

# Remuneration Report

## Introduction

This report has been prepared in accordance with the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

## Unaudited information Remuneration Committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee at the year end were Tim Clark, Mark Richardson and Jonathan Short, who are all independent Non-Executive Directors and the Committee is chaired by Tim Clark. David Ross and David White both served on the Committee until their resignation from the Board. Tim Clark replaced David White as the Committee Chairman.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

In determining the Directors' remuneration, the Committee consulted the Executive Chairman Nicholas Vetch about its proposals. During the year the Committee appointed Deloitte LLP to benchmark each of the components of the Directors' remuneration packages against companies of comparable size and complexity. Deloitte LLP are also the Group's auditors and corporate tax advisors. Having considered this data the Committee subsequently appointed PricewaterhouseCoopers LLP to advise it and work with it to implement a proposed new incentive intended to address some of the issues highlighted by the report.

## Remuneration policy

Executive remuneration packages are designed to attract, motivate and retain Directors of the high calibre required and to reward them for enhancing value to shareholders. Individual remuneration packages are structured to align rewards with the performance of the Company and the interests of the shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee in consultation with the Executive Chairman, save for discussions on his remuneration package. The remuneration of the Non-Executive Directors is determined by the full Board.

There are currently four main elements of the remuneration package for Executive Directors and senior management:

Element	Purpose
Salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company
Annual head office bonus	Incentivises achievement of annual objectives which support the short to medium term strategy of the Company and applies across the head office management team
Long term share incentives	Performance share plan incentivises Executives to achieve superior returns to shareholders over a three year period Retain key individuals and align interests with shareholders
Pension	Provide competitive post retirement benefits

As noted above, during the year the Committee appointed Deloitte LLP to benchmark the remuneration of the Executive Directors against companies of similar size and complexity. This report showed that overall remuneration of the Executive Directors was at the lower end of market practice and in some areas significantly behind the market. The report highlighted that base salaries were between 30% and 50% below the market median; the 2008 long term incentive awards were around 40% below market median and the maximum annual bonus potential and pension provision were both around 30% below the market. The actual bonus payout to the Executive Directors has been around 75% below the market although for the year ended 31 March 2009 the Executive Directors have decided to waive any bonus entitlement.

The Committee believes a key strength of the executive team has been its ability to react quickly to changing market conditions, revising business strategy and direction as needed. This is illustrated by the Pramerica joint venture at the end of 2007 and the successful early refinancing in 2008 of the Group's facilities that were due to expire in 2010.

The Committee continues to believe it has the right executive team in place to take the business forward and is concerned to bridge the gap in executive remuneration. However, the Committee is also concerned to minimise any additional cash cost to the Group whilst recognising the risks to the business if the senior executive team is not appropriately incentivised. Against this background, and having regard to the economic situation, the Committee made five recommendations in relation to remuneration of the Executive Directors:

# Remuneration Report (continued)

## Remuneration policy (continued)

- > salary and pension contributions should be frozen for the year beginning 1 April 2009 in line with pay freezes throughout the Group
- > no cash bonus should be paid by the Company in respect of the year ended 31 March 2009;
- > any cash bonus in respect of future years should not exceed 25% of basic salary;
- > a higher level of awards should be made under the long term incentive plan than in 2008, while maintaining challenging performance targets and continuing to use the performance of companies in the FTSE Real Estate sector as a benchmark of the Company's performance. However, awards should be no greater than 100% of salary and should remain at the lower end of the market given the level of Executive Director salaries; and
- > a new performance based plan should be introduced.

Each component of executive remuneration is explained below. The proposed new performance based plan is explained in the section headed "Revised incentive arrangements" below.

### 1. Basic Salary

Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting. Salaries are reviewed annually with changes taking effect on 1 April each year, taking into account individual performance, market data and levels of increases applicable to other employees in the Company. The Directors are not receiving an increase to their basic salaries for the year commencing 1 April 2009 due to the current economic conditions.

