment of Big Yellow LP	–	169
– independent review of interim report	28	27
– other	–	3
Total non-audit fees	146	245

## 6. EMPLOYEE COSTS

The average monthly number of employees (including Executive Directors) was:

	2009 Number	2008 Number
Sales	194	176
Administration	45	42
	239	218

At 31 March 2009 the total number of Group employees was 273 (2008: 226)

	2009 £000	2008 £000
Their aggregate remuneration comprised:		
Wages and salaries	6,727	6,102
Social security costs	709	707
Other pension costs	304	262
Share-based payments	593	491
	8,333	7,562

Details of Directors' Remuneration is given on pages 42 to 48.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 7. INVESTMENT INCOME

	2009 £000	2008 £000
Interest receivable	381	289
	<b>381</b>	289

## 8. FINANCE COSTS

	2009 £000	2008 (restated) £000
Interest on bank borrowings	18,075	15,846
Capitalised interest	(1,924)	(1,691)
Interest on obligations under finance leases	1,319	1,508
Change in fair value of interest rate derivatives (see below)	17,967	3,382
Other interest payable	3	33
Refinancing costs	1,347	–
	<b>36,787</b>	19,078

Included within the £17,967,000 reported above, is £14,892,000 in respect of derivative positions that were closed out in March 2009.

Please see note 2 for details of the restatement. Interest is capitalised based on the prevailing average interest cost to the Group in each month.

## 9. TAXATION

UK current tax	2009 £000	2008 £000
Current tax:		
– Current year	1	302
– Adjustment in respect of prior year	(146)	(71)
– REIT conversion charge	–	90
Deferred tax (see note 19):		
– Current year	1,091	(1,322)
– Adjustment in respect of prior year	204	154
– Adjustment in respect of change in tax rate	–	77
	<b>1,150</b>	(770)

A reconciliation of the tax charge/(credit) is shown below:

	2009 £000	2008 (restated) £000
(Loss)/profit before tax	(71,489)	102,618
Tax (credit)/charge at 28% (2008 – 30%) thereon	(20,017)	30,785
Effects of:		
Adjustment in respect of prior year	204	83
REIT conversion charge	–	90
Revaluation of investment properties post-REIT	14,798	(27,833)
Permanent differences	4,930	(204)
Profits from the tax exempt business	478	(3,615)
Losses utilised in the year	(105)	(153)
Adjustment in respect of change in tax rate	–	77
Release of deferred tax	1,091	–
Land remediation relief	(146)	–
Temporary timing differences	(83)	–
<b>Total tax charge/(credit)</b>	<b>1,150</b>	(770)

Please see note 2 for details of the restatement.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 9. TAXATION (continued)

Analysis of deferred tax charge/(credit)	2009 £000	2008 £000
On losses and interest rate derivatives	1,295	(1,091)
<b>Deferred tax charge/(credit)</b>	<b>1,295</b>	<b>(1,091)</b>

In addition to the current year income statement tax charge of £1.2 million, there is a debit to reserves of £0.2 million in respect of the current tax deduction and the deferred tax arising on potential future deductions under Schedule 23, in respect of the exercise of employee share options.

On 15 January 2007, the Group converted to a REIT. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime a conversion charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was paid. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

## 10. ADJUSTED PROFIT BEFORE TAX

	2009 £000	2008 (restated) £000
(Loss)/profit before tax	(71,489)	102,618
Loss/(gain) on revaluation of investment properties – wholly owned	52,848	(92,777)
– in associate	885	187
Change in fair value of interest rate derivatives – group (see below)	17,967	3,382
– in associate	650	55
Loss on non-current assets	11,583	463
Prior year non-recurring costs	–	1,078
Refinancing costs	1,347	–
Adjusted profit before tax	13,791	15,006
Net bank and other interest	15,773	13,899
Depreciation	729	650
Adjusted EBITDA	30,293	29,555

Please see note 2 for details of the restatement

Included within the £17,967,000 reported above, is £14,892,000 in respect of derivative positions that were closed out in March 2009.

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

The net losses on non-current assets in 2009 are £11,583,000 comprised of a provision against development property of £11,588,000 and a provision against non-current assets held for sale of £800,000, offset by an £805,000 profit on the disposal of other development assets. (2008: loss of £463,000 comprising a provision against non-current assets held for sale of £1.0 million and a £537,000 profit on disposal of other development sites).

