

Big Yellow Group PLC  
Annual Report & Accounts  
2006



convenient | safe | professional | bright | friendly | simple | practical | easy | affordable | pioneering | positive | modern | accessible | approachable



Being the best...

[www.bigyellow.co.uk](http://www.bigyellow.co.uk)

# Business change

*Big Yellow is shaping the future of self storage.*

*We're driving technological change with constant innovation that gives our customers unprecedented support.*

*We're changing the way we communicate with our customers in order to develop long term relationships.*

*We understand that we must continue to invent, develop and innovate, whilst recognising those aspects of our business that must remain constant.*

# Business constants

*“It takes talented and dedicated people to build on the value of great assets.”*

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*At Big Yellow we are focused on maximising the performance and return of every store in our portfolio. We’re also developing new ideas, better systems and creative solutions.*





Leeds



Romford



Ilford

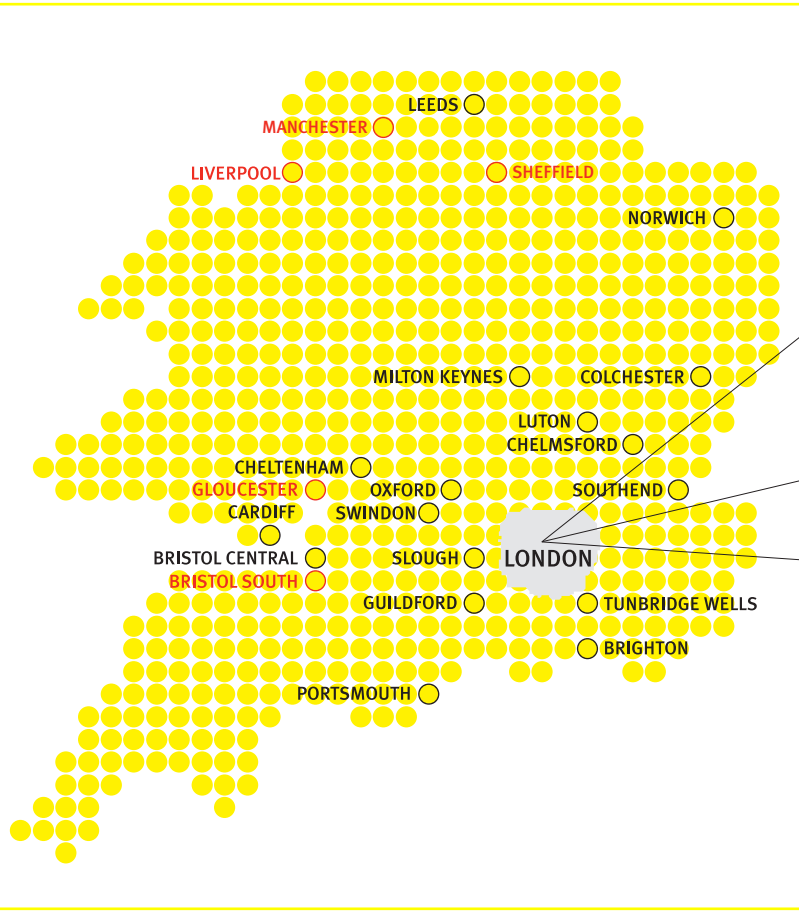


Hounslow

## The Strongest Brand

SELF STORAGE IS A FLEXIBLE, DO IT YOURSELF CONCEPT THAT HAS CHANGED THE WAY PEOPLE THINK ABOUT STORING THEIR POSSESSIONS.

*Big Yellow's philosophy is to provide personal and business users with exceptional customer service from a network of high profile, conveniently located stores.*



Bristol Central



East Finchley



North Kensington



Swindon

in 58 different locations...



Tolworth



Beckenham

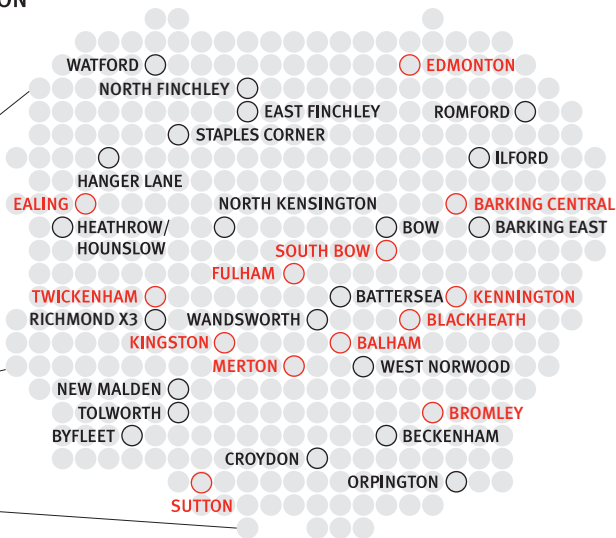


Tunbridge Wells



Orpington

LONDON



KEY

- > ○ Stores
- > ○ Stores under development

[www.bigyellow.co.uk](http://www.bigyellow.co.uk)

36 OF OUR STORES & SITES ARE LOCATED WITHIN THE M25 AND 49 ARE OWNED FREEHOLD.

When fully built out our portfolio will provide 3.6m sq ft of flexible storage space.

**58**  
stores



Byfleet



Colchester



Cardiff



Norwich

# Measuring our Progress

SELF STORAGE IS A FLEXIBLE, DO IT YOURSELF CONCEPT THAT HAS CHANGED THE WAY PEOPLE THINK ABOUT STORING THEIR POSSESSIONS.

*Big Yellow's philosophy is to provide personal and business users with exceptional customer service from a network of high profile, conveniently located stores.*

opposite are some of the measures of our progress in 2006



> Revenue of £41.9m (£33.4m)

+25%

> Total dividend of 5.0p (2.0p)

+150%

and what that means...

Highlights	4th quarter ended	3rd quarter ended	%	Year ended	Year ended	%
	31 Mar 2006	31 Dec 2005		31 Mar 2006	31 Mar 2005	
Annualised revenue*	£43.4m	£42.5m	+2	<b>£43.4m</b>	£36.5m	+19
Revenue	£10.8m	£10.8m		<b>£41.9m</b>	£33.4m	+25
Profit before tax				<b>£118.5m</b>	£42.8m	+177
Adjusted profit before tax <sup>(1)</sup>				<b>£12.6m</b>	£7.8m	+62
Basic earnings per share				<b>82.10p</b>	30.15p	+172
Adjusted earnings per share <sup>(2)</sup>				<b>8.91p</b>	5.53p	+61
Dividend – final				<b>3.0p</b>	1.5p	
– total				<b>5.0p</b>	2.0p	
Adjusted NAV per share <sup>(3)</sup>				<b>297.0p</b>	191.1p	+55
Cashflow from operating activities (after financing)				<b>£16.1m</b>	£9.7m	+67
Occupied Space	1,672k sq ft	1,642k sq ft	+2	<b>1,672k</b>	1,470k	+14

(1) See note 10 (2) See note 12 (3) See note 12

\* Based on revenue at the end of the period in respect of storage and other related income only

> Adjusted pre-tax profits  
of £12.6m (£7.8m)

**+62%**

> Adjusted earnings per share  
of 8.91p (5.53p)

**+61%**

> Cashflow from operating activities  
(after financing) of £16.1m (£9.7m)

**+67%**

> Adjusted net assets per share  
up significantly

**297p**

> 37 stores open with a further  
21 committed, providing  
3.6 million sq ft when complete

**58 stores & sites**

> Packing materials, insurance and  
other sales were £5.2m (£4.1m)

**£5.2m**

# Chairman's Statement

Big Yellow Group Plc ("Big Yellow", "the Group" or "the Company"), is pleased to announce results for the year and for the fourth quarter ended 31 March 2006.

The Group enjoyed buoyant trading conditions throughout the summer months and, despite the usual winter slow down, saw steady trading conditions in the latter half of the year. We see encouraging signs of a seasonal pick up in activity as we enter into the spring, with trading in April showing a marked improvement over the same period last year.

## Financial Results

Revenue for the year was £41.9 million (2005: £33.4 million), an increase of 25%. Annualised revenue increased at year end to £43.4 million (2005: £36.5 million), up 19% compared to the previous year.

Revenue for the fourth quarter was unchanged from that reported in the third quarter at £10.8 million although annualised revenue increased by 2% to £43.4 million at the end of the quarter. This is due to a pick up in the early spring at the end of the fourth quarter which will benefit revenue in the next quarter.

Profit before tax for the year was £118.5 million up from £42.8 million last year. After adjusting for the gain on the revaluation of investment properties and other matters (see note 10) the Group made an adjusted profit before tax in the period of £12.6 million, up 62% from £7.8 million in 2005.

The basic earnings per share for the year was 82.10 pence (2005: 30.15 pence) and the fully diluted earnings per share was 80.47 pence (2005: 29.69 pence). Adjusted earnings per share based on adjusted profit after tax (see note 12) was 8.91 pence (2005: 5.53 pence).

Cash generated from operating activities (after finance) rose to £16.1 million in the year (2005: £9.7 million), an increase of 67%.

Net bank debt of £142.1 million at 31 March 2006 (2005: £102.5 million) represents approximately 30% (2005: 33%) of the Group's investment property and development property assets totalling £468.5 million (2005: £311.3 million) and 44% (2005: 50%) of the adjusted net assets (see note 12) of £322.3 million (2005: £206.6 million).

During the year we increased our committed bank facility with the Royal Bank of Scotland, Bank of Ireland and Barclays to £225.0 million and hence at the year end had £82.9 million available to fund further expansion.

## Dividend

The Board has reviewed its dividend policy and has concluded that the final dividend be increased, reflecting the strength of the Group's operating cash flow.

The Board is recommending a final dividend of 3.0 pence per ordinary share (2005: 1.5 pence) which, together with the interim dividend of 2.0 pence (2005: 0.5 pence) takes the total dividend for the year to 5.0 pence (2005: 2.0 pence). The ex-dividend date will be 7 June 2006, the record date 9 June 2006, with an intended payment date of 12 July 2006.

## Valuation and Net Asset Value

The Group's investment properties have been valued by Cushman & Wakefield (C&W). The total value of the Group's properties is £474.8 million, comprising £410.5 million for the 37 stores which were open at the year end, £58.0 million for sites held for development and £6.3 million of surplus land held for sale.

The properties held for development and sale are held at historical cost less provision for impairment and have not been externally valued. The valuation translates into an adjusted net asset value of 297.0 pence per share (see note 12), up 55% from 191.1 pence per share last year. This growth results from a combination of yield contraction and improved operating surpluses set out in more detail in the Financial Review on page 18.

The net yield on the portfolio based on the net operating income at store level in the first year after the projected stabilisation of each store is 7.49%. We believe that this continues to offer attractive value, when set against the IPD All Property yield of 5.84% and the 4% average annual net storage rent increases achieved over the last four years.

It is worth noting that external valuations are undertaken on the basis of a purchaser acquiring investment property as a direct property purchase and incurring 5.75% acquisition costs. In practice, we believe, that it is unlikely that these branded Big Yellow stores will be bought other than in a corporate structure.

## Real Estate Investment Trusts ("REITs")

Following the Chancellor of the Exchequer's announcement and subsequent publication of a draft Bill in April of this year, legislation allowing the creation of REITs is due to be published in July this year and become law on 1 January 2007.



*“The increasing financial strength of the Group together with a significant pipeline of new freehold stores means that Big Yellow is well placed to continue its expansion and deliver growth in shareholder value.”*

In essence, a REIT will exempt qualifying companies from paying Corporation Tax on their qualifying earnings in return for distributing 90% of qualifying profits to shareholders. Certain rules apply to a REIT limiting the amount of development, debt gearing and non qualifying trading activity.

In addition, for a company to convert into a REIT it will need to pay a conversion charge, representing 2% of gross property assets. Based on the current value of the Group's properties of £474.8 million, the conversion charge for Big Yellow would represent a one off payment of approximately £9.5 million.

There are a number of issues relating to REIT conversion which management is currently investigating. Subject to the satisfactory resolution of these items, the Board is favourably disposed to conversion but will not make a decision until we have further clarification on these points.

### **Stores and the Market**

During the year, the Group increased occupancy by 202,000 sq ft with total occupancy at 31 March 2006 of 1,672,000 sq ft, representing a 76% occupancy rate across all 37 trading stores.

We have included, as usual, a table summarising the trading performance of all our stores over the year, this can be found on page 20. The portfolio of 27 stores that were open for more than two years at the beginning of the period was 85% occupied at the end of the year with an average occupancy during the year of 85%. In addition these 27 stores achieved EBITDA margins of 62% and, after an allocation of central overhead, net operating income margins of 56%.

Same store revenue for these 27 stores increased 17% year on year, of which 11% is a result of yield improvement and the balance occupancy growth.

The self storage industry has witnessed a degree of growth in activity from smaller self storage operators in some of the smaller provincial towns, but barriers to entry remain high in the Group's core areas of activity in London and the larger provincial cities and towns.