### 2. Annual head office bonuses

Executive Directors participate in the Company's annual head office bonus arrangements. There is no separate bonus plan for Executive Directors. Bonuses are discretionary and are performance related. They are assessed annually, determined by the Remuneration Committee and based on a combination of individual and corporate performance during the year. The bonus arrangements are structured so as not to encourage inappropriate risk taking. The bonuses are directly linked to the Group's profit and operating cash flow performance. There is no deferrable element of the bonus, and it is non pensionable.

Although a bonus would have been payable under the terms of the annual bonus scheme, given the existing economic climate, the current Executive Directors felt it would be inappropriate to accept bonus payments for the current financial year. This follows on from low bonus percentages for the Executive Directors in earlier years namely 10% of salary for the year ended 31 March 2008 and 15% for the year ended 31 March 2007.

Historically the maximum bonus potential for Executive Directors has been 50% of annual basic salary. From 1 April 2009 the maximum bonus potential will be reduced to 25% of annual basic salary. The Committee feels this is appropriate given the proposed new long term bonus arrangement, described in the section headed "Revised incentive arrangements" below

### 3. Pension arrangements

Pension contributions of 10% of basic salary are paid into a personal pension plan for each Director.

### 4. Share incentives

#### Share options

Share options are granted by the Remuneration Committee, and are assessed on an individual basis with a view to motivating and retaining Executive Directors in the longer term.

In accordance with the policy set by the Remuneration Committee immediately prior to the Company's flotation on AIM in May 2000, all Directors' share options granted since flotation were subject to performance conditions, all of which were met. There have been no grants under the Company's share option plans to Directors since December 2002 and the policy is that any future incentivisation of Directors will be under the Long Term Incentive Plan described below and under the performance plan described below.

#### Long Term Incentive Plan ("LTIP")

Approval was granted by shareholders at the 2004 Annual General Meeting for a Long Term Incentive Plan (the "Plan").

The Remuneration Committee has determined that a long-term incentive plan using an award of nil-priced options is the most appropriate way to provide a competitive and market-related long term equity opportunity.

The principal reasons for the Remuneration Committee favouring the use of nil-priced options are:

- > the greater alignment of Executive reward with shareholder interests;
- > the reduced volatility of nil priced options to general share price movements; and
- > minimising the dilutive impact of the LTIP to the Company's shareholders.

Participation in the LTIP is only available to Executive Directors and selected senior management.

# Remuneration Report (continued)

## Remuneration policy (continued)

### 4. Share incentives (continued)

#### Long Term Incentive Plan ("LTIP") (continued)

The first awards under the LTIP to Directors were made in June 2005. Initial awards were designed to incentivise the Executive team for the period between 2005 and 2010, although awards are made under the LTIP on an annual basis.

Individual grants of options to Executive Directors since the inception of the LTIP have been determined by the Committee. The most recent awards are shown in the table below. All awards to date have been approved by shareholders.

In respect of the current year and in all future grants to Executive Directors, it is intended that the maximum annual grant of awards will not exceed 100% of a participant's annual base salary, except where the Committee considers there to be exceptional circumstances which justify an award above this limit.

The Committee awarded shares under the LTIP at a level of circa 60% of salary in 2008, as shown in the table below. For 2009 it is proposed that the awards are set at 100% of salary for James Gibson and Nicholas Vetch and 75% for Adrian Lee and John Trotman. This remains at the lower end of the market, particularly in light of salary levels for the Executive Directors.

Director	Number of shares under option 2008
James Gibson	60,000
Nicholas Vetch	55,000
Adrian Lee	45,000
John Trotman	29,000

The number of ordinary shares issuable pursuant to awards granted under this LTIP and all other employee share schemes adopted by the Company may not be more than 10% of the ordinary share capital in any ten year period. Options granted in 1998 and 1999, prior to the Company's listing on the Alternative Investment Market, are disregarded.

Awards are made exercisable subject to the satisfaction of challenging conditions ("Performance Conditions") which will determine how many (if any) of the awards will vest and become exercisable after the end of the performance period. The period over which performance will be measured is not less than three years.