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 11. DIVIDENDS

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2008 of 5.5p (2007: 5.5p) per share.	6,309	6,278
Interim dividend for the year ended 31 March 2009 of 0p (2007: 4p) per share.	–	4,582
	<b>6,309</b>	10,860
Proposed final dividend for the year ended 31 March 2009 of nil p (2008: 5.5p) per share.	–	6,309

There is no Property Income Dividend (“PID”) payable for the current year. Included in the final dividend paid for the year ended 31 March 2008 is a PID of 0.15 pence per share (2007 final dividend: PID of 0.4 pence per share).

## 12. (LOSS)/EARNINGS AND NET ASSETS PER SHARE

### (Loss)/earnings per ordinary share

	Year ended 31 March 2009			Year ended 31 March 2008 (restated)		
	(Loss)/ earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic</b>	<b>(72.64)</b>	<b>115.55</b>	<b>(62.86)</b>	103.39	115.03	89.88
Adjustments:						
Dilutive share options	–	0.96	0.52	–	0.87	(0.68)
<b>Diluted</b>	<b>(72.64)</b>	<b>116.51</b>	<b>(62.34)</b>	103.39	115.90	89.20
Adjustments:						
Loss/(gain) on revaluation of investment properties	52.85	–	45.36	(92.78)	–	(80.05)
Change in fair value of interest rate derivatives	17.97	–	15.42	3.38	–	2.92
Loss on non-current assets	11.58	–	9.94	0.46	–	0.40
Prior year non-recurring costs	–	–	–	1.17	–	1.01
Refinancing costs	1.35	–	1.16	–	–	–
Share of associate non-recurring costs	1.54	–	1.32	0.24	–	0.21
Deferred tax	1.30	–	1.11	(1.09)	–	(0.94)
Tax effect of non-recurring items*	(0.09)	–	(0.08)	(1.19)	–	(1.03)
<b>Adjusted – diluted</b>	<b>13.86</b>	<b>116.51</b>	<b>11.89</b>	13.58	115.90	11.72
<b>Adjusted – basic</b>	<b>13.86</b>	<b>115.55</b>	<b>11.99</b>	13.58	115.03	11.81

\* This takes into account the tax effect of the change in fair value of derivatives and the refinancing costs.

Please see note 2 for details of the restatement.

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

Adjusted earnings per ordinary share before non-recurring items, losses/(gains) on revaluation of investment properties, the change in fair value of interest rate swaps and associated tax, and deferred tax movements have been disclosed to give a clearer understanding of the Group’s underlying trading performance.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 12. (LOSS)/EARNINGS AND NET ASSETS PER SHARE (continued)

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:

	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
<b>Analysis of net asset value</b>		
Basic net asset value	<b>502,317</b>	580,886
Exercise of share options	<b>2,584</b>	2,692
Diluted net asset value	<b>504,901</b>	583,578
Adjustments:		
Fair value on derivatives	<b>5,550</b>	2,870
Fair value on derivatives – share of associate	<b>705</b>	55
Deferred tax	–	(1,535)
EPRA net asset value	<b>511,156</b>	584,968
Basic net assets per share (pence)	<b>437.6</b>	506.4
Diluted net assets per share (pence)	<b>424.3</b>	492.4
EPRA net assets per share (pence)	<b>429.5</b>	493.6
EPRA net asset value (as above) (£'000)	<b>511,156</b>	584,968
Valuation methodology assumption (see note 14) (£'000)	<b>32,660</b>	33,640
Adjusted net asset value (£'000)	<b>543,816</b>	618,608
Adjusted net assets per share (pence)	<b>457.0</b>	522.0
Shares in issue	<b>115,592,541</b>	115,514,119
Own shares held	<b>(815,000)</b>	(815,000)
Basic shares in issue used for calculation	<b>114,777,541</b>	114,699,119
Exercise of share options	<b>4,221,550</b>	3,808,591
Diluted shares used for calculation	<b>118,999,091</b>	118,507,710

Please see note 2 for details of the restatement.

Net assets per share are shareholders' funds divided by the number of shares at the period end. The shares currently held in the Group's employee benefits trust and treasury shares (own shares held) are excluded from both net assets and the number of shares.

Adjusted net assets per share include:

- > the effect of those shares issuable under employee share option schemes; and
- > the effect of alternative valuation methodology assumptions (see note 14).