### **Our People**

The Big Yellow team has remained largely stable during the year both at Head Office and within the stores. I remain convinced that the quality and success of our business is, has been and will continue to be intrinsically bound up in the efforts and quality of the people who work at Big Yellow, so once again I extend my thanks to them all.

In November 2005 Stephen Homer, who joined the Group in January 1999 as Marketing Director, left to pursue other interests. Stephen had a significant impact on the development of the Big Yellow brand and I would like to thank him for all his endeavours and wish him well in the future.

### **Property**

The year has been strong in terms of progress on property acquisitions with 10 sites acquired in the year; eight in London at Twickenham, Balham, Kennington, Ealing, Sutton, Bow South, Barking Central and a second existing store at Richmond, one in Manchester and one in Liverpool. Since the year end, we have acquired a further three sites in London at Merton, Bromley, an extension site adjacent to our original Richmond store and one in Sheffield.

Including stores acquired in April, there are now 21 stores in the pipeline including the proposed Richmond extension. These stores, when fully developed, will represent an additional 1.35 million sq ft. The net result is now a three year development programme of 21 sites representing a total capital outlay of some £186 million, reflecting a strong bias towards more valuable London store locations. Six of those stores are anticipated to open in the current financial year and a further store has been granted planning permission, leaving 14 sites on which we are negotiating planning permits. 35 (61%) of our total stores and sites are located within the M25 and 49 are freehold or long leasehold. The total of 58 stores open or in planning and development should provide total capacity when fully developed of 3.57 million sq ft.

Of particular note is the planning permission we have obtained in Fulham, for a 139,000 sq ft store. When the store opens in some eighteen months, it will be the Group's largest as well as being its most centrally located in London.

We have acquired a number of properties with surplus land additional to our self storage requirements, particularly in Twickenham, Merton and Manchester and these will be disposed of in due course.

### **Outlook**

Whilst we remain perennially concerned about consumer spending, at present, we are enjoying good trading conditions against the backdrop of a relatively stable housing market.

The increasing financial strength of the Group together with a significant pipeline of new freehold stores means that Big Yellow is well placed to continue its expansion and deliver growth in shareholder value.



**Nick Vetch**  
Chairman  
15 May 2006

whatever the customer  
needs...

The best  
brand...  
in the best  
locations

*We provide domestic  
and business users  
with exceptional  
customer service from  
a network of high  
profile, conveniently  
located stores.*

*We're driving  
technological  
change with constant  
innovation that gives  
our customers  
unprecedented support.*

*We're changing the  
way we communicate  
with our customers  
in order to develop  
long term relationships.*



whenever the customer  
needs it...

# 24/7

Easily accessible locations

Open 7 days a week

Extended access from  
5am – 11pm

Packing materials available  
instore and online

Contents insurance cover  
with complete flexibility



caring for our  
customers...

The best  
people...  
providing the  
best service

*At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing the commitment to customer service and standards of performance.*

*We had 185 employees in the business at 31 March, and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow. We promote the individual development of staff through training and regular performance appraisals.*



caring for  
our people...

# 10/10

Quality buildings in quality locations

Flexible sized rooms to suit our customers' needs

Store for 7 days, or for as long as required

Only 7 days notice required



safety and security  
of our customers...

The best  
stores...  
offering the  
best security

*The safety and security of our customers and stores remains a key priority. To achieve this we invest in state of the art access control systems, individual room alarms, digital CCTV systems, intruder and fire alarm systems and the remote monitoring of our stores out of hours.*

*The importance of security and the need for vigilance is communicated to all store staff and reinforced through regular training.*



will always be  
a key priority...

# 20/20

Personal Access Control  
Systems

Individual Room Alarms

24 hour digital CCTV

Mandatory customer ID

**24 hour CCTV  
& individually alarmed rooms**



# Business Review

## Introduction

Big Yellow has achieved substantial total returns for its shareholders in the year under review, which arise from a combination of factors including:

- > a prime portfolio of self storage properties
- > successful acquisition and development driving new stores
- > the strength of operational management
- > improving cash flow and margins
- > flexible and conservative financing

## Business Objectives

In recent years, Big Yellow has established itself as the leading self storage brand in its main areas of operation in London and the South, a key objective set at flotation. The Group's strategy is to continue to invest in quality assets at the premium end of the self storage market and expand the reach of the Big Yellow brand nationally.

The main elements of our strategy remain:

- > the roll-out of new stores in major urban conurbations throughout the UK, in addition to retaining a focus on London
- > locating stores in visible, convenient and accessible locations
- > conservative financing using flexible bank borrowings secured against a prime freehold portfolio
- > an unwavering focus on customer service
- > excellent operational and financial management generating strong cash-flow growth
- > innovative and creative marketing
- > an entrepreneurial and passionate culture, with accessible senior management encouraging innovation and dialogue throughout the business
- > recruiting and retaining quality people into the business

## Financing Objectives

Big Yellow's financing policy is to fund its current needs through a mix of debt and equity in building out the existing portfolio and strategic growth objectives.

We aim to ensure that there are sufficient medium term facilities in place to finance our committed development program, secured against

the freehold portfolio with debt serviced by our growing strong operational cashflows.

The business is financed by a mixture of debt and equity which improves returns to shareholders. The level of bank debt in the business is closely monitored against the Board's policy guidelines, which currently require that the ratio of net debt to gross property assets is no greater than 50% and interest cover not less than 2.25 times based on Group net operating income, comfortably ahead of its banking covenants. However, it is acknowledged that there may be limited periods where income cover temporarily falls slightly below 2.25 as a result of known factors, for example a number of new store openings, as new freehold stores make a loss for the first three to six months before breaking even at the net operating income level.

## Risk Management

The management of risk is a fundamental part of how we have controlled the development of Big Yellow since its formation in September 1998.

## Self Storage Market Risk

Economic growth in the UK was less than 2% and below trend in 2005 and we have seen a subdued consumer under pressure from rising utility costs, petrol prices, borrowing costs and taxes, whilst feeling less confident in the equity in their homes given the weaker housing market. However the level of housing transactions, having fallen significantly from the summer of 2004, has now stabilised with signs of improvement in the housing market, particularly in London. In addition, economic growth in the UK is projected to improve in 2006.

Approximately half our customers are in some way linked to the housing market, for example with customers renting storage space between house moves or whilst moving within the rental sector. We estimate that 15% of customers rent storage space as a spare room for lifestyle purposes and approximately 20% use the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited furniture, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 15% of our customers, who rent approximately 30% of lettable space, are businesses ranging from start ups and market traders to retailers and larger multinationals storing stock, documents, equipment, or promotional materials all requiring a convenient flexible solution to their storage either to get started or to free up more expensive space.

Self storage is an immature market with further opportunity for significant growth. Awareness of self storage and how it can be used by



*“The Group’s strategy is to continue to invest in quality assets at the premium end of the self storage market and expand the reach of the Big Yellow brand nationally.”*

domestic and business customers is relatively low throughout the UK, although higher in London. The rate of growth in branded self storage on main roads in good locations continues to be limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent.

Big Yellow only invests in prime locations, developing high quality self storage centres in the large urban conurbations where the drivers in the self storage market and the barriers to competition are at their strongest.

We have a large current storage customer base of over 28,000 spread across the portfolio of open stores and many thousands more have used Big Yellow over the years. In any month customers move in and out at the margin but the solidity of the occupancy of our stores when they lease up to maturity can be seen from the Trading Summary on page 20.

#### **Property Risk**

The acquisition of eight to ten sites a year for development into self storage is a key strategic objective of the business. We continue to face significant competition for sites for these quality main road locations from other uses such as residential, hotel, car showroom and offices. In addition we are seeing increasing competition from our main competitors for sites.

The planning process remains difficult with planning taking approximately nine to twelve months to achieve on average. In this competitive environment, we do take planning risk as it is necessary for us to acquire sites unconditionally, with planning and other property due diligence carried out under tight timescales.

Big Yellow management has significant experience in the property industry generated over many years and in particular in acquiring property on main roads in high profile locations and obtaining planning consents.

In the year under review we were successful in acquiring ten sites, eight in London, one in Liverpool and one in Manchester, and we have acquired a further four sites since year end. We now have a portfolio of 58 stores and sites (including one extension site) of which 39 are currently open and a further seven have planning consents.

We manage the construction of our properties very tightly. The building of each site is handled through a design and build contract, with the fit out project managed in-house using an established professional team of external advisors and sub-contractors who have worked with us for many years on our Big Yellow specification.

#### **Treasury Risk**

The Group borrows in sterling at floating rates of interest and uses swaps to hedge its interest rate exposure. Since the year end other

derivatives have been put in place to ensure at least 40% of bank borrowings are hedged, the balance is left floating paying margin over rolling 3 month LIBOR.

Our portfolio is relatively high yielding and we believe this flexible approach to our hedging is appropriate for our strategic aims.

#### **Interest Cover and Balance Sheet Risk**

The Group reviews the current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis assuming movements in interest rates on gearing and interest cover.

#### **Taxation Risk**

The Group is exposed to changes in the tax regime affecting the cost of corporation tax, VAT and Stamp Duty Land Tax (“SDLT”). We regularly monitor proposed and actual changes in legislation with the help of our professional advisors and through trade bodies to understand and, if possible, mitigate or benefit from their impact.

#### **Human Resources**

At Big Yellow we have developed a professional, lively, enjoyable and fun working environment and believe our success stems from attracting and retaining the right people. We encourage all our staff to build on their skills, through appropriate training and regular performance reviews. We believe in an accessible and open culture and everyone at all levels is encouraged to review and challenge accepted norms so as to contribute to the performance of the Group.

#### **Reputation**

Big Yellow’s reputation with all its stakeholders is something we value highly and will always look to protect and enhance. We aim to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen to and take account of their views. The Big Yellow Intranet and Website ([www.bigyellow.co.uk](http://www.bigyellow.co.uk)) are important avenues of communication for both employees and shareholders.

#### **Corporate and Social Responsibility**

Big Yellow develops self storage centres in environments in which people live and work, building storage centres for our customers who live within a three to five mile radius providing a storage solution for businesses and homeowners. 85% of our customers are householders renting storage rooms primarily for household contents as explained earlier, 15% of our customers occupying 30% of the net lettable space

are businesses requiring flexible storage space to operate and expand, thus contributing to job creation and generating wealth for the local economy.

We survey all customers at moveout to assess their views on a number of issues and seek to respond to all complaints and views in order to improve our performance and meet our customers' changing needs.

We work closely with our suppliers to ensure they understand our aims and objectives and can share in the Big Yellow vision of reinforcing our position as the leading brand in the UK self storage market.

As a Board we are committed to ensuring that our development activities do not place an unnecessary burden on future generations. Big Yellow is well aware of its corporate social responsibility and recognises the positive contribution it can make to address environmental concerns and sustainability issues. A more detailed explanation of our approach to managing and minimising the impact of our development on the environment is set out in the Directors Report on page 26.

Big Yellow has a committed and skilled staff of 185 people. We have a responsibility to provide an attractive and safe working environment, equal opportunities, training to improve skills and, where practicable for a business of this size, career progression. Remuneration is linked to performance and assessed against relevant markets at all levels.

Our shareholders and bankers are our providers of capital and we aim through our reporting, our Investor Relations website and announcements to keep them informed about the progress of the business. Furthermore we have a responsibility through the successful performance and growth of the business to provide our shareholders with an attractive total return on their investment through dividends and share price growth.

The success of Big Yellow has allowed us to put something back into the local communities in which we operate through the support of local causes and into society generally through donations to charities.

## Stores

During the year, we opened five stores, one in Leeds, one in Bristol and three in London in Beckenham, Richmond and North Kensington. The existing store acquired in Richmond at the end of June 2005 on the A316 comprises 23,500 sq ft store which we opened under the Big Yellow banner whilst we seek planning permission for redevelopment into a larger 60,000 sq ft store. We were also successful in extending our Wandsworth store by 14,000 sq ft to 47,000 sq ft and it is now back at maturity. Since the year end we have opened stores in Tunbridge Wells and East Finchley bringing the number now trading to 39. The available net lettable space increased by 280,000 sq ft over the year to 2.22 million sq ft with the opening of the five stores and, including the two openings since the year end, we now have a total net lettable capacity on open stores of 2.33 million sq ft.

The maturity profile across the 37 stores open at the end of the year is set out in the Trading Summary on page 20 and shows a blended occupancy for the portfolio of 76% (1.67 million sq ft), with the 27 stores more than two years old at an average occupancy of 85%. There are a further 21 freehold sites at various stages of planning and construction (including Tunbridge Wells and East Finchley) which, when fully developed, will increase the total capacity of the portfolio to 3.57 million sq ft.

In July last year we opened our first store in Leeds and have been pleased with its lease up and general trading performance, encouraging us to continue to expand in the Midlands, the North of England and Scotland. Included in our development programme are new sites in Manchester, Liverpool and Sheffield. Furthermore, 14 of the 21 stores in the development pipeline (including the extension site for our first Richmond store) are located in Greater London, which we believe will improve the quality of our portfolio. We expect to open six stores in the current financial year.