Performance Conditions are determined at the sole discretion of the Committee at the time of award and are objective and linked to the underlying financial performance of the Company.

Any award under the LTIP that does not vest at the end of the specified performance period will lapse.

The extent to which awards granted under the LTIP vest and become exercisable is determined by reference to the Company's total shareholder return (TSR) relative to a comparator group. The level of vesting is set out below:

Total Shareholder Return Performance Level	Amount of Award Vesting %
Upper Quartile	Full vesting
Median to Upper Quartile	Pro rata vesting on a straight line basis
Median and below	Nil

The LTIP vesting is also subject to the adjusted earnings per share growth over three years exceeding inflation.

For awards made in 2005, 2006 and 2007 the Committee selected the companies in the FTSE All Share Index as the comparator group because they enable the Company's performance to be compared to a broad index that reflects the corporate performance of UK companies. The Committee reviewed the relevance of this comparator group in 2008. It was noted that the performance of the index was heavily influenced by the financial, energy and pharmaceutical sectors and as a result had less relevance to the financial performance of the Company. The Committee therefore concluded that the performance of companies in the FTSE Real Estate sector was a more relevant benchmark of the Company's performance. As a result the LTIP awards made in 2008 are, and the proposed awards for 2009 will be, based on the performance of the companies in the FTSE Real Estate sector.

The Committee reserve the right to vary the Performance Condition for future grants provided that in its reasonable judgment the new targets are no less challenging in the light of the Company's business circumstances and its internal forecasts.

The Committee has been advised that zero vesting for median performance is below the market average but does not propose to change this.

#### Sharesave Scheme

The Scheme is open to all UK employees (including Directors) with a minimum of six months' service and meets HM Revenue & Customs approval requirements, thus enabling all eligible employees the opportunity to acquire shares in the Company in a tax efficient manner.

# Remuneration Report (continued)

## Revised incentive arrangements

As explained above, the recent benchmarking report showed that the remuneration of the Executive Directors is significantly below the market.

### *The Long Term Bonus Performance Plan*

The Committee has concluded that the best way to address this is to introduce a new performance based plan, the Long Term Bonus Performance Plan (the "Plan"). The Committee has instructed PricewaterhouseCoopers LLP to work with it to implement the Plan. Shareholders are asked to approve the new arrangements at the Company's annual general meeting.

The Plan will sit between the annual head office bonus and the LTIP and will be structured as a share plan, but with a limited cash alternative. In effect the Plan will operate like a deferred bonus. Awards will be subject to performance over a three year period during which the value accruing to participants can be clawed back. The intention is that any payout will be primarily through shares. At least 50% of any payout will be in shares which, after permitted sales to meet tax liabilities, will be subject to a further lock in. The Executive Directors will be required to hold half of the balance of these shares for a further one year and the other half for a further two years. During this holding period executives will not be entitled to sell the restricted shares. This ensures that the interests of the Executive Directors and shareholders remain aligned for up to five years.

The balance of the payout will be made in Shares which the participant may direct be sold for cash at any time, or, to the extent an additional payment is still needed, by a top-up cash payment from the Company, subject to the Group's operating cash flow at that time. However, it is not envisaged that the Company will need to make any further top-up cash payment for the initial awards given the number of Shares over which interests are being granted, even if the maximum amount is payable.

Awards may be made each year. Initial awards under the Plan are proposed to be made only to the Executive Directors. The initial awards will be limited so that if the performance targets are met in full, the maximum payout in shares and cash to the Executive Directors as a whole will be up to a total of £3 million. Based on current salary levels this represents a maximum potential reward for each Executive Director of circa 110% of salary for each performance year.

It is envisaged that the payout for the initial awards will be delivered entirely from the shares held in the Group's employee benefit trust ("EBT"). The EBT intends to acquire additional shares to enable it to make the initial awards to the Executive Directors. At 15 May 2009 the EBT holds 715,000 shares. It is proposed that the EBT will shortly be transferred 100,000 shares currently held in treasury by the Company and that the EBT will subscribe for a further 685,000 shares, funded by a loan from the Company.