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 13. NON-CURRENT ASSETS

### a) Investment property, development property and interests in leasehold property

	Investment property (restated) £000	Development property (restated) £000	Interests in leasehold property £000
<b>At 31 March 2007</b>	590,060	96,393	27,038
Additions	6,952	89,041	–
Purchase of freeholds	8,128	–	(3,753)
Adjustment to present value	–	–	(292)
Reclassifications	65,093	(65,093)	–
Transfer to assets held for sale	–	(8,506)	–
Revaluation (see note 14)	92,777	–	–
Disposal	(12,100)	(7,696)	–
Depreciation	–	–	(719)
<b>At 31 March 2008</b>	750,910	104,139	22,274
Additions	8,423	22,947	–
Adjustment to present value	–	–	268
Reclassifications	28,575	(28,575)	–
Transfer from assets held for sale	–	9,432	–
Revaluation (see note 14)	(52,848)	–	–
Impairment	–	(11,588)	–
Disposals	–	(475)	–
Disposal to associate	–	(22,262)	–
Depreciation	–	–	(690)
<b>At 31 March 2009</b>	<b>735,060</b>	<b>73,618</b>	<b>21,852</b>

Please see note 2 for details of the restatement.

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses arising on the investment property in the year are disclosed in the Portfolio Summary on page 24.

The total investment property balance per IAS 40 amounts to £756,912,000 (2008: £773,189,000), being the sum of investment property and interests in leasehold property shown above.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 13. NON-CURRENT ASSETS (continued)

### b) Plant equipment and owner occupied property

	Freehold Property £000	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings & office equipment £000	Total £000
<b>Cost</b>					
At 31 March 2007	1,796	17	563	4,044	6,420
Additions	62	27	44	647	780
Disposal to associate	–	–	–	(78)	(78)
At 31 March 2008	1,858	44	607	4,613	7,122
Additions	–	–	58	577	635
Disposals	–	–	(14)	(53)	(67)
<b>At 31 March 2009</b>	<b>1,858</b>	<b>44</b>	<b>651</b>	<b>5,137</b>	<b>7,690</b>
<b>Depreciation</b>					
At 31 March 2007	(50)	(17)	(215)	(2,968)	(3,250)
Charge for the year	(40)	(15)	(61)	(534)	(650)
Disposal to associate	–	–	–	34	34
At 31 March 2008	(90)	(32)	(276)	(3,468)	(3,866)
Charge for the year	(35)	(2)	(116)	(576)	(729)
<b>At 31 March 2009</b>	<b>(125)</b>	<b>(34)</b>	<b>(392)</b>	<b>(4,044)</b>	<b>(4,595)</b>
<b>Net book value</b>					
<b>At 31 March 2009</b>	<b>1,733</b>	<b>10</b>	<b>259</b>	<b>1,093</b>	<b>3,095</b>
At 31 March 2008	1,768	12	331	1,145	3,256

### c) Goodwill

Goodwill relates to the purchase of Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment. The carrying value of £1,433,000 remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

### d) Assets classified as held for sale

The Group has land at one site with a total historic cost of £4 million, which is carried at £3.2 million, after a provision for impairment in the current year of £0.8 million against the site. Land at this site is surplus to requirements and the Group is currently marketing the asset for sale; it is ready for sale and completion is expected within the next 12 months. At 31 March 2008 the assets classified as held for sale were £16.3 million, comprised of cost of £18.0 million and an impairment of £1.7 million. Of this balance £2.9 million has been sold during the year, and £9.4 million was transferred back to development property, as the land no longer met the criteria required to be held for sale.

### e) Investment in associate

The Group has a 33.3% interest in Big Yellow Limited Partnership. This interest is accounted for as an associate, using equity accounting. The Partnership commenced trading on 1 December 2007.

	31 March 2009 £000	31 March 2008 £000
At the beginning of the year/period	5,454	–
Subscription for partnership capital and advances	5,429	5,703
Share of results (see below)	(1,598)	(249)
	<b>9,285</b>	5,454

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 13. NON-CURRENT ASSETS (continued)

### e) Investment in associate (continued)

The figures below show the trading results of Big Yellow Limited Partnership, and the Group's share of the results and the net assets.

	Year ended 31 March 2009 £000	Period ended 31 March 2008 £000
<b>Big Yellow Limited Partnership</b>		
<b>Income statement (100%)</b>		
Revenue	892	252
Cost of sales	(843)	(190)
Administrative expenses	(135)	(24)
Operating (loss)/profit	(86)	38
Loss on the revaluation of investment properties	(2,656)	(562)
Net interest payable	(103)	(59)
Fair value movement of interest rate derivatives	(1,949)	(165)
Loss before and after tax	(4,794)	(748)
<b>Balance sheet (100%)</b>		
Investment property	32,650	11,830
Development property (including land held for resale)	35,016	10,909
Other fixed assets	208	50
Current assets	94	3,531
Current liabilities	(4,289)	(1,317)
Non-current liabilities	(35,825)	(8,642)
<b>Net assets (100%)</b>	<b>27,854</b>	<b>16,361</b>
<b>Group share of (33.3%)</b>		
Operating (loss)/profit	(29)	13
Loss on the revaluation of investment properties	(885)	(187)
Net interest payable	(34)	(20)
Fair value movement of interest rate derivatives	(650)	(55)
Loss for the year/period	(1,598)	(249)
Associate net assets	9,285	5,454