Customer move-ins per store averaged 92 per month over the year, down from the 97 per month last year, reflecting a more mature store portfolio with less availability and hence less activity, however we expect this to pick up as new stores open in the current year. Of the 37 stores open at year end 35 are now trading profitably and the other two opened recently in December 2005 and March 2006.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Customer service is at the heart of our business objectives as a satisfied customer is our best marketing tool. We measure customer service standards through a programme of mystery shoppers and ex-customer surveys. We have reorganised our operational management and now have in place an experienced field team to develop and support the stores and grow with the business.

The store bonus structure rewards sales growth and cost control through setting quarterly targets based on store profitability, including the contribution from ancillary sales of insurance and packing materials. Information on bonus build up is circulated monthly and stores are involved in tracking their own performance leading to improved visibility, a better understanding of sales lines and control of operating costs.

The Company manages the construction and fit-out of its stores in-house as we believe it provides better control and we have an excellent record of building stores on time and within budget. The total construction spend in the year was £25 million and is expected to be approximately £26 million in 2006/7. We currently have six stores on site of which one is in the demolition phase and five stores with buildings under construction.

We believe that as a customer facing real estate business it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in a rolling programme of store makeovers, preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as internal and external gates.

## Marketing

During the year the Company spent approximately £1.5 million, 4% of turnover, on above the line marketing, in line with the previous year. It is our intention to continue to invest this proportion of our turnover to increase awareness of Big Yellow in existing and new markets, particularly as we expand into the North.

We ran a successful TV campaign on Carlton/London Weekend Television and a radio campaign in London on Heart/LBC/Smooth and selected local radio stations last summer. These campaigns were run over our peak trading period last summer and followed by further radio campaigns in autumn 2005 and spring 2006. This was our third year of significant TV and radio investment which we believe has contributed to the achievement of Big Yellow as the leading brand in our area of operation.

To build on this success and reinforce Big Yellow's brand position we have recently launched a further intensive radio advertising campaign across London, timed to coincide with our busier summer trading period, which will benefit 26 stores. We are also running radio campaigns this summer on selected local radio stations outside London and a TV campaign in the ITV Wales and West region to support our network of stores in the South West.

We see the internet as an increasing source of prospects and customers and continue to invest in developing our e-commerce platform. We have recently re-launched our website to incorporate the latest web technologies which we believe has set a new standard in the self storage sector. This is a first stage in several developments we have planned in improving our e-services for customers.

Local marketing, selling standards and customer service at store level are also critical to building the brand and achieving customer loyalty and recommendations. We invest significantly in training and have a reward structure and performance monitoring systems which focus specifically on achieving sales and customer service objectives.

## People

At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing the commitment to customer service and standards of performance.

As the business has grown it has been necessary to formalise the means by which ideas and policy changes are communicated and discussed with employees. We hold regular consultation meetings with employees, both formally and informally, and our directors and senior management spend significant time in the stores and are accessible to employees at all levels. We encourage a partnership culture within the business and believe in staff participating in corporate performance through share incentives. Many employees have benefited or continue to benefit from share options granted in previous years and an Inland

Revenue approved Sharesave Scheme which provides an opportunity to invest in the future success of Big Yellow at a discount to the prevailing share price at the date of each invitation.

In addition, a stakeholder pension scheme managed by Friends Provident provides pension provision within the Group and is available to all employees after six months. Currently over 60% of our employees are members of the scheme.

We had 185 employees in the business at the year end, and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow. We promote the individual development of staff through training and regular performance appraisals and have a policy on flexible working to meet individual needs where possible, without compromising corporate objectives.

## Security

The safety and security of our customers and stores remains a key priority. To achieve this we invest in state of the art access control systems, individual room alarms, digital CCTV systems, intruder and fire alarm systems and the remote monitoring of our stores out of hours.

We have implemented customer security procedures in line with advice from the Metropolitan Police and continue to work with the regulatory authorities on issues of security, reviewing our operational procedures regularly. The importance of security and the need for vigilance is communicated to all store staff and reinforced through training. We have recently run an updated course to enhance the awareness and effectiveness of our procedures in relation to security, entitled "You and your customer".

# Financial Review

## International Financial Reporting Standards ("IFRS")

Big Yellow Group PLC adopted IFRS with a transition date from 1 April 2004 and announced the restatement of its 2005 full year results under IFRS on 27 September 2005. That announcement, which includes reconciliations and explanations of differences from reported key numbers under UK GAAP, together with the accompanying presentation, is available on the Company's website, [www.bigyellow.co.uk](http://www.bigyellow.co.uk). The main change resulting from the introduction of IFRS is that Big Yellow has changed its classification and accounting for the majority of its properties to "investment properties" and its trading stores are now held in the balance sheet at fair value, having previously been held at net historical cost. Furthermore, these investment properties are no longer depreciated but are subject to bi-annual external valuations, with movements on the fair value recognised separately in the income statement.

This report is prepared in accordance with IFRS and includes the Group's IFRS accounting policies together with further details on key performance measures in the notes to the accounts.

Whilst the adoption of IFRS has significantly changed the presentation of the financial results in this report, it has no impact on the underlying business or cashflow. An explanation of the transition to IFRS is set out in note 27.

## Financial Results

Annualised revenue, the measure of store revenue being billed (net of all discounts) at the end of the year, increased to £43.4 million, up from £36.5 million last year, an increase of 19%. Revenue for the year was £41.9 million, up 25% from £33.4 million for 2005.

Other sales (included within the above), comprising the selling of packaging materials, insurance and storage related charges represented 14% of storage income for the year (2005: 14%) and generated revenue of £5.2 million for the year, up from £4.1 million in 2005.

The Group made a profit before tax in the year of £118.5 million, up significantly from the £42.8 million in the prior year. After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below the Group made an adjusted profit before tax in the year of £12.6 million, up 62% from £7.8 million in 2005.

	2006 £m	2005 £m
<b>Profit before Tax Analysis</b>		
Profit before tax	<b>118.5</b>	42.8
Less gain on revaluation of investment properties	<b>(106.2)</b>	(34.9)
Add/(less) movement in fair value on interest rate swaps	<b>0.2</b>	(0.1)
Loss on sale of non-current assets	<b>0.1</b>	–
Adjusted profit before tax	<b>12.6</b>	7.8

The Group sold surplus land at four of its store development sites for net proceeds of £3.8 million making a negligible net loss. The basic earnings per share for the year was 82.10p (2005: 30.15p) and the fully diluted earnings per share was 80.47p (2005: 29.69p). Adjusted earnings per share based on adjusted profit after tax was 8.91p (2005: 5.53p) (see note 12).

**Administration Expenses** including the cost of construction management were lower at £4.7 million compared to £5.4 million in 2005. There have been additional costs in 2006 relating to conversion to IFRS and compensation for loss of office of a director as well as inflationary increases. These increases were offset by the saving from a cost in the prior year of a one-off long term bonus payment to directors and senior management of £1.4 million including employers' national insurance contributions.

**Net Interest Expense on Bank Borrowings** for the year increased to £7.6 million up from £5.7 million in 2005 reflecting the increase in net borrowing over the period. The average cost of borrowing including margin at 31 March is set out below:

	2006	2005
Average interest rate on fixed rate debt	<b>6.1%</b>	6.5%
Average interest rate on variable rate debt	<b>5.6%</b>	6.0%
Overall weighted average interest rate	<b>5.7%</b>	6.3%

## Balance Sheet

The Group's 37 trading stores at 31 March 2006, which are classified as investment properties, have been re-valued by Cushman & Wakefield (C&W) and this has resulted in a gross asset value of £410.5 million, comprising £349.4 million (85%) for freehold and long leasehold properties, £61.1 million (15%) for short leasehold stores. The properties held for development have not been valued and have been included in the balance sheet at a historical cost less provision for impairment of £58.0 million.

The valuation translates into an adjusted net asset value per share of 297.0 pence (2005: 191.1 pence) after the dilutive effect of outstanding share options.

	2006 £'000	2005 £'000
<b>Analysis of Net Asset Value</b>		
Basic net asset value	<b>244.3</b>	159.2
Exercise of share options	<b>5.8</b>	7.3
Diluted net asset value	<b>250.1</b>	166.5
Adjustments:		
Deferred tax on revaluation surpluses	<b>72.1</b>	40.2
Deferred tax on fair value of interest rate swaps	<b>–</b>	–
Adjusted net asset value	<b>322.2</b>	206.7
Basic net assets per share (pence)	<b>239.2</b>	159.0
Diluted net assets per share (pence)	<b>230.5</b>	154.0
Adjusted net assets per share (pence)	<b>297.0</b>	191.1
Diluted shares used for calculation (million)	<b>108.5</b>	108.1

The value of the investment property portfolio at 31 March 2006 was £410.5 million up £135.3 million from the £275.2 million at 31 March 2005. £82.6 million is the increase in the valuation of the same store portfolio representing a 30% total uplift, of which 16% is a function of capital growth and 14% operational performance. The balance of £52.7 million is the valuation of the new stores, comprising capital expenditure of £28.7 million and a revaluation uplift of £24.0 million mainly on new stores at Beckenham, Leeds, North Kensington and Bristol Central.

The anticipated initial yield on the portfolio in the following year, as represented by net operating income at store level, is 6.01%, rising to 7.49% in the year following stabilisation of each store. The reduction in the stabilised yield from 8.83% at 31 March 2005 to 7.49% results in a 16% capital value increase. This yield reduction reflects a number of factors, including significant yield compression on other real estate assets in the UK and elsewhere and more specifically, a growing institutionalisation of self storage assets, particularly in the US.

During the year the Group has acquired a virtual freehold in its Head Office building for £1.25 million plus irrecoverable VAT and this property is now held as a freehold property in the balance sheet at cost.

Total returns to shareholders as measured by the increase in net assets per share plus dividend was 56% in 2006. Total shareholder returns since flotation in May 2000 have been 26% compound per annum and 78% compound per annum in the last three years.

### Financing and Treasury

The Group is strongly cash generative and draws down from its longer term committed facilities as required to meet obligations. The Group's cash earnings continue to grow as reflected by the increase in cashflow from operating activities (after financing) for the year to £16.1 million from £9.7 million last year.

We focus on improving our cashflows and currently have healthy interest cover in excess of 2.5 times with a relatively conservative debt structure secured principally against its freehold estate. The Group was comfortably in compliance with its bank covenants at 31 March 2006.

At the end of the year, the Group had net bank borrowings of £142.1 million, an increase of £39.6 million over last year following £61.3 million of capital expenditure, £9.3 million of net interest paid (including finance lease costs), dividend payments of £3.5 million, net cash inflows from changes in share capital of £1.5 million, offset by operating cash flow of £25.4 million, and land disposal proceeds of £7.6 million.

In March 2006 the Group increased its bank facility with the Royal Bank of Scotland, Bank of Ireland and Barclays to £225 million from £150 million. This facility is secured on a portfolio of freehold and leasehold assets, and increases total banking facilities to £241 million. Net debt at the end of March was £142.1 million, leaving significant available facilities to fund expansion together with the Group's growing operational cashflow.

Treasury continues to be closely monitored and its policy approved by the Board. We maintain a close watch on medium and long term rates and the Group's policy in respect of interest rates is to maintain a balance between flexibility and hedging of interest rate risk. At 31 March 2006, the Group had total bank borrowings of £156.3 million of which £36.3 million is hedged at maturities expiring in 2007 and 2010. A further £50m was hedged in April 2006. We will continue to review policy in relation to future interest rate exposure based on assessment of prevailing market conditions.

Cash deposits are only placed with approved financial institutions in accordance with Group policy.

### Share Capital

The share capital of the Company totalled £10.3 million at 31 March 2006 (2005: £10.1 million), consisting of 102,752,607 ordinary shares of 10p each (2005: 100,725,537 shares).

During the year there were no purchases of shares by the Group into Treasury. 615,000 shares were purchased in the prior year at an average price of 132p, and were subsequently transferred into an Employee Benefit Trust ("EBT"). These shares are shown as a debit in reserves and are not included in calculating earnings and net asset value per share.

Shares issued for the exercise of options during the period amounted to 2,027,070 at an average exercise price of 73p.

	2006 No.	2005 No.
Opening shares	<b>100,725,537</b>	99,400,216
Shares issued for the exercise of options	<b>2,027,070</b>	1,325,321
Closing shares in issue	<b>102,752,607</b>	100,725,537
Shares held in EBT	<b>(615,000)</b>	(615,000)
Closing shares for NAV purposes	<b>102,137,607</b>	100,110,537

72,903,317 million shares were traded in the market during the year ended 31 March 2006 (2005: 67,465,613). The average mid market price of shares traded during the year was 259p with a high of 377p and a low of 185p.

At 31 March 2006 there were 5,592,936 shares subject to share option awards to employees of the Group at an average strike price of 100p. In addition there are 569,054 nil paid options, granted under the Group's LTIP scheme and 206,037 share options granted under the Group's SAYE scheme at an average strike price of 124p.

### Dividend

A final dividend of 3.0p per share is proposed, increased from the 1.5p final dividend for 2005 and together with the interim dividend of 2.0p (2005: 0.5p) takes the total dividend for the year to 5.0p (2005: 2.0p).