Interests under the initial awards will be acquired by the Executive Directors and interests under future awards may be acquired by Executive Directors for their full value at the date of acquisition. In the case of the initial awards to the Executive Directors the acquisition price will (and in the case of further awards the acquisition price may) be left outstanding as an interest-free loan from the EBT to the Executive Director.

Under the Plan, the Executive Directors will be awarded interests in the growth in the value of shares. Vesting of interests will be subject to corporate and executive performance conditions. The Committee intends to set a range of performance conditions, both financial and non-financial. Total shareholder return will not be used; this will remain the measure for LTIP awards. Currently the Group's budgets, business plan and strategy are updated each year in March. The Committee also reviews business performance over the preceding year. The Committee will now also identify suitable indicators of future performance against which the Executive Directors should be measured. The Committee will then set a balanced scorecard of performance targets for the Plan, driven by business needs and priorities it has identified. At the end of each year the Committee will indicate the extent to which interests have provisionally vested under the Plan having regard to the extent to which the targets have been met. The Committee will have the right to adjust targets and, where appropriate, introduce new targets if there are significant changes in the business plans.

At the end of the performance period, the Committee will have the right to re-consider and adjust vesting, upwards or downwards, to reflect the Company's as well as each executive's performance over the entire three year period. As a consequence awards could be clawed back if subsequent performance during the three year performance period is below the performance benchmarks. Nothing can be paid out inside three years other than where an Executive Director is a good leaver or following a takeover of the Company.

The Committee feels the flexibility in the Plan will allow it to adapt to a rapidly changing environment. It will also ensure that any gain made by the Executive Directors is commensurate with their performance over the period and the financial performance of the Company. The Plan should avoid the disadvantage inherent in many longer term incentive arrangements, namely being constrained by performance measures set at the outset which subsequently can prove to be out of step with the needs of the business.

### *Other elements of remuneration*

The Plan is intended to complement the other elements of remuneration and the Committee has considered the extent to which these elements need to be adjusted to fit with the new Plan.

The Committee has resolved that the salaries of the Executive Directors will also be frozen for 2009. From 1 April 2009 the maximum annual bonus potential will be reduced to 25% of basic salary, significantly below the market. The level of LTIP awards in 2009 will increase from 2008 but with base salaries significantly below the market these awards will also remain below the market median. The Committee also intends to look at ways in which to improve the tax efficiency of LTIP awards.

The Committee believes the new Plan, together with the other changes, will bridge the gap in remuneration identified in the benchmark report over the medium term, subject to appropriate levels of performance, whilst limiting the potential cash costs to the business.

# Remuneration Report (continued)

## Directors' Contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term, providing for one year's notice. All Executive Directors have contracts in accordance with this. If a contract is terminated at short notice, the Company has not waived any right which it may have at law to require the Executive Director to mitigate his loss although the Company is entitled (at its discretion) to pay the salary to which the Executive Director would otherwise be entitled, in lieu of notice.

The dates of the Executive Directors' agreements are as follows:

Nicholas Vetch	25 September 1998
James Gibson	25 September 1998
Adrian Lee	31 March 2000
John Trotman	25 September 2007

## Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company. Their appointments are governed by letters of appointment which are available for inspection on request at the Company's registered office and which will be available for inspection at the Company's AGM. Each appointment is for a period of up to three years, usually to the date of the AGM at which a resolution to re-appoint the Director would next be put to shareholders, although the continued appointment of all Directors is considered on an annual basis. In addition, the appointment is terminable by either party giving notice of three months. Non-Executive Directors cannot participate in any of the Company's share options schemes and are not eligible to join the Company pension scheme.

The dates of appointment of the Non-Executive Directors are as follows:

Philip Burks	30 March 2007 (previously an Executive Director)
Tim Clark	1 August 2008
Mark Richardson	1 July 2008
Jonathan Short	16 February 2000

## External Appointments

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Remuneration Committee is received. The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are normally permitted to accept external appointments with the approval of the Board and may retain the fees for this appointment.