The Partnership has in place a loan of £75 million, secured from a syndicate of banks, involving Royal Bank of Scotland plc, HSBC Bank plc and HSH Nordbank AG. The loan has a five year term and expires in 2013. £18.4 million of the £36.6 million drawn down at 31 March 2009 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 6.57%. The balance of the drawn debt is currently paying one month LIBOR plus applicable margin.

The Group has an option at 31 March 2013, and certain dates thereafter provided certain Internal Rate of Return ("IRR") hurdles are met to acquire the assets within the Partnership or the remaining interest in the Partnership not held by the Group. The price payable is based on the market value of the Partnership's assets and liabilities, and is subject to certain promotes, dependent on the IRR achieved.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 14. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
<b>Freehold stores *</b>			
As at 31 March 2008 as previously reported	269,548	422,722	692,270
Prior year adjustment (see note 2)	910	(910)	–
<b>As at 31 March 2008 restated</b>	<b>270,458</b>	<b>421,812</b>	<b>692,270</b>
Movement in period	36,764	(49,714)	(12,950)
<b>As at 31 March 2009</b>	<b>307,222</b>	<b>372,098</b>	<b>679,320</b>
<b>Leasehold stores</b>			
As at 31 March 2008	15,162	43,478	58,640
Movement in period	234	(3,134)	(2,900)
<b>As at 31 March 2009</b>	<b>15,396</b>	<b>40,344</b>	<b>55,740</b>
<b>All stores</b>			
As at 31 March 2008	285,620	465,290	750,910
Movement in period	36,998	(52,848)	(15,850)
<b>As at 31 March 2009</b>	<b>322,618</b>	<b>412,442</b>	<b>735,060</b>

\* Includes one long leasehold property

The freehold and leasehold investment properties have been valued as at 31 March 2009 by external valuers, Cushman & Wakefield LLP, (“C&W”). The valuation has been carried out in accordance with the RICS Valuation Standards, 6th Edition as amended published by The Royal Institution of Chartered Surveyors (“the Red Book”). The valuation of each of the trading properties has been prepared on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

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:

- > The members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have done so since September 2004.
- > C&W have been carrying out this bi-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%.

### Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. C&W note that although there were a number of self storage transactions in 2007, the only significant transaction in the past 18 months was the sale of a 51% share in Shurgard Europe which was announced in January and completed on 31 March 2008. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the property market will continue to trade in an orderly fashion. Accordingly, they have assumed that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the “credit crunch”, however they have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more normal market conditions.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 14. VALUATION OF INVESTMENT PROPERTY (continued)

### Valuation methodology

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

#### *Freehold and long leasehold*

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

#### Assumptions

- A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- B. The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 50 stores (both freeholds and leaseholds) averages 85.04% (2008: 85.80%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
- 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, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. For the 50 stores, the weighted average net stabilised yield of the net cash flow projection is 8.64% (2008: 7.67%).
- 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 11.41% (2008: 10.36%).
- E. Purchaser's costs of 5.75% (see below) have been assumed initially and sale plus purchaser's costs totalling 6.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

#### *Short leasehold*

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leasehold properties is 16.8 years (March 2008: seven short leaseholds is 17.8 years).

#### *Prudent lotting*

C&W have assessed the value of each property individually. However, with regard to six recently opened loss making stores (three wholly owned and three in the Partnership) C&W have prepared their valuation on the assumption that were these properties to be brought to the market then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Company in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of negative short term cashflow. C&W have not assumed that the entire portfolio of properties owned by the Group 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 prudent lotting as 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 5.75% 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. They 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. We therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2009 of £767,220,000 (£32,660,000 higher than the value recorded in the financial statements or 27.5 pence per share. This includes £500,000 as the share of uplift within Big Yellow Limited Partnership). We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 15. TRADE AND OTHER RECEIVABLES

	31 March 2009 £000	31 March 2008 £000
Trade receivables	1,546	1,604
Other receivables	154	483
Prepayments and accrued income	6,662	5,378
	<b>8,362</b>	7,465

Trade receivables are net of a bad debt provision of £21,000 (2008: £4,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

### Trade receivables

The Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. A late charge of 10% is applied to a customers' 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 by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts from the sale of goods, 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 all customers are required to pay in advance, and also to pay a deposit ranging from between 1 week's to 4 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 per cent of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £155,000 (2008: £167,000 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 Group holds a right of lien over the customers' goods if these debts are not paid. The average age of these receivables is 25 days past due (2008: 29 days past due).