### Taxation

The current year tax charge for the Group of £35.1 million (2005: £12.7 million) relates to a movement in deferred tax of £34.0 million and a corporation tax charge of £1.1 million.

The movement in the deferred tax primarily consists of the deferred tax liability arising on the revaluation of investment properties (£31.9 million) and capital allowances in excess of depreciation (£2.2 million).

The group has an effective tax rate for the year of 30% (2005: 30%) which is in line with the UK standard rate of corporation tax.

The group's actual cash tax liability for the year is, however, nil as the group is entitled to claim a tax deduction in the year of £3.9 million in connection with share options exercised by employees. Under the provisions of IAS 12, however, the benefit of this tax deduction is taken straight to reserves rather than being accounted for through the tax charge for the year.

# Trading Summary

Years since opening as at 1 April 2005	March 2006 ≥ 2 years	March 2006 < 2 years	March 2006 Total	March 2005 ≥ 2 years	March 2005 < 2 years	March 2005 Total
Number of stores	27	10	37	27	5	32
<b>As at 31 March 2006</b>						
Total capacity (sq ft)	1,652,000	560,000	2,212,000	1,635,000	277,000	1,912,000
Occupied space (sq ft)	1,403,000	269,000	1,672,000	1,341,000	129,000	1,470,000
Percentage occupied	85%	48%	76%	82%	47%	77%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Annualised revenue	36,326	7,074	43,400	33,248	3,226	36,474
<b>For the year:</b>						
Average occupancy	85%	40%	73%	80%	36%	74%
Average annual rent psf	£22.56	£20.51	£22.46	£20.61	£19.60	£20.43
Self storage sales	31,674	4,594	36,268	26,960	1,955	28,915
Other storage related income <sup>(1)</sup>	4,395	841	5,236	3,795	355	4,150
Development/tenant income	201	184	385	310	–	310
Total Revenue	36,270	5,619	41,889	31,065	2,310	33,375
Direct store operating costs (excluding depreciation)	(11,564)	(2,887)	(14,451)	(10,494)	(1,350)	(11,844)
Leasehold rent <sup>(2)</sup>	(2,206)	–	(2,206)	(2,166)	–	(2,166)
Store EBITDA <sup>(3)</sup>	22,500	2,732	25,232	18,405	960	19,365
EBITDA Margin <sup>(4)</sup>	62%	49%	60%	59%	41%	58%
Central overhead <sup>(5)</sup>	(2,174)	(570)	(2,744)	(1,880)	(240)	(2,120)
Store Net Operating Income	20,326	2,162	22,488	16,525	720	17,245
NOI Margin	56%	38%	54%	53%	31%	52%
<b>Cumulative capital expenditure</b>						
	<b>£m</b>	<b>£m</b>	<b>£m</b>			
to 31 March 2006	120.1	59.0	179.1			
to complete	–	2.6	2.6			
Total cost	120.1	61.6	181.7			

(1) Packing materials, insurance and other storage related fees.

(2) Rent for 9 leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 535,000 sq ft.

(3) Earnings before interest, tax, depreciation and amortisation.

(4) Of stores open more than 2 years, 9 leaseholds achieved a store EBITDA of £6.43 million and EBITDA margin of 50%. 18 freeholds achieved a store EBITDA of £16.07 million and EBITDA margin of 69%.

(5) Allocation of overhead based on 6% of estimated stabilised revenue.

# Report on Corporate Governance

## Introduction

The Board continues to endorse and apply the principles of good corporate governance reflected in “The Combined Code on Corporate Governance” (“the Code”) as appended to the Listing Rules of the UK Listing Authority. This report describes how the Company complies with the provisions of the Code.

## Compliance Statement

The Company is committed to high standards of corporate governance and throughout the year ended 31 March 2006 the Company has been in compliance with the Provisions set out in Section 1 of the Code.

## The Board and its Principal Committees

The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership with a framework of sound controls. The Board is responsible for setting the Group’s strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals.

The Board consists of seven Directors: four executives and three Non-Executives. The Board considers all of the Non-Executive directors, David White, David Ross and Jonathan Short to be independent and free from any business or other relationship which could materially interfere with the exercise of their judgement throughout the year. David White is the Senior Independent Non-Executive Director.

Jonathan Short was not deemed independent by the Board for part of the prior year because he represented two large shareholders controlling together 28.1% of the Company. On 4 February 2005 the shareholders that he represented disposed of their shareholding in the Company and hence for the whole of the year to 31 March 2006 Jonathan Short was deemed independent by the Board.

David Ross increased his shareholding in the Company during the year to 6.8%. The Board believes that Mr Ross remains wholly independent as his interests are totally aligned with those of external shareholders.

Given the size of the Company, and its ownership structure, we believe the proportion of independent Non-Executives to be appropriate.

All the Non-Executive Directors bring independent judgement and considerable knowledge and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company’s share option or bonus schemes and their service is non-pensionable. The biographical details of the Directors of the Group are set out on page 35.

## Chairman and Chief Executive

The division of responsibilities between the Chairman and the Chief Executive has been agreed by the Board and encompasses the following parameters:

- > the Executive Chairman’s role is to provide continuity, experience, governance and strategic advice, while the Chief Executive provides leadership, drives the day-to-day operations of the business, and works with the Chairman on overall strategy;
- > the Chairman, working with the Senior Independent Non-Executive Director, is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders;
- > the Board believes that the Chairman and the Chief Executive work effectively together to provide effective and complimentary stewardship;
- > the Chairman must:
  - > take overall responsibility for the composition and capability of the Board; and
  - > consult regularly with the Chief Executive and be available on a flexible basis for providing advice, counsel and support to the Chief Executive.
- > the Chief Executive must:
  - > manage the Executive Directors and the Group’s day-to-day activities;
  - > prepare and present to the Board strategic options for growth in shareholder value;
  - > set the operating plans and budgets required to deliver agreed strategy; and
  - > ensure that the Group has in place appropriate risk management and control mechanisms.

# Report on Corporate Governance (continued)

## Board of Directors

Details of the Board and its principal committees are set out below. Attendance at meetings of individual Directors is shown next to the Director's name. All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure where appropriate the attendance of external advisers at its meetings and to seek information required from any employee of the Company in order to perform its duties. The current full terms of reference of the committees are available on the Company's website at [www.bigyellow.co.uk](http://www.bigyellow.co.uk).

Nick Vetch	[Executive Chairman] [7]
David White	[Non-Executive Deputy Chairman, Senior Independent Director] [7]
David Ross	[Non-Executive Director] [6]
Jonathan Short	[Non-Executive Director] [7]
James Gibson	[Chief Executive Officer and Finance Director] [7]
Adrian Lee	[Operations Director] [7]
Philip Burks	[Property Director] [6]
Stephen Homer	[Marketing Director](resigned 30 November 2005) [4]

Company Secretary: Michael Cole

Number of meetings during the year: Seven

The Board meets on a regular basis approximately once every two months to discuss a whole range of significant matters including strategic decisions, major asset acquisitions and performance. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

There is a formal schedule of matters reserved for the Board's attention including the approval of Group strategy and policies; major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the normal course of business.

At each Board meeting the latest available financial information is produced which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the Executive Directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new Director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

A performance evaluation of the board and its individual members took place during the year. The Chairman evaluated the performance of the Executive Directors, and the performance of the Chairman was evaluated by the Senior Independent Non-Executive Director. It was considered that the individuals and the Board as a whole were operating effectively. Training is available for new Directors and other Directors as necessary. James Gibson and David Ross are being proposed for re-election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that their performance continues to be effective, and that they have demonstrated commitment to the role.



# Report on Corporate Governance (continued)

## **Audit Committee**

David White (Chairman) [3]

David Ross [2]

Jonathan Short [3]

Number of meetings during the year: Three

The Committee meets at least three times a year and receives papers for consideration in advance of the meeting. The papers reflect the agenda prepared by the Company Secretary in conjunction with the Committee Chairman. There are a number of standing items considered during the year such as consideration of the external audit reports, review of the preliminary and interim announcements, and review of the Annual Report and Accounts. Other items that have been considered during the year include, the adoption of IFRS, a review of risk management processes, consideration of major risks identified by this process, and consideration of the external auditors' fees. At the invitation of the Committee, and as appropriate to the matters under discussion, meetings may be attended by certain Executive Directors and the external auditors. Full minutes are kept by the Secretary of the matters considered and decisions taken by the Committee. Outside of the meeting process the Committee Chairman has regular contact with the Executive Directors, other committee members and the auditors on a variety of topics.

The Audit Committee assesses and reviews on a regular basis the independence of the external auditors. In forming their opinion on the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within Deloitte & Touche LLP.

The Audit Committee considers on a case by case basis whether or not the external audit firm should be permitted to carry out other services for the Company. The two key principles applied are: firstly, whether the provision by the auditors of that service would compromise their independence in any material way; and secondly whether it would otherwise be inappropriate for them to be engaged, for example in relation to any material accounting irregularities or significant fraud that had previously not been detected during an audit carried out by that firm. Additionally, the external auditors are specifically prevented from providing accounting, internal audit and valuation services to the Group.

Regard is paid to the nature of, and remuneration received, for other services provided by Deloitte & Touche LLP to the Group and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit.

In respect of the year ended 31 March 2006, the auditors' remuneration comprised £140,000 for audit work and £62,000 for other work, principally relating to IFRS conversion and VAT compliance. The level of non-audit work carried out by the auditors was higher than in previous years, however the committee gave careful consideration to the services provided by the auditors, and concluded that the advice that they gave would not compromise their independence, and did not lead to a threat of self review.

The Audit Committee has reviewed the briefing paper on effective communication between audit committees and external auditors issued in September 2002 by the Auditing Practices Board and, having considered the recommendations of the briefing paper with the external auditors, has concluded that the relationship between the Audit Committee and Deloitte & Touche LLP is in accordance with the objectives contained in the briefing paper.

The Committee have reviewed the arrangements for "whistleblowing" by employees to ensure that there is a consistent policy in the Group to enable employees to voice concerns particularly in respect of possible financial reporting improprieties. A whistleblowing policy is included in the employee handbook.

## **Remuneration Committee**

David White (Chairman) [3]

David Ross [2]

Jonathan Short [3]

Number of meetings during the year: Three

The Committee is responsible for determining broad policy for the remuneration of the Executive Directors and the Company Secretary. Within the terms of the agreed policy the Committee will determine the total individual remuneration package of each Executive Director, including, where appropriate, bonuses, incentive payments, pension arrangements and share options. The Committee will select, appoint and set the terms of reference for any remuneration consultants who advise the Committee. The Committee will ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is, where appropriate, fully recognised.

The fees of the Non-Executive Directors are reviewed by the Board at regular intervals. The statement of remuneration policy and details of each Director's remuneration is set out in the Directors' Remuneration Report.

# Report on Corporate Governance (continued)

## **Nominations Committee**

David White (Chairman) (1)

David Ross (1)

Jonathan Short (1)

Number of meetings during the year: One

The Nominations Committee is responsible for regularly reviewing the structure, size and composition required of the Board and giving consideration to succession planning for Directors and other senior executives. Where changes are required, it is also responsible for the identification, selection and proposal to the Board for approval of persons suitable for appointment or reappointment to the Board, whether as Executive or Non-Executive Directors and to seek approval from the Remuneration Committee to the remuneration and terms and conditions of service of any proposed Executive Director appointment. The Chairman of the committee presents reports to the Board as appropriate to enable the Board as a whole to agree the appointments of new Directors. The committee meets at least once a year and otherwise as required and as determined by its members.

## **Shareholder Relations**

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Board aims to achieve clear reporting of financial performance to all shareholders. The Board acknowledges the importance of an open dialogue by both executive and Non-Executive Directors with its institutional shareholders and communicates regularly with them throughout the year through both formal and informal meetings. The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the Annual General Meeting is an ideal forum at which to communicate with investors and the Board encourages their participation.

Any queries raised by a shareholder, either verbally or in writing, are answered immediately by whoever is best placed on the Board to do so. Directors are introduced to shareholders at the AGM, including the identification of Non-Executive Directors and Committee Chairmen. The number of proxy votes cast in the resolution is announced at the AGM.

## **Risk Management and Internal Control**

The Directors are responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. The system of internal control was in place throughout the financial year and to the date of this report. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a rigorous system of internal control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

A formal risk identification and assessment exercise has been carried out resulting in a risk framework document summarising the key risks, potential impact and the mitigating factors or controls in place. The Executive have a stated policy of reviewing this risk framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

During the reviews, the Executive Directors:

- > challenged the framework to ensure that the list of significant risks to business objectives is still valid and complete;
- > considered new and emerging risks to business objectives and included them in the framework if significant;
- > ensured that any changes in the impact or likelihood of the risks are reflected in the risk framework; and
- > ensured that there are appropriate action plans in place to address unacceptable risks.