Nicholas Vetch is a Non-Executive Director of Blue Self Storage S.L, a Spanish self storage business, and the Local Shopping REIT plc, a UK listed property business. James Gibson is a Non-Executive Director of AnyJunk Limited. Nicholas Vetch receives a Non-Executive fee of €20,000 per annum from Blue Self Storage S.L and £30,000 per annum from Local Shopping REIT plc. James Gibson does not receive any fees for his services.

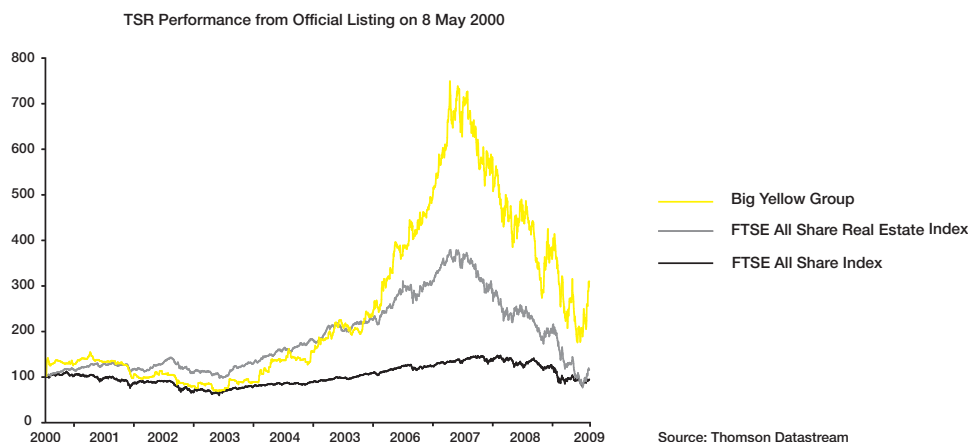
## Non-Executive Directors' Remuneration

The remuneration of the Non-Executive Directors is determined by the Board taking into account independent surveys of fees paid to Non-Executive Directors of other similar companies. No further fees for work performed for the Group in respect of membership of the Remuneration, Nomination and Audit Committees are paid. Non-Executive Directors cannot participate in any of the Group's share option schemes or Long Term Incentive Plan and are not eligible to join the Group's pension arrangements.

## Performance Graph

The Total Shareholder Return ("TSR") performance graph below sets out the comparison of the Company's TSR against the FTSE All Share Index and FTSE Real Estate Index.

TSR measures share price growth, with dividends deemed to be reinvested gross on the ex-dividend date, and the TSR is shown as the one month average on each day.



# Remuneration Report (continued)

## Audited Information

### Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

	2009 £	2008 £
Emoluments	965,268	1,006,745
Gains on exercise of share options	–	1,248,720
Money purchase pension contributions	80,786	69,560
	<b>1,046,054</b>	<b>2,325,025</b>

### Directors' remuneration

	Salary/fees £	Annual Bonus £	2009 Taxable benefits £	Sub total £	Pension £	2009 Total £	2008 Total £
<b>Executive</b>							
Nicholas Vetch	234,800	–	2,743	237,543	23,480	261,023	273,070
James Gibson	257,460	–	3,368	260,828	25,746	286,574	300,187
Adrian Lee	190,600	–	2,856	193,456	19,060	212,516	222,221
John Trotman	125,000	–	1,707	126,707	12,500	139,207	110,855
<b>Non-Executive</b>							
David White <sup>(1)</sup>	9,692	–	–	9,692	–	9,692	32,500
Tim Clark <sup>(2)</sup>	25,000	–	–	25,000	–	25,000	–
Philip Burks	32,500	–	–	32,500	–	32,500	77,472
Mark Richardson <sup>(3)</sup>	24,375	–	–	24,375	–	24,375	–
David Ross <sup>(4)</sup>	22,667	–	–	22,667	–	22,667	30,000
Jonathan Short	32,500	–	–	32,500	–	32,500	30,000
Aggregate emoluments	954,594	–	10,674	965,268	80,786	1,046,054	1,076,305