### Ageing of past due but not impaired receivables

	2009 £000	2008 £000
0 – 30 days	108	112
30 – 60 days	30	26
60 + days	17	29
Total	<b>155</b>	167

### Movement in the allowance for doubtful debts

	2009 £000	2008 £000
Balance at the beginning of the year	4	33
Amounts provided in year	21	–
Amounts written off as uncollectible	(4)	(29)
Balance at the end of the year	<b>21</b>	4

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

	2009 £000	2008 £000
0 – 30 days	–	–
30 – 60 days	3	2
60 + days	18	2
Total	<b>21</b>	4

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 16. TRADE AND OTHER PAYABLES

	31 March 2009 £000	31 March 2008 £000
<b>Current</b>		
Trade payables	7,460	8,738
Other payables	1,891	2,241
Accruals and deferred income	7,834	9,614
Amounts owed to associate	–	77
VAT repayable under Capital Goods Scheme	1,228	1,228
	<b>18,413</b>	21,898
<b>Non current</b>		
VAT repayable under Capital Goods Scheme	2,661	3,889

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value. See note 18 for details of VAT repayable under Capital Goods Scheme.

## 17. 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 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 22. The Group's banking facilities require hedging of 70% of the funds drawn under the investment tranche of its core banking facility. The Group has complied with this during the year.

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

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

### A. Balance sheet management

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

The gearing ratio at the year end is as follows:

	2009 £000	2008 £000
Debt	(311,339)	(284,000)
Cash and cash equivalents	3,222	1,671
Net debt	308,117	282,329
Balance sheet equity	502,317	580,105
Net debt to equity ratio	61.3%	48.7%

Debt is defined as long-term and short-term borrowings, as detailed in note 18. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally imposed capital requirements.

### B. Debt management

The Group borrows through a senior term loan, secured on its existing store portfolio. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged in the Group and in Big Yellow Limited Partnership through banks and financial institutions with whom the Group has a strong working relationship.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 17. 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, 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.

The Group has two interest rate derivatives in place; £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) until September 2013.

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The loss in the income statement for the year of these interest rate swaps was £3,075,000 (2008: loss of £3,382,000). A further income statement charge arose in the year of £14,892,000 in respect of the fair value movement of derivative positions that were closed out in March 2009.

The fair value of the above derivatives at 31 March 2009 was a liability of £5,550,000 (2008: liability of £2,870,000).

### D. Interest rate sensitivity analysis

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

At 31 March 2009, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual loss before tax by £1,213,000 (2008: reduced profit before tax by £947,000) and a decrease of one percentage point in interest rates would have reduced the Group's annual loss before tax by £1,213,000 (2008: increased profit before tax by £1,440,000). There would have been no effect on amounts recognised directly in equity. 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.

### 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 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

### F. Foreign currency management

The Group does not have any foreign currency exposure.

### G. Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 15. The Group has no significant concentration of credit risk, with exposure spread over 28,500 customers in our stores.

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

### H. Financial maturity analysis

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

#### 2009 Maturity

	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Debt					
Bank loan payable at variable rate	121,339	–	–	121,339	–
Debt fixed by interest rate derivatives	190,000	–	–	190,000	–
<b>Total</b>	<b>311,339</b>	<b>–</b>	<b>–</b>	<b>311,339</b>	<b>–</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 17. FINANCIAL INSTRUMENTS (continued)

### H. Financial maturity analysis (continued)

#### 2008 Maturity

	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
Debt					
Bank loan payable at variable rate	144,000	–	–	144,000	–
Debt fixed by interest rate derivatives	140,000	–	–	140,000	–
<b>Total</b>	<b>284,000</b>	<b>–</b>	<b>–</b>	<b>284,000</b>	<b>–</b>

The Group's sensitivity to interest rates has increased at the end of the current period following the close out of the interest rate hedging instruments, and subsequent increase in floating rate debt. The Board monitors closely the exposure to the floating rate element of our debt.