The results of the exercise have been communicated to the Board and the Audit Committee. This was in the form of a summary report which included:

- > a prioritised summary of the key risks and their significance;
- > any changes in the list of significant risks or their impact and likelihood since the last assessment;
- > new or emerging risks that may become significant objectives in the future;
- > progress on action plans to address significant risks; and
- > any actual or potential control failures/weaknesses during the period (including "near misses").

The Group does not have an internal audit function because the Board has concluded that the internal controls systems discussed above are sufficient for the Group at this time. However, the Group appointed a Store Control Manager in March 2006 responsible for reviewing store operational and financial controls and reporting to the Group Financial Controller.

A summary of the principal risks and uncertainties within the business are set out in the Risk Assessment section of the Business Review on pages 14 and 15.

# Report on Corporate Governance (continued)

## **Going Concern**

The Directors report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on the going concern basis.

## **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the annual report and the consolidated financial statements for the Group in accordance with International Financial Reporting Standards (IFRS), company law and relevant regulations. They have chosen to continue to prepare the accounts for the Company in accordance with the United Kingdom Generally Accepted Accounting Principles (UK GAAP).

International Accounting Standard 1 required that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standard's Board's "Framework for the preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- > Properly select and apply accounting policies;
- > Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- > Provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In the case of UK GAAP company accounts, the Directors are also required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and to make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Michael Cole**

Secretary  
15 May 2006

# Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006.

## Principal Activity

The principal activity of the Company and its subsidiaries is the provision of self storage and related services.

## Review of Business

A detailed account of the Group's progress during the year and its future prospects is set out in the Chairman's statement on pages 6 to 7. A detailed Business Review and Financial Review have been prepared and are set out on pages 14 and 18, and more specifically as follows,

- > the business objectives and strategy is set out on page 14;
- > the financing objectives are set out on page 14;
- > the principal risks and uncertainties within the business are set out in the Risk Management section on pages 14 and 15; and
- > the key quantitative and qualitative performance indicators are included within the Highlights (see page 5), Trading Summary (see page 20) and Financial Review (see page 18).

## Properties

The changes in investment and development property during the year and details of property valuations at 31 March 2006 are shown in note 14 to the financial statements. Further commentary on our investment and development property portfolio is contained in the Business Review and Financial Review.

## Changes in Share Capital

During the year the Company issued 2,027,070 shares to satisfy the exercise of share options. The Company did not purchase any shares during the year. In the prior year the Company purchased 615,000 shares into Treasury which were then subsequently transferred to an Employee Benefit Trust.

Further details are given in note 21 to the financial statements.

## Results and Dividends

The consolidated income statement is set out on page 37 of the financial statements.

The Directors recommend a final dividend of 3.0p per ordinary share (2005: 1.5p per ordinary share) to be paid on 12 July 2006 to shareholders whose name appears on the register at the close of business on 7 June 2006. An interim dividend of 2.0p was paid in the year (2005: 0.5p).

## Payment of Suppliers

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. Trade creditor days of the Group for the year ended 31 March 2006 were 28 days (2005: 31 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year end, to trade creditors, within one year.

## Directors and their Interests

The Directors of the Company throughout the year were:

Philip Burks

James Gibson

Adrian Lee

David Ross

Jonathan Short

Nicholas Vetch

David White

Stephen Homer, Sales and Marketing Director resigned from the Board with immediate effect on 30 November 2005. Mr Homer has not been replaced on the Board. We have instead recruited a Head of Sales and Marketing, who reports to the Chief Executive.

Details of the interests of the Directors in the shares of the Company are set out in the Report on Directors' Remuneration on pages 29 to 33.

Biographical details of the Executive and Non-Executive Directors are set out on page 35.

# Directors' Report (continued)

## Reappointment of Directors

The Directors listed on page 26 constituted the Board during the year, except for Stephen Homer, who resigned from the Board effective 30 November 2005. Following a performance appraisal process, the Board has concluded that the Directors retiring by rotation are effective, committed to their roles and should continue in office.

James Gibson (Chief Executive) and David Ross (Non-Executive Director) offer themselves for re-election in accordance with the articles of association of the company.

## Directors' and Officers' Liability Insurance

The company purchases liability insurance covering the Directors and officers of the company and its subsidiaries.

## Annual General Meeting

The notice for the 2006 Annual General Meeting is included on pages 66 to 68. The meeting will be held at 20 Moorgate, London EC2R 6DA on 6 July 2006.

## Financial Instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liquidity and cash flow risk are set out in the Business Review on pages 14 to 17, and note 2 and 17 to the financial statements.

## Substantial Shareholdings

In addition to the interests of the Directors in the shares of the Company, the following substantial shareholdings have been notified to the Company:

	At 1 April 2005		Ordinary shares of 10p each At 31 March 2006		At 15 May 2006	
	No.	%	No.	%	No.	%
Thames River Capital	11,350,000	11.27	9,000,000	8.76	8,900,000	8.66
Henderson Global Investors and subsidiary companies	6,165,223	6.12	6,414,288	6.24	6,302,767	6.13
Merrill Lynch Investment Managers	5,690,666	5.65	4,074,337	3.97	4,065,301	3.96
Schroder Investment Management	4,718,462	4.68	4,035,731	3.93	4,265,731	4.15
Lehman Brothers International Europe	—	—	—	—	3,319,253	3.23

## Environmental Policy

Maintaining and improving the quality of the environment in which we live is an important concern for the Group, its staff, customers, suppliers and the communities in which we operate.

The Directors of Big Yellow are committed to ensuring its development activities do not place an unnecessary burden on future generations. Big Yellow is well aware of its corporate social responsibility and the company recognises the positive contribution it can make to address environmental concerns and sustainability issues.

The UK Government has set out challenging policies and strategies relating to energy use in future developments. As part of Big Yellow's stores expansion plan, studies have been commissioned into the building design to address environmental and sustainability issues. In effect Big Yellow will endeavour to use less energy, use energy from renewable sources and supply energy efficiently where practicable.

There are many ways in which Big Yellow achieves its 'environmental' objectives the main examples of which are set out below:

- > We clean up contaminated 'brown' field sites as part of the redevelopment; we do not build on green field sites or previously undeveloped land.
- > We recycle demolition materials and minimise construction waste.
- > We select building materials with low embodied energy and easy reuse. The buildings are in the main part constructed of steel, a material which could be recycled in the future. The mezzanine floors offers flexibility such that the building can be used for different purposes.
- > We meet building regulations which require high insulation standards to the building envelope and hence only have to heat or cool our reception areas which on a standard store occupy approximately 3% of the gross floor area even though large areas of the building are unheated with natural ventilation on upper floors.
- > On certain of our latest developments we are investing in renewable energy sources where practicable and financial viable.
- > We now install low energy lighting throughout our newer stores and plan to upgrade existing stores over a period of time.
- > On our recent stores we have moved from hydraulic lifts to more energy efficient 'traction' lifts.
- > We are now providing facilities on our new stores to encourage the use of public transport and cycling by store staff, a requirement of planning.
- > We conserve water resources by minimising the number of sanitary fittings and include flow control systems within the staff kitchen and store facilities.

# Directors' Report (continued)

## Employees

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff who are encouraged to address queries to the Executive Directors. The Directors' executive meetings are held in stores fortnightly and in addition Directors and senior management visit the stores on a regular basis. Furthermore, there are regular team briefings at store level to provide employees with information about the performance of and initiatives in their store. A wide range of information is also communicated across the Group's Intranet, including the e-publication of the Group's financial results and all press releases, along with the publication of a quarterly newsletter.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses.

Customer service is a key priority of the Group and this is achieved through recruiting good people and investing in training and development leading to high levels of retention. The Group's recruitment policy is committed to promote equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation, nor political opinion and to treat all stakeholders fairly.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

## Health and Safety

The Board recognises the importance of maintaining high standards of health and safety for everyone who may be affected by our business.

The Group's Health and Safety policy is reviewed on an ongoing basis. It is applied in two distinct areas – construction and operations. The policy states that all employees have a responsibility for health and safety but that managers have special responsibilities. Additional duties are placed on Philip Burks and Adrian Lee to keep the Board advised on health and safety issues, compliance with the policy in respect of construction activity and store operations respectively.

The Group has a Health and Safety Committee, which meets quarterly and comprises these two executive Directors and appointed managers. They meet to discuss any issues that have been reported from meetings held at head office and the stores, and any construction sites.

In addition, the Group has appointed an external consultant to review policy and perform audits of stores on a rolling programme to ensure the implementation of the Group's Health and Safety policies. Health and Safety audits are also carried out by external consultants on each construction site prior to the opening of a store.

## Donations

Charitable donations totalling £24,000 (2005: £12,000) were made to UK residents in the year.

## Auditors

In respect of each Director of the Company, at the date when this report was approved, to the best of their knowledge and belief:

- > so far as the Director is aware, there is no relevant audit information of which the auditors are unaware; and
- > he has taken all the steps that he might have reasonably been expected to take as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

**Michael Cole**

Secretary  
15 May 2006

# Remuneration Report

## Introduction

This report has been prepared in accordance with Schedule 7A to 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 Companies Act 1985. 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 during the year were David Ross and Jonathan Short who are all independent Non-Executive Directors and the Committee is chaired by Mr David White.

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 his proposals. The Committee also appointed Deloitte & Touche LLP to provide benchmarking advice on structuring and salary levels of the directors' remuneration packages. Deloitte & Touche LLP are also the Group's auditors.

## 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. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the full Board.

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

1. 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.
2. Performance related bonuses are assessed annually and determined by the Remuneration Committee and are based on a combination of individual and corporate performance during the year. The bonuses are capped at 50% of annual basic salary, and 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. This year's annual bonus award represents 25% of basic salary earned in the year.
3. 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 are subject to the following performance conditions. In respect of the three year period from the date of grant they will only be exercisable if the aggregate increase in Company total shareholder return exceeds the increase during that period of the FTSE All Share Actuaries Total Return Index by not less than 20% on a straight line basis. For the period subsequent to these three years, but up to a maximum of six years after the date of the grant, the options will only be exercisable if the aggregate increase in Company total shareholder return exceeds 20% plus 6.67% per annum on a straight line basis, over the FTSE All Share Actuaries Index. 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.

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

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

The Remuneration Committee has determined that a new 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.

# Remuneration Report (continued)

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.

The first awards under the LTIP to Directors were made on 6 June 2005 when the market price was 195.5p. Initial awards have been designed to incentivise the executive team for the period between 2005 and 2010, although it is intended that awards under the LTIP will be made on an annual basis thereafter.

Individual grants of options to executive Directors for the first three years of the LTIP (2005 – 2007) have been determined by the Committee (see table below) and these were disclosed in the 2004 Remuneration Report and approved by shareholders at the 2004 Annual General Meeting.

Director	Option grant in May 2005	Option grant in May 2006	Option grant in May 2007
James Gibson	166,666	166,667	166,667
Philip Burks	66,666	66,667	66,667
Adrian Lee	50,000	50,000	50,000

Stephen Homer was also awarded 50,000 options in 2005 but following the termination of his contract on 30 November 2005 40,278 of these lapsed.

In all other grants to Directors beyond those approved above, 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 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.

Awards will become 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 shall not be less than three years.

Performance Conditions will be determined at the sole discretion of the Committee at the time of award and will be 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 will vest and become exercisable will be determined by reference to the Company's total shareholder return (TSR) relative to the FTSE All Share Index and the following targets will apply.

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 Committee has selected the FTSE All Share Index because it enables the Company's performance to be compared to a broad index that reflects the corporate performance of UK companies. As such it provides a comparator which demonstrates the Company's overall performance against the prevailing market conditions across the performance period.

Vesting of awards made under the LTIP will also be subject to the growth in the Company's earnings per share (EPS) exceeding the UK Retail Price Index (RPI) by an average of 3 per cent a year over the performance period commencing with the financial year in which the award is made.

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.

#### Sharesave Scheme

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

#### Directors' Contracts

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Committee is received. All of the service agreements may be terminated by either party giving notice of 12 months. 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.



# Remuneration Report (continued)

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

Nicholas Vetch	25 September 1998
Philip Burks	25 September 1998
James Gibson	25 September 1998
Adrian Lee	31 March 2000

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.

## External Appointments

With approval from the Board, Executive Directors may accept an external appointment as a Non-Executive Director role elsewhere, and retain any related fees. Mr Vetch was appointed as a Non-Executive Director of Blue Self Storage S.L, a Spanish self storage business, on 4 October 2005. Mr Gibson was appointed as a Non-Executive Director of AnyJunk Ltd on 25 January 2006. Neither Mr Vetch or Mr Gibson receive any fees for their services.