(1) Resigned from the Board on 9 July 2008

(2) Appointed to the Board on 1 August 2008

(3) Appointed to the Board on 1 July 2008

(4) Resigned from the Board on 10 December 2008

### Directors interests

The interests of the current Directors in the ordinary share capital of the Company are shown below:

	At 31 March 2009 No.	At 31 March 2008 No.
Ordinary shares of 10p each		
Nicholas Vetch (including trusts)	9,417,000	9,417,000
Philip Burks (including trusts)	7,370,849	7,675,849
James Gibson (including trusts)	2,374,260	2,374,260
Adrian Lee (including trusts)	889,267	1,012,649
Jonathan Short	91,700	91,700
Tim Clark	15,000	–
Mark Richardson	5,000	–
John Trotman	2,000	2,000

None of the Directors had any direct interests in the share capital of any of the subsidiary undertakings of the Company in the year.

# Remuneration Report (continued)

## Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. There have been no share option exercises by Directors during the course of the year. In 2008, gains of £1,248,720 were made on the exercise of share options by the Company's Directors.

Options in respect of ordinary shares for Directors who served during the year are as follows:

Name	Date option granted	No. of shares under option at 31 March 2008*	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares under option at 31 March 2009	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
<b>Nicholas Vetch</b>	5 May 2000	243,000	–	–	–	243,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	300,000	–	–	–	300,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	300,000	–	–	–	300,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	185,000	–	–	–	185,000	81.5p	–	16 Dec 2005	15 Dec 2012
	13 July 2007	133,333	–	–	–	133,333	nil p	–	13 July 2010	13 July 2017
	9 July 2008	–	55,000	–	–	55,000	nil p	–	9 July 2011	9 July 2018
<b>Philip Burks</b>	6 June 2005	66,667	–	–	–	66,667	nil p	–	6 June 2008	6 June 2015
	9 June 2006	66,667	–	–	–	66,667	nil p	–	9 June 2009	9 June 2016
<b>James Gibson</b>	6 June 2005	166,667	–	–	–	166,667	nil p	–	6 June 2008	6 June 2015
	9 June 2006	166,667	–	–	–	166,667	nil p	–	9 June 2009	9 June 2016
	13 July 2007	166,666	–	–	–	166,666	nil p	–	13 July 2010	13 July 2017
	9 July 2008	–	60,000	–	–	60,000	nil p	–	9 July 2011	9 July 2018
<b>Adrian Lee</b>	5 May 2000	30,000	–	–	–	30,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	221,000	–	–	–	221,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	194,000	–	–	–	194,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	106,471	–	–	–	106,471	81.5p	–	16 Dec 2005	15 Dec 2012
	6 June 2005	50,000	–	–	–	50,000	nil p	–	6 June 2008	6 June 2015
	9 June 2006	50,000	–	–	–	50,000	nil p	–	9 June 2009	9 June 2016
	13 July 2007	50,000	–	–	–	50,000	nil p	–	13 July 2010	13 July 2017
	9 July 2008	–	45,000	–	–	45,000	nil p	–	9 July 2011	9 July 2018
<b>John Trotman</b>	13 July 2007	21,750	–	–	–	21,750	nil p	–	13 July 2010	13 July 2017
	9 July 2008	–	29,000	–	–	29,000	nil p	–	9 July 2011	9 July 2018

\* Options shown with a nil exercise price are LTIPs.

Options granted up to and including 16 December 2002 have all been assessed by the Committee. The Committee has confirmed that these options have met the performance conditions, and may therefore be exercised.

The committee has considered the performance of the 2005 LTIP option grants and determined that the criteria have been met, and the awards have therefore vested.

The market price of the Company's shares at 31 March 2009 was 190p. The highest market price during the year was 448.5p per share, the lowest market price during the year was 158p, and the average price during the year was 285.4p. Pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, it should be noted that past performance of the Company's share price cannot be relied on as a guide to future performance.

## Approval

This report was approved by the Board of Directors on 15 May 2009 and signed on its behalf by:

**Tim Clark**  
Committee Chairman