### 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 15. 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.

### 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:

2009	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
From five to twenty years	–	(2,099)	–	27,348	25,249
From two to five years	1,610	(1,696)	339,654	6,029	345,597
From one to two years	1,051	2,256	11,522	2,028	16,857
Due after more than one year	2,661	(1,539)	351,176	35,405	387,703
Due within one year	18,413	4,392	11,522	2,028	36,355
<b>Total</b>	<b>21,074</b>	<b>2,853</b>	<b>362,698</b>	<b>37,433</b>	<b>424,058</b>

2008	Trade payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
From five to twenty years	15	–	–	29,116	29,131
From two to five years	2,645	1,306	284,193	6,007	294,151
From one to two years	1,227	1,146	17,608	2,002	21,983
Due after more than one year	3,887	2,452	301,801	37,125	345,265
Due within one year	12,207	(93)	17,608	2,002	31,724
<b>Total</b>	<b>16,094</b>	<b>2,359</b>	<b>319,409</b>	<b>39,127</b>	<b>376,989</b>

### K. Reconciliation of maturity analyses

The maturity analysis in note 17J shows non-discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 18 with the borrowings and interest column in the maturity analysis presented in note 17J.

2009	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From two to five years	308,672	28,315	2,667	339,654
From one to two years	–	11,522	–	11,522
Due after more than one year	308,672	39,837	2,667	351,176
Due within one year	–	11,522	–	11,522
<b>Total</b>	<b>308,672</b>	<b>51,359</b>	<b>2,667</b>	<b>362,698</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 17. FINANCIAL INSTRUMENTS (continued)

### K. Reconciliation of maturity analyses (continued)

2008	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From two to five years	282,897	193	1,103	284,193
From one to two years	–	17,608	–	17,608
Due after more than one year	282,897	17,801	1,103	301,801
Due within one year	–	17,608	–	17,608
Total	282,897	35,409	1,103	319,409

## 18. BANK BORROWINGS

	31 March 2009 £000	31 March 2008 £000
<b>Secured borrowings at amortised cost</b>		
Bank borrowings	311,339	284,000
Unamortised loan arrangement costs	(2,667)	(1,103)
	<b>308,672</b>	282,897

During the year, the Group completed a refinancing of its core debt facilities, replacing the existing £325 million loan provided by a syndicate led by Royal Bank of Scotland plc, with a new £325 million senior debt facility provided by HSH Nordbank AG. The loan is due to expire on 15 September 2013.

The facility is secured on a first charge of 47 of the Group's properties and is subject to certain covenants. The facility is divided into two tranches, Tranche A, up to a maximum of £50 million is used to finance non-stabilised properties within the Group and carries a margin of 150 bps. Tranche B is used to finance stabilised Group properties, and carries a margin of between 112.5 bps and 150 bps dependent on the Tranche B income cover. The Group is currently paying a margin of 112.5 bps on this Tranche. As the properties within Tranche A stabilise, they can be transferred to Tranche B, reducing the margin payable.

The facility's principal covenant is an income cover covenant that requires Tranche B EBITDA to be greater than 1.25 times the interest cost in Tranche B. The Group is also required to retain consolidated net assets of £350 million; and a net debt to net assets ratio of less than 1. There is no loan to value covenant.

The weighted average interest rate paid on the bank borrowings during the year was 5.9% (2008: 6.3%).

The Group has £13,661,000 in undrawn committed borrowing facilities at 31 March 2009 which expire between four and five years (2008: £41,000,000 expiring between one and two years).

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
<b>At 31 March 2009</b>						
Gross financial liabilities	311,339	121,339	190,000	3.7%	5.5 years	5.2 years
<b>At 31 March 2008</b>						
Gross financial liabilities	284,000	144,000	140,000	6.2%	4.5 years	3.2 years

The floating rate at 31 March 2009 was paying a weighted average margin of 1.135% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.20%. 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.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 18. BANK BORROWINGS (continued)

The Directors estimate the fair value of the Group's VAT payable under capital goods scheme as follows:

	2009		2008	
	Carrying amount £000	Estimated fair value £000	Carrying amount £000	Estimated fair value £000
VAT payable under capital goods scheme	<b>3,889</b>	<b>3,578</b>	5,117	4,331

The fair values have been calculated by discounting expected cash flows at interest rates prevailing at the year end.

Narrative disclosures on the Group's policy for financial instruments are included within the Business Review and note 17.

## 19. DEFERRED TAX

The movement and major deferred tax items are set out below:

	Deduction for share options £000	Other £000	Total £000
<b>At 31 March 2007</b>	(650)	–	(650)
Recognised in income	–	(1,091)	(1,091)
Recognised in equity	206	–	206
<b>At 31 March 2008</b>	(444)	(1,091)	(1,535)
Recognised in income	–	1,091	1,091
Recognised in equity	444	–	444
<b>At 31 March 2009</b>	–	–	–

Other deferred tax relates to an asset in relation to the fair value of derivatives of £nil (2008: £804,000) and losses carried forward within the residual business of £nil (2008: £287,000).