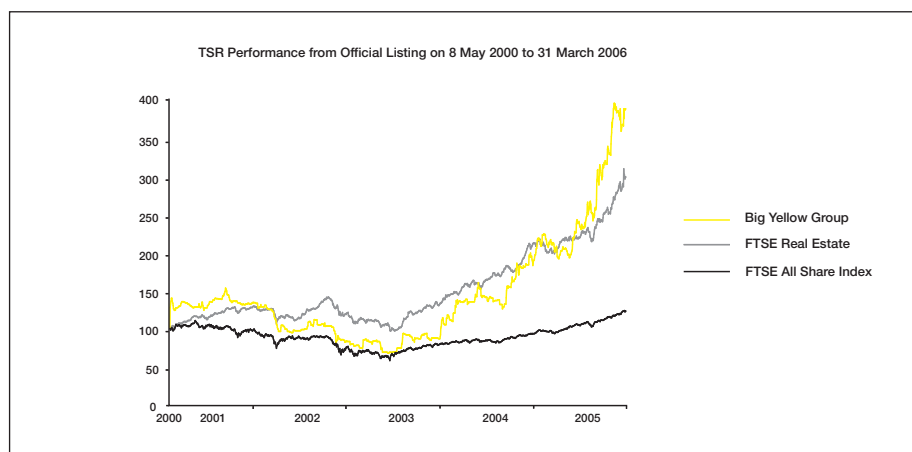
## Non-Executive Directors' Remuneration

The remuneration of the Non-Executive Directors is determined by the Board taking into account current practices in 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.



## Audited Information

### Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

	2006 £	2005 £
Emoluments	1,026,208	1,010,783
Compensation for loss of office	229,000	–
Gains on exercise of share options	3,469,112	1,499,228
Amounts receivable under long-term incentive schemes	–	1,232,000
Money purchase pension contributions	75,043	73,100
	<b>4,811,207</b>	3,826,394

# Remuneration Report (continued)

## Directors' Remuneration

	Salary/ fees £	Annual Bonus £	2006		Sub total £	Pension £	2006	2005
			Taxable benefits £	Termination payments £			Total £	Total £
Nicholas Vetch	173,500*	38,750	2,303	–	214,553	15,500	230,053	473,452
Philip Burks	179,500*	40,250	2,388	–	222,138	16,100	238,238	492,236
James Gibson	193,500*	43,875	2,658	–	240,003	17,500	257,533	514,635
Adrian Lee	149,500*	33,500	2,324	–	185,324	13,400	198,724	410,263
Stephen Homer <sup>(1)</sup>	96,333*	–	2,411	229,000	327,744	12,543	340,287	386,997
David White	27,500	–	–	–	27,500	–	27,500	25,000
David Ross	25,000	–	–	–	25,000	–	25,000	22,500
Jonathan Short	25,000	–	–	–	25,000	–	25,000	2,083
	869,833	156,375	12,084	229,000	1,267,262	75,043	1,342,335	2,327,166

\* Includes car allowances

(1) Resigned 30 November 2005

## Directors Interests

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

	At 1 April 2005 No.	At 31 March 2006 No.
<b>Ordinary shares of 10p each</b>		
Nicholas Vetch (including trusts)	11,250,000	11,425,000
Philip Burks (including trusts)	10,128,000	10,396,000
David Ross	5,565,506	7,000,000
James Gibson (including trusts)	1,836,000	2,613,000
Adrian Lee (including trusts)	791,880	818,880
David White	350,000	350,000
Jonathan Short	–	91,700

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

## 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. Details of the options exercised during the year are as follows:

Name of Director	Date	Number of options	Exercise price	Market price at exercise date	Gains on exercise 2006 £	Gains on exercise 2005 £
Nick Vetch		–	–	–	–	–
James Gibson	27/09/05	750,000	10.00p	237.00p	1,702,500	498,424
	17/11/05	100,000	100.00p	300.00p	199,250	–
	17/11/05	237,000	132.00p	300.00p	397,567	–
	17/11/05	238,589	102.00p	300.00p	470,616	–
	23/03/06	27,000	102.00p	357.75p	69,053	–
Adrian Lee	23/03/06	27,000	102.00p	357.75p	69,053	490,174
Philip Burks	29/09/05	268,000	102.00p	242.00p	374,530	–
Stephen Homer	17/11/05	106,000	131.50p	300.00p	177,814	510,630
	25/01/06	3,541	106.50p	353.00p	8,729	–
					3,469,112	1,499,228

# Remuneration Report (continued)

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 1 April 2005*	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares under option at 31 March 2006**	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
Nicholas Vetch	5 May 2000	1,000,000	–	–	–	1,000,000	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
Philip Burks	5 May 2000	1,000,000	–	–	–	1,000,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	268,000	–	–	–	268,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	268,000	–	268,000	–	–	102p	242p	15 May 2005	14 May 2012
	16 Dec 2002	185,000	–	–	–	185,000	81.5p	–	16 Dec 2005	15 Dec 2012
	6 June 2005	–	66,666	–	–	66,666	–	–	6 June 2008	6 June 2012
James Gibson	24 Sept 1998	750,000	–	750,000	–	–	10p	237p	24 Sept 2001	23 Sept 2008
	5 May 2000	100,000	–	100,000	–	–	100p	300p	5 May 2003	4 May 2010
	4 June 2001	237,000	–	237,000	–	–	131.5p	300p	4 June 2004	3 June 2011
	15 May 2002	268,000	–	265,589	–	3,411	102p	305.87p	15 May 2005	14 May 2012
	16 Dec 2002	220,000	–	–	–	220,000	81.5p	–	16 Dec 2005	15 Dec 2012
	6 June 2005	–	166,666	–	–	166,666	–	–	6 June 2008	6 June 2012
Stephen Homer	18 Jan 1999	–	–	–	–	–	13.3p	–	18 Jan 2002	17 Jan 2009
	5 May 2000	–	–	–	–	–	100p	–	5 May 2003	4 May 2010
	4 June 2001	206,000	–	–	206,000	–	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	206,000	–	106,000	70,589	29,411	102p	300p	15 May 2005	14 May 2012
	16 Dec 2002	200,000	–	–	200,000	–	81.5p	–	16 Dec 2005	15 Dec 2012
	6 June 2005	–	50,000	–	40,278	9,722	–	–	6 June 2008	6 June 2012
Adrian Lee	18 Jan 1999	25,940	–	–	–	25,940	13.3p	210p	18 Jan 2002	17 Jan 2009
	5 March 1999	125,000	–	–	–	125,000	25p	–	5 March 2002	4 March 2009
	5 May 2000	100,000	–	–	–	100,000	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	221,000	–	27,000	–	194,000	102p	357.75p	15 May 2005	14 May 2012
	16 Dec 2002	200,000	–	–	–	200,000	81.5p	–	16 Dec 2005	15 Dec 2012
	6 June 2005	–	50,000	–	–	50,000	–	–	6 June 2008	6 June 2012

\* or date of appointment, if later.

\*\* or date of cessation of appointment, if earlier.

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 market price of the Company's shares at 31 March 2006 was 370p. The highest market price during the year was 377p per share, the lowest market price during the year was 185p, and the average price during the year was 259p. 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 2006 and signed on its behalf by:

### David White

Committee Chairman

15 May 2006

# Officers and Professional Advisers

## **Directors**

Nicholas Vetch  
David White  
David Ross  
Jonathan Short  
James Gibson  
Philip Burks  
Adrian Lee  
Stephen Homer (resigned 30 November 2005)

## **Secretary**

Michael Cole

## **Registered Office**

2 The Deans  
Bridge Road  
Bagshot  
Surrey  
GU19 5AT

## **Bankers**

The Royal Bank of Scotland plc  
8th Floor  
280 Bishopsgate  
London  
EC2M 4RB

Morgan Stanley and Co. International Limited  
25 Cabot Square  
Canary Wharf  
London  
E14 4QA

Barclays Bank plc  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

Bank of Ireland  
Eastcheap Court  
11 Philpot Lane  
London  
EC3M 8BA

## **Solicitors**

CMS Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

## **Financial Advisors and Stockbrokers**

J P Morgan Cazenove  
20 Moorgate  
London  
EC2R 6DA

## **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# Biographies of Directors and Senior Management

## Non-Executive Directors

**David White**, aged 63, Non-Executive Deputy Chairman, spent 18 years of his career at Cater Allen Holdings PLC where he was from 1985 Deputy Chairman and Managing Director and from which he retired in 1997. He was Non-Executive Chairman of Edge Properties plc until its sale in 1998 and is currently Non-Executive Director of Church House Trust plc.

**David Ross**, aged 40, Non-Executive Director, David qualified as a chartered accountant with Arthur Andersen & Co. He co-founded and is currently Deputy Chairman of Carphone Warehouse Group plc, Europe's leading mobile communication retailer. He took a lead role in the The Carphone Warehouse IPO in July 2000. He is Chairman of National Express Group plc and a non-executive director at Wembley National Stadium Limited, Cosalt plc and Trinity Mirror Group plc. During 2005 David led as Chairman the flotation of Gondola Holdings in which TDR Capital were the majority shareholder. He has recently been appointed as a Trustee of the National Portrait Gallery.

**Jonathan Short**, aged 44, Non-Executive Director, is the Chief Executive – Europe of Pramerica Real Estate Investors Limited, which he joined in 2000. He previously headed the European real estate mergers and acquisitions practice at Lazard Brothers & Co. His early City career was spent at SG Warburg & Company Limited which was followed by a period at ING Barings & Co.

## Executive Directors

**Nicholas Vetch**, aged 44, Executive Chairman, is a co-founder of Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc, which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998. Mr Vetch is also non-executive chairman of Blue Self Storage S.L – a self storage operation in Spain.

**James Gibson**, aged 45, Chief Executive Officer and Finance Director, is a co-founder of Big Yellow in September 1998. He is a chartered accountant having trained with Arthur Andersen & Co. where he specialised in the property and construction sectors, before leaving in 1989. He was Finance Director of Heron Property Corporation Limited and then Edge Properties plc which he joined in 1994. Edge Properties was listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

**Philip Burks**, aged 47, Property Director, is a co-founder of Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

**Adrian Lee**, aged 40, Operations Director, was previously a senior Executive at Edge Properties plc, which he joined in 1996. Prior to that he was a corporate financier at Lazard Brothers for five years, having previously qualified as a surveyor at Knight Frank Rutley.

## Senior Management Biographies

**Mike Cole**, aged 40, Financial Controller and Company Secretary, joined Big Yellow in May 1999. Prior to that he was Finance Director at Pulse Train Technology, a market research software specialist whom he joined in 1988 and qualified with CIMA in 1992.

**Stuart Grinnall**, aged 31, IT Manager, joined Big Yellow in July 2000. He is a systems engineer with several years experience developing IT solutions for growth companies and NHS Hospital Trusts.

**Nigel Hartley**, aged 42, Construction Manager, joined Big Yellow in January 2000. He is a chartered surveyor with over 16 years experience in the construction industry, both overseas and in the UK, principally in the retail and industrial sectors.

**Cheryl Hathaway**, aged 40, Human Resources Controller, joined Big Yellow in March 2000, having previously been employed as a Human Resources Manager within the Harrods Group. Prior to this she worked for Debenhams in a variety of human resources roles, both within head offices and stores.

**Chris Herbert**, aged 51, Construction Manager, joined Big Yellow in September 1999, having previously worked for Leslie Clark, a Construction Consultancy, for 10 years. Prior to that he spent 10 years as a contracts/project manager with John Lelliot Building Contractors.

**Nicola Jordan**, aged 39, Retail Operations Manager, joined Big Yellow in March 2003, having previously been employed as an Area Manager with Superdrug for 5 years. Prior to this she has held operational roles with Little Chef & Travelodge and Victoria Wine.

**David Knight**, aged 42, Estates and Facilities Manager, was previously an Estates Manager at Whitbread which he joined in 1997. Prior to this he was Group Facilities Manager at Central Transport Rental Group Plc (formerly Tiphook Plc) having previously qualified as a surveyor at Edwin Hill.

**Rob Strachan**, aged 36, Head of Sales & Marketing, joined Big Yellow in February 2006, having previously been employed as International Marketing Manager for Upper Crust. Prior to this he was Marketing Manager for Caffè Ritazza, and is qualified with the Chartered Institute of Marketing.

**Andrew Watson**, aged 37, Acquisitions and Development Manager, joined Big Yellow in October 2000 having previously worked as a property acquisition surveyor for McDonald's Restaurants. Prior to that he was an acquisitions surveyor for Victoria Wine, having previously qualified as a chartered surveyor at Herring Baker Harris.

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

We have audited the group financial statements of Big Yellow Group PLC for the year ended 31 March 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of change in equity, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the individual company financial statements of Big Yellow plc for the year ended 31 March 2006.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the group financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you on whether in our opinion the information given in the Directors' report is consistent with the Group financial statement. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements.

## Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the Directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report described as having been audited.

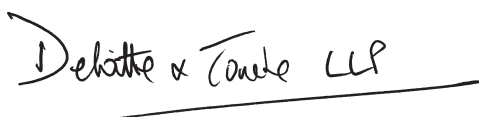
## Opinion

In our opinion:

- > the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended;
- > the Group financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- > the information given in the Directors' report is consistent with the Group financial statements.