Temporary differences arising in connection with interests in associate are insignificant.

## 20. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts payable under finance leases:				
Within one year	<b>2,028</b>	2,002	<b>1,984</b>	1,958
Within two to five years inclusive	<b>8,057</b>	8,009	<b>6,805</b>	6,753
Greater than five years	<b>27,348</b>	29,116	<b>13,063</b>	13,563
	<b>37,433</b>	39,127	<b>21,852</b>	22,274
Less: Future finance charges	<b>(15,581)</b>	(16,853)		
Present value of lease obligations	<b>21,852</b>	22,274		

All lease obligations are denominated in sterling.

The carrying amount of the Group's lease obligations approximates their fair value.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 21. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Ordinary shares at 10 pence each</b>	<b>20,000</b>	20,000	<b>11,559</b>	11,551
				No.
<b>Movement in issued share capital</b>				
Number of shares at 1 April 2007				114,559,534
Exercise of share options – Share option scheme				954,585
Number of shares at 31 March 2008				115,514,119
Exercise of share options – Share option schemes				78,422
<b>Number of shares at 31 March 2009</b>				<b>115,592,541</b>

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

At 31 March 2009 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	No. of ordinary shares 2009	No. of ordinary shares 2008
5 May 2000	100p	5 May 2003	4 May 2010	<b>278,400</b>	278,400
30 November 2000	137.5p	30 November 2003	29 November 2010	<b>2,500</b>	2,500
1 June 2001	125.5p	1 June 2004	31 May 2011	<b>165,000</b>	165,000
4 June 2001	131.5p	4 June 2004	4 June 2011	<b>521,000</b>	521,000
8 November 2001	98p	8 November 2004	7 November 2011	<b>122,192</b>	125,492
15 May 2002	102p	15 May 2005	14 May 2012	<b>511,789</b>	511,789
16 December 2002	81.5p	16 December 2005	15 December 2012	<b>355,301</b>	356,381
2 July 2003	82.5p	2 July 2006	1 July 2013	<b>100,612</b>	110,512
11 November 2003	96p	11 November 2006	10 November 2013	<b>16,000</b>	20,000
27 September 2004	nil p**	27 September 2007	26 September 2014	<b>118,000</b>	138,000
6 June 2005	nil p**	6 June 2008	5 June 2015	<b>438,332</b>	443,332
21 July 2005	156p*	21 July 2008	20 January 2009	<b>–</b>	16,326
21 December 2005	225p*	21 December 2008	20 June 2009	<b>831</b>	12,796
9 June 2006	nil p**	9 June 2009	8 June 2016	<b>460,832</b>	470,832
18 August 2006	347p*	18 August 2009	17 February 2010	<b>6,407</b>	6,191
12 March 2007	554p*	12 March 2010	11 September 2011	<b>–</b>	317
13 July 2007	nil p**	13 July 2010	12 July 2017	<b>495,750</b>	507,750
30 August 2007	409p*	30 August 2010	28 February 2011	<b>3,049</b>	7,066
6 March 2008	310p*	6 March 2011	5 September 2011	<b>13,371</b>	115,224
9 July 2008	Nil p**	9 July 2011	8 July 2018	<b>373,000</b>	–
22 August 2008	249p*	22 August 2011	21 February 2012	<b>17,440</b>	–
24 February 2009	141p*	24 February 2012	23 August 2012	<b>262,842</b>	–
				<b>4,262,648</b>	3,808,908

\* SAYE (see note 23)

\*\* LTIP (see note 23)

### Own Shares

	£000
<b>Balance at 1 April 2008 and 31 March 2009</b>	<b>1,896</b>

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 to satisfy options under the Group's share options schemes. 715,000 shares are held in the Employee Benefit Trust (2008: 715,000) and 100,000 are held in Treasury (2008: 100,000).

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 22. MOVEMENTS IN EQUITY

Group	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 31 March 2007	11,456	40,864	1,653	434,818	(812)	487,979
Profit for the year	–	–	–	102,607	–	102,607
Taxation	–	–	–	96	–	96
Dividends	–	–	–	(10,860)	–	(10,860)
Purchase of own shares	–	–	–	–	(1,084)	(1,084)
Issue of shares	95	781	–	–	–	876
Share options	–	–	–	491	–	491
At 31 March 2008	11,551	41,645	1,653	527,152	(1,896)	580,105
Restatement (see note 2)	–	–	–	781	–	781
At 31 March 2008 (restated)	11,551	41,645	1,653	527,933	(1,896)	580,886
Loss for the year	–	–	–	(72,639)	–	(72,639)
Taxation	–	–	–	(240)	–	(240)
Dividends	–	–	–	(6,309)	–	(6,309)
Issue of shares	8	18	–	–	–	26
Share options	–	–	–	593	–	593
<b>At 31 March 2009</b>	<b>11,559</b>	<b>41,663</b>	<b>1,653</b>	<b>449,338</b>	<b>(1,896)</b>	<b>502,317</b>

The capital redemption reserve arose on the buy back of the Company's shares in the years ended 31 March 2003 and 31 March 2004.

The own shares balance is amounts held by the Employee Benefit Trust and in Treasury (see note 21).

## 23. SHARE BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, and an Employee Share Save Scheme ("SAYE"). The Group recognised a total expense in the year related to equity-settled share-based payment transactions since 7 November 2002 of £593,000 (2008: £491,000).

### Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved Inland Revenue Share option schemes between 16 November 1999 and 11 November 2003. The Group's schemes provided for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is three to ten years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

Since 3 September 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 3 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 27 September 2004, 6 June 2005, 9 June 2006, 13 July 2007 and 9 July 2008 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 44 of the remuneration report. The awards granted on 27 September 2004 and 6 June 2005 vested in full.

The weighted average share price at the date of exercise for options exercised in the year was 297 pence (2008: 502 pence).

Share option scheme "ESO"	2009 No. of Options	2009 Weighted average exercise price (in £)	2008 No. of Options	2008 Weighted average exercise price (in £)
Outstanding at beginning of year	2,091,075	1.06	2,880,867	1.02
Exercised during the year	(18,280)	0.88	(789,792)	0.88
Outstanding at the end of the year	2,072,795	1.06	2,091,075	1.06
Exercisable at the end of the year	2,072,795	1.06	2,091,075	1.06

Options outstanding at 31 March 2009 had a weighted average contractual life of 2.7 (2008: 3.7) years.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 23. SHARE BASED PAYMENTS (continued)

LTIP scheme	2009 No. of Options	2008 No. of Options
Outstanding at beginning of year	1,559,914	1,052,164
Granted during the year	373,000	507,750
Forfeited during the year	(9,277)	–
Exercised during the year	(37,723)	–
Outstanding at the end of the year	1,885,914	1,559,914
Exercisable at the end of the year	556,332	138,000

The weighted average fair value of options granted during the period was £298,813 (2008: £882,265).

Options outstanding at 31 March 2009 had a weighted average contractual life of 7.5 years (2008: 8.1 years).

Employee Share Save Scheme ("SAYE").	2009 No. of Options	2009 Weighted average exercise price (in £)	2008 No of Options	2008 Weighted average exercise price (in £)
Outstanding at beginning of year	157,919	2.94	234,858	1.65
Granted during the year	387,943	1.76	187,976	3.31
Forfeited during the year	(219,504)	2.82	(100,122)	4.16
Exercised during the year	(22,419)	1.56	(164,793)	1.13
Outstanding at the end of the year	303,939	1.62	157,919	2.94
Exercisable at the end of the year	831	2.25	–	–

Options outstanding at 31 March 2009 had a weighted average contractual life of 2.3 years (2008: 2.9 years).

The inputs into the Black-Scholes model are as follows:

	ESO	LTIP	SAYE
Expected volatility	24%	29%	34%
Expected life	3	3	3
Risk-free rate	4.7%	4.7%	4.4%
Expected dividends	3.2%	3.8%	4.1%

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

## 24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties as at 31 March 2009 were £6.6 million (2008: £20.7 million).

## 25. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after the balance sheet date.

# Notes to the Financial Statements (continued)

Year ended 31 March 2009

## 26. RELATED PARTY TRANSACTIONS

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

### Transactions with Big Yellow Limited Partnership

As described in note 13, the Group has a 33% interest in Big Yellow Limited Partnership ("the Partnership"), and entered into transactions with the Partnership during the year on normal commercial terms.

During the year, the Group sold property with a book value of £22.3 million to the Partnership, a related party of the Group, for a total profit of £0.4m (2008, the Group sold property with a book value of £19.8 million to the Partnership, for a total profit of £0.5m). The Group earned fees from the Partnership of £1,368,000 (2008: £138,000). At 31 March 2009, the Group was owed £14,000 by the Partnership (2008: Group owed £77,000 to the Partnership).

No other related party transactions took place during the years ended 31 March 2009 and 31 March 2008.

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 42 to 48.

	31 March 2009 £000	31 March 2008 £000
Short term employee benefits	965	1,007
Post employment benefits	81	70
Share based payments	–	1,249
	<b>1,046</b>	2,326