## Separate Opinion in Relation to IFRS

As explained in note 27 of the group financial statements, the group, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRS, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

15 May 2006

# Consolidated Income Statement

Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
<b>Revenue</b>	3	<b>41,889</b>	33,375
Cost of sales		<b>(15,519)</b>	(12,924)
<b>Gross profit</b>		<b>26,370</b>	20,451
Administrative expenses		<b>(4,725)</b>	(5,421)
<b>Operating profit before gain on investment properties</b>	5	<b>21,645</b>	15,030
Gain on the revaluation of investment properties	13a	<b>106,218</b>	34,976
<b>Operating profit</b>		<b>127,863</b>	50,006
(Losses)/gains on the sale of non-current assets		<b>(52)</b>	2
Investment income	7	<b>135</b>	142
Finance costs	8	<b>(9,399)</b>	(7,314)
<b>Profit before taxation</b>		<b>118,547</b>	42,836
Taxation	9	<b>(35,112)</b>	(12,695)
<b>Profit for the year (attributable to equity shareholders)</b>		<b>83,435</b>	30,141
<b>Basic earnings per share</b>	12	<b>82.10p</b>	30.15p
<b>Diluted earnings per share</b>	12	<b>80.47p</b>	29.69p

Adjusted earnings per share are shown in Note 12.

All items in the income statement relate to continuing operations.

# Consolidated Balance Sheet

31 March 2006

	Note	2006 £'000	2005 £'000
<b>Non-current assets</b>			
Investment property	13a	410,470	275,230
Development property	13a	57,988	36,076
Interests in leasehold properties	13a	26,647	25,659
Plant, equipment and owner-occupied property	13b	3,036	1,314
Goodwill	13c	1,433	1,433
		<b>499,574</b>	339,712
Non-current assets classified as held for sale	13d	6,300	2,867
<b>Current assets</b>			
Inventories		338	254
Trade and other receivables	15	6,009	8,896
Cash and cash equivalents		14,193	6,379
		<b>20,540</b>	15,529
<b>Total assets</b>		<b>526,414</b>	358,108
<b>Current liabilities</b>			
Trade and other payables	16	(20,122)	(13,584)
Derivative financial instruments	17	(142)	(153)
Current tax liabilities		–	(32)
		<b>(20,264)</b>	(13,769)
<b>Non-current liabilities</b>			
Bank borrowings	18	(155,608)	(108,348)
Deferred tax liabilities	19	(70,580)	(39,026)
Obligations under finance leases	20	(26,647)	(25,659)
Other payables	16	(8,996)	(12,138)
		<b>(261,831)</b>	(185,171)
<b>Total liabilities</b>		<b>(282,095)</b>	(198,940)
<b>Net assets</b>		<b>244,319</b>	159,168
<b>Equity</b>			
Called up share capital	21	10,275	10,073
Share premium account	22	3,668	2,390
Reserves	22	230,376	146,705
<b>Equity shareholders' funds</b>		<b>244,319</b>	159,168

The financial statements were approved by the board of directors and authorised for issue on 15 May 2006. They were signed on its behalf by:

**James Gibson**

Director



# Consolidated Statement of Changes in Equity

Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Opening equity shareholders' funds		<b>159,168</b>	130,711
Issue of shares		<b>1,480</b>	564
Purchase of own shares	22	–	(812)
Share-based employee remuneration	22	<b>220</b>	109
		<b>160,868</b>	130,572
Profit for the year		<b>83,435</b>	30,141
Current and deferred tax recognised in equity		<b>3,557</b>	–
		<b>247,860</b>	160,713
Dividends	11	<b>(3,541)</b>	(1,545)
Closing equity shareholders' funds		<b>244,319</b>	159,168

# Consolidated Cash Flow Statement

Year ended 31 March 2006

	2006 £'000	2005 £'000
Operating profit	127,863	50,006
Gain on the revaluation of investment properties	(106,218)	(34,976)
Depreciation	1,288	1,209
Employee share options	220	109
(Increase)/decrease in inventories	(84)	34
Increase in receivables	(825)	(561)
Increase in payables	3,156	571
<b>Cash generated from operations</b>	<b>25,400</b>	16,392
Interest paid	(9,422)	(6,857)
Interest received	147	129
<b>Cash flows from operating activities</b>	<b>16,125</b>	9,664
<b>Investing activities</b>		
Sale of non-current assets	7,619	3,729
Purchase of non-current assets	(61,269)	(45,710)
<b>Cash flows from investing activities</b>	<b>(53,650)</b>	(41,981)
<b>Financing activities</b>		
Issue of share capital	1,480	564
Purchase of own shares	-	(812)
Equity dividends paid	(3,541)	(1,545)
Increase in borrowings	47,400	40,000
<b>Cash flows from financing activities</b>	<b>45,339</b>	38,207
<b>Net increase in cash and cash equivalents</b>	<b>7,814</b>	5,890
<b>Opening cash and cash equivalents</b>	<b>6,379</b>	489
<b>Closing cash and cash equivalents</b>	<b>14,193</b>	6,379

## Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2006

	2006 £'000	2005 £'000
Net increase in cash and cash equivalents in the year	7,814	5,890
Cash inflow from increase in debt financing	(47,400)	(40,000)
Change in net debt resulting from cash flows	(39,586)	(34,110)
<b>Movement in net debt in the year</b>	<b>(39,586)</b>	(34,110)
Net debt at the start of the year	(102,514)	(68,404)
Net debt at the end of the year	(142,100)	(102,514)

# Notes to the Financial Statements

Year ended 31 March 2006

## 1. GENERAL INFORMATION

Big Yellow Group PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 34. The nature of the group's operations and its principal activities are set out in note 4 and in the business review on pages 14 to 17.

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

### Basis of Accounting

The annual financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) adopted for use in 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 relevant to its operations and effective for accounting periods beginning on 1 April 2005. Accounting standards and interpretations in issue at that date of authorisation of the financial statements but not yet effective are not expected to have material impact on the financial statements of the Group.

The disclosures required by IFRS 1 "First-time Adoption of IFRS" concerning the transition from accounting principles generally accepted in the United Kingdom (UK GAAP) to IFRS are given in note 27.

Big Yellow Group PLC adopted IFRS with a transition date of 1 April 2004. Comparative figures for the year ended 31 March 2005 and the Group's balance sheet as at 31 March 2005 that were previously reported in accordance with UK GAAP have been restated to comply with IFRS.

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

### Basis of Consolidation

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.

The Group accounts consolidate the accounts of Big Yellow Group PLC and all its subsidiaries at the year end using acquisition accounting principles. All intra-group transactions, balances, income and expenses are eliminated on consolidation. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

### 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.

### Operating Profit

Operating profit is stated after gains on revaluation of investment properties and before gains and losses on non-current assets, investment income and finance costs.

### Finance Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 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.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 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.

### Investment Property

Investment properties are properties owned or leased by the group which are held for rental income and for capital appreciation. 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.

### 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.

### 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 provided on cost in equal annual instalments over the estimated useful lives of the assets.

The useful economic lives of the assets are as follows:

Leasehold improvements	Over period of the lease
Plant and machinery	10 years
Motor vehicles	4 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.

### Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income 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.

### 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 arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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).

### Cash and Cash Equivalents

Cash and cash equivalents comprises cash and short term deposits. The carrying amounts of these assets approximates to the fair value.

### 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.

### 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.

### Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. The bank loans are disclosed net of unamortised loan issue costs. Costs relating to the raising of general corporate loan facilities are amortised over the estimated life of the loan and charge to the income statement as part of the interest expense.

### Trade Payables

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

### 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. 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.

### 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.

### Equity Instruments

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

### 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 an option pricing 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.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### 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. Principal assumptions underlying management's estimation of the fair value are those related to: stabilised occupancy 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 Groups investment properties is set out in note 14 to the accounts.

#### 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.

## 3. REVENUE

Total revenue for the year was £41.9 million (2005: £33.4 million). Revenue from self storage accommodation was £36.3 million in the year (2005: £28.9 million), £5.2 million came from other storage related income such as sales of packaging materials and insurance (2005: £4.1 million) and £0.4 million came from non-storage related income (2005: £0.3 million).

Further analysis of the Group's operating revenue and costs can be found in the Trading Summary on page 20.

## 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.

## 5. PROFIT FOR THE YEAR

### a) Profit for the year has been arrived at after:

	2006 £'000	2005 £'000
Depreciation of plant and equipment	656	635
Finance lease depreciation	632	574
Increase in fair value of investment property	(106,218)	(34,976)
Cost of inventories recognised as an expense	788	718
Employee costs (see note 6)	5,645	6,650
Operating lease rentals	135	138
Auditors' remuneration for audit services (see below)	140	110

### b) Analysis of fees paid to auditors:

	2006 £'000	2005 £'000
Services as auditors	140	110
Further associate services – IFRS transition	45	–
Tax services – advisory	17	164
	202	274

Included in the Groups auditors' remuneration is an amount of £12,000 (2005: £11,000) which was paid in respect of the parent company.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 6. EMPLOYEE COSTS

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

	2006 Number	2005 Number
Sales	146	130
Administration	32	30
	178	160

At 31 March 2006 the total number of Group employees was 185 (2005: 166).

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	4,678	5,731
Social security costs	544	642
Other pension costs	203	168
Share-based payments	220	109
	5,645	6,650

## 7. INVESTMENT INCOME

	2006 £'000	2005 £'000
Interest receivable on bank deposits	135	142

## 8. FINANCE COSTS

	2006 £'000	2005 £'000
Interest on bank borrowings	7,579	5,747
Other interest payable	26	29
Interest on obligations under finance leases	1,574	1,605
Change in fair value of interest rate swaps	220	(67)
	9,399	7,314

## 9. TAXATION

UK current tax	2006 £'000	2005 £'000
Current tax:		
– Current year	1,165	32
– Adjustment in respect of prior year	(32)	–
Deferred tax (see note 19):		
– Current year	34,419	13,037
– Adjustment in respect of prior year	(440)	(374)
	35,112	12,695

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 9. TAXATION (continued)

A reconciliation of the tax charge is shown below:

	2006 £'000	2005 £'000
Profit before tax	118,547	42,836
Tax (charge) at 30% thereon	(35,564)	(12,851)
Effects of:		
Expenses not deductible for tax purposes	20	54
Adjustment in respect of prior year	(472)	(374)
Chargeable gains	–	164
<b>Total tax charge</b>	<b>35,112</b>	<b>12,695</b>
<b>Analysis of deferred tax charge</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
On share options	2,554	2,544
On revaluations and disposals	31,865	10,493
Credit in respect of prior years	(440)	(374)
<b>Deferred tax charge</b>	<b>33,979</b>	<b>12,663</b>

In addition to the current year income statement tax charge of £35.1 million, there is a credit to reserves of £3.6 million in respect of the current tax deduction and the deferred tax arising on potential future deductions under Schedule 23.

## 10. ADJUSTED PROFIT BEFORE TAX

	2006 £'000	2005 £'000
Profit before tax	118,547	42,836
Gain on revaluation of investment properties	(106,218)	(34,976)
Change in fair value of interest rate swaps	220	(67)
Losses/(gains) on sale of non-current assets	52	(2)
<b>Adjusted profit before tax</b>	<b>12,601</b>	<b>7,791</b>

Adjusted profit before tax which excludes gains on revaluation of investment properties, changes in fair value of interest rate swaps and gains or losses on the sale of non-current assets have been disclosed to give a clearer understanding of the Group's underlying trading performance.

## 11. DIVIDENDS

	2006 £'000	2005 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2005 of 1.5p (2004: 1.05p) per share.	1,511	1,045
Interim dividend for the year ended 31 March 2006 of 2.0p (2005: 0.5p) per share.	2,030	500
	<b>3,541</b>	<b>1,545</b>
Proposed final dividend for the year ended 31 March 2006 of 3.0p (2005: 1.5p) per share.	<b>3,064</b>	1,512

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 7 June; the record date 9 June; with an intended payment date of 12 July.



# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 12. EARNINGS PER ORDINARY SHARE

	Year ended 31 March 2006			Year ended 31 March 2005		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic</b>	<b>83.44</b>	<b>101.62</b>	<b>82.10</b>	30.14	99.97	30.15
Adjustments:						
Dilutive share options		<b>2.07</b>	<b>(1.63)</b>		1.53	(0.46)
<b>Diluted</b>	<b>83.44</b>	<b>103.69</b>	<b>80.47</b>	30.14	101.50	29.69
Adjustments:						
Gain on revaluation of investment properties	<b>(106.22)</b>		<b>(102.44)</b>	(34.98)		(34.46)
Change in fair value of interest rate swaps	<b>0.22</b>		<b>0.21</b>	(0.07)		(0.07)
Tax	<b>31.80</b>		<b>30.67</b>	10.52		10.37
<b>Adjusted</b>	<b>9.24</b>	<b>103.69</b>	<b>8.91</b>	5.61	101.50	5.53

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

Adjusted earnings per ordinary share before gains on revaluation of investment properties and on change in fair value of interest rate swaps and associated deferred tax balances, have been disclosed to give a clearer understanding of the Group's underlying trading performance.

## ADJUSTED NET ASSETS PER SHARE

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
<b>Analysis of net asset value</b>		
Basic net asset value	<b>244,319</b>	159,168
Exercise of share options	<b>5,839</b>	7,331
Diluted net asset value	<b>250,158</b>	166,499
Adjustments:		
Deferred tax on revaluation	<b>72,059</b>	40,194
Tax on fair value of interest rate swaps	<b>43</b>	(46)
Adjusted net asset value	<b>322,260</b>	206,647
Basic net assets per share (pence)	<b>239.2</b>	159.0
Diluted net assets per share (pence)	<b>230.5</b>	154.0
Adjusted net assets per share (pence)	<b>297.0</b>	191.1
Shares in issue	<b>102,752,607</b>	100,725,537
Own shares held	<b>(615,000)</b>	(615,000)
Basic shares in issue used for calculation	<b>102,137,607</b>	100,110,537
Exercise of share options	<b>6,368,227</b>	8,010,329
Diluted shares used for calculation	<b>108,505,834</b>	108,120,866

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 (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;
- > deferred tax on the revaluation uplift on freehold and leasehold properties; and
- > tax on the fair value adjustment on interest rate swaps.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 13. NON-CURRENT ASSETS

### a) Investment Property, Development Property and Interests in Leasehold Properties

	Investment property £'000	Development property £'000	Interests in leasehold properties £'000
<b>At 1 April 2004</b>	205,450	21,202	26,233
Additions	29,215	27,810	–
Reclassifications	5,589	(5,589)	–
Revaluation	34,976	–	–
Disposals	–	(7,347)	–
Depreciation	–	–	(574)
<b>At 31 March and 1 April 2005</b>	275,230	36,076	25,659
Additions	16,839	37,976	1,620
Reclassifications	12,183	(12,183)	–
Revaluation	106,218	–	–
Disposals	–	(3,881)	–
Depreciation	–	–	(632)
<b>At 31 March 2006</b>	<b>410,470</b>	<b>57,988</b>	<b>26,647</b>

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 Trading Summary on page 20.

### b) Plant Equipment and Owner Occupied Property

	Freehold Property £'000	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings & office equipment £'000	Total £'000
<b>Cost</b>						
At 1 April 2004	–	37	319	19	2,420	2,795
Additions	–	–	70	–	415	485
Disposals	–	–	–	–	(2)	(2)
At 31 March 2005/1 April 2005	–	37	389	19	2,833	3,278
Additions	1,764	(12)	68	–	562	2,382
Disposals	–	(8)	–	(19)	–	(27)
<b>At 31 March 2006</b>	<b>1,764</b>	<b>17</b>	<b>457</b>	<b>–</b>	<b>3,395</b>	<b>5,634</b>
<b>Depreciation</b>						
At 1 April 2004	–	(14)	(76)	(11)	(1,228)	(1,329)
Charge for the year	–	–	(38)	(5)	(592)	(635)
At 31 March 2005/1 April 2005	–	(14)	(114)	(16)	(1,820)	(1,964)
Charge for the year	–	(7)	(44)	(2)	(603)	(656)
Disposals	–	4	–	18	–	22
<b>At 31 March 2006</b>	<b>–</b>	<b>(17)</b>	<b>(158)</b>	<b>–</b>	<b>(2,417)</b>	<b>(2,598)</b>
<b>Net book value</b>						
<b>At 31 March 2006</b>	<b>1,764</b>	<b>–</b>	<b>293</b>	<b>–</b>	<b>979</b>	<b>3,036</b>
At 31 March 2005	–	23	269	3	1,017	1,314

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 13. NON-CURRENT ASSETS (continued)

### 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 £1.4 million remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

### d) Non-current Assets Classified as Held for Sale

The Group has land at three sites with a total historic cost of £6.3 million (2005: £2.9 million) which is surplus to requirements which it intends to sell within the next 12 months.

## 14. VALUATIONS

	Deemed cost	Valuation	Revaluation on deemed cost
<b>Freehold Stores*</b>			
As at 1 April 2005	122,901	223,760	100,859
Movement in period	29,084	125,640	96,556
<b>As at 31 March 2006</b>	<b>151,985</b>	<b>349,400</b>	<b>197,415</b>
<b>Leasehold Stores</b>			
As at 1 April 2005	18,350	51,470	33,120
Movement in period	(62)	9,600	9,662
<b>As at 31 March 2006</b>	<b>18,288</b>	<b>61,070</b>	<b>42,782</b>
<b>All Stores</b>			
As at 1 April 2005	141,251	275,230	133,979
Movement in period	29,022	135,240	106,218
<b>As at 31 March 2006</b>	<b>170,273</b>	<b>410,470</b>	<b>240,197</b>

\* Includes one long leasehold property

The freehold and leasehold trading properties have been valued as at 31 March 2006 by External Valuers, Cushman & Wakefield, Real Estate Consultants ("C&W"). The valuation has been carried out in accordance with the RICS Appraisal and Valuation Standards 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 Company for the same purposes as this valuation have done so since September 2004.
- > C&W have continuously been carrying out this valuation for the same purposes as this valuation on behalf of the Company since September 2004.
- > C&W do not provide other significant professional or agency services to the Company.
- > In relation to the preceding financial year of C&W, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 14. VALUATIONS (continued)

### Valuation Methodology

#### Background

The USA has approximately 40,000 self storage centres trading in a highly fragmented market with the largest 5 operators accounting for less than 20% of market share-based on net rentable square footage. The vast majority of centres are owned and managed singly or in small portfolios. These properties have a well established track record of being trading and are therefore considered as liquid property assets.

Many valuations of this asset class are undertaken by appraisers in the USA and the accepted valuation approach is to value the properties on the basis of Market Value as fully-equipped operational entities, having regard to trading potential. This approach is recognised in the RICS Appraisal & Valuation Standards ("the Red Book") published by The Royal Institution of Chartered Surveyors and is adopted for other categories of property that are normally bought and sold on the basis of their trading potential. Examples include hotels, licensed properties, marinas and petrol stations.

The UK self storage sector differs from the USA in that the five larger groups control over 50% of the market by net rentable storage space. The scope for active trading of these property assets is therefore likely to be less, however there is now some evidence that there will be increasing liquidity with recent sales of independently owned product in larger conurbations.

In addition, the acquisition of Shurgard Storage Centres, Inc. by Public Storage, Inc. (the largest self storage group in the world) was announced in March this year including a portfolio of over 140 trading storage facilities in Europe, with 18 in the UK.

C&W believe that the valuation methodology adopted in the USA is the most appropriate for the UK market.

#### Methodology

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

#### Freehold

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 representing 6% of the estimated annual revenue. 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 37 stores (both freeholds and leaseholds) averages 85.98% (2005: 85.64%). 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. On average, for all 37 stores, the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 6.01% (2005: 7.26%). This rises to 7.49% (2005: 8.83%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property.
- 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 10.59% (2005: 11.57%).
- E. Purchaser's costs of 5.75% have been assumed initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

#### 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 leaseholds is 19.8 years (March 2005: 20.8 years).

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 15. TRADE AND OTHER RECEIVABLES

	2006 £'000	2005 £'000
Trade receivables	1,042	756
Other receivables	284	3,986
Prepayments and accrued income	4,683	4,154
	<b>6,009</b>	8,896

Trade receivables are net of a bad debt provision of £4,000 (2005: £8,000). The Group does not offer credit terms to its customers and hence the Group is not exposed to significant credit risk.

The Director's consider that the carrying amount of trade and other receivables approximates their fair value.

## 16. TRADE AND OTHER PAYABLES

	2006 £'000	2005 £'000
<b>Current</b>		
Trade payables	4,835	3,623
Other payables	1,855	1,914
Accruals and deferred income	11,760	6,161
VAT repayable under Capital Goods Scheme	1,672	1,886
	<b>20,122</b>	13,584
<b>Non current</b>		
VAT repayable under Capital Goods Scheme	8,996	12,138

The Director's 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 Good Scheme.

## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Interest Rate Swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £36.3 million have fixed interest payments at an average rate of 6.1% for periods up until 2010.

The fair value of swaps entered into at 31 March 2006 is estimated as a liability of £142,000 (2005: £153,000). These amounts are based on current market values at the balance sheet date.

The floating rate at 31 March 2006 on the Group's variable debt was 1.0% above three month LIBOR.

The Group's policy on risk management is set out in the Business Review on page 14.

## 18. BANK BORROWINGS

	2006 £'000	2005 £'000
Bank borrowings	156,293	108,893
Unamortised loan arrangement costs	(685)	(545)
	<b>155,608</b>	108,348

The bank borrowings are secured on certain of the Group's properties and are subject to certain covenants.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 18. BANK BORROWINGS (continued)

### Maturity Profile of Bank Borrowings

	2006 Financial liabilities £'000	2005 Financial liabilities £'000
Within one year or on demand	–	–
Between two and five years	156,293	108,893
Bank borrowings	156,293	108,893

The Group has £85,000,000 in undrawn committed borrowing facilities at 31 March 2006 which expire after two but before five years. In March 2006, the main committed facility was increased from £150 million to £225 million.

### 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 2006</b>						
<b>Gross financial liabilities</b>	<b>156,293</b>	<b>120,000</b>	<b>36,293</b>	<b>5.7%</b>	<b>4.3 years</b>	<b>3.0 years</b>
At 31 March 2005						
Gross financial liabilities	108,893	56,000	52,893	6.3%	4.5 years	3.1 years

The floating rate at 31 March 2006 was 1.0% above three month LIBOR. All monetary liabilities, including short term debtors and creditors are denominated in sterling.

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

	2006		2005	
	Carrying amount £'000	Estimated fair value £'000	Carrying amount £'000	Estimated fair value £'000
Bank borrowings	156,293	156,435	108,893	109,046
VAT payable under capital goods scheme	10,668	8,921	12,138	9,357

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.

## 19. DEFERRED TAX

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

	Revaluation of investment properties	Accelerated capital allowances	Deduction for share options	Other	Total
<b>At 1 April 2004</b>	29,701	(330)	(978)	(908)	27,485
Recognised in income	10,493	1,754	–	416	12,663
Recognised in equity	–	–	(1,122)	–	(1,122)
<b>At 31 March 2005 and 1 April 2005</b>	40,194	1,424	(2,100)	(492)	39,026
Recognised in income	31,865	2,250	(22)	(114)	33,979
Recognised in equity	–	–	(2,425)	–	(2,425)
<b>At 31 March 2006</b>	<b>72,059</b>	<b>3,674</b>	<b>(4,547)</b>	<b>(606)</b>	<b>70,580</b>

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 20. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2006 £,000	2005 £,000	2006 £'000	2005 £'000
<b>Amounts payable under finance leases:</b>				
Within one year	2,320	2,186	2,268	2,135
Within two to five years inclusive	9,079	8,740	7,637	7,322
Greater than five years	37,414	34,691	16,742	16,202
	<b>48,813</b>	45,617	<b>26,647</b>	25,659
Less: Future finance charges	(22,166)	(19,958)	-	-
Present value of lease obligations	<b>26,647</b>	25,659	<b>26,647</b>	25,659

All lease obligations are denominated in sterling.

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

## 21. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2006 £'000	2005 £,000	2006 £'000	2005 £'000
Ordinary shares at 10 pence each	20,000	20,000	10,275	10,073

No.

### Movement in issued share capital

Number of shares at 1 April 2004	99,400,216
Exercise of share options – Share option scheme	1,325,321
Number of shares at 31 March 2005/1 April 2005	100,725,537
Exercise of share options – Share option scheme	2,027,070

### Number of shares at 31 March 2006

**102,752,607**

At 31 March 2006 options in issue to Director's and employees were as follows:

Date option granted	Option price per ordinary share	Date first exercisable	Date on which the exercise period expires	Number of ordinary shares
18 January 1999	13.3p	18 January 2002	17 January 2009	25,940
5 March 1999	25p	5 March 2002	4 March 2009	125,000
16 November 1999	62.5p	16 November 2002	15 November 2009	4,600
5 May 2000	100p	5 May 2003	4 May 2010	2,105,400
30 November 2000	137.5p	30 November 2003	29 November 2010	9,250
1 June 2001	125.5p	1 June 2004	31 May 2011	168,000
4 June 2001	131.5p	4 June 2004	3 June 2011	889,000
8 November 2001	98p	8 November 2004	7 November 2011	166,174
15 May 2002	102p	15 May 2005	14 May 2012	724,111
16 December 2002	81.5p	16 December 2005	15 December 2012	1,089,050
2 July 2003	82.5p	2 July 2006	1 July 2013	202,301
11 November 2003	96p	11 November 2006	10 November 2013	84,110
3 September 2004	107p*	3 September 2007	2 September 2014	142,452
27 September 2004	nil p**	27 September 2007	26 September 2014	138,000
22 December 2004	140p*	22 December 2007	21 December 2014	32,343
6 June 2005	nil p**	6 June 2008	5 June 2015	431,054
21 July 2005	156p*	21 July 2008	20 July 2015	16,569
21 December 2005	225p*	21 December 2008	20 December 2015	14,873

\* SAYE (see note 23)

\*\* LTIP (see note 23)

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 21. SHARE CAPITAL (continued) OWN SHARES

	2006 £	2005 £
Balance at 1 April	812	–
Acquired in the period	–	812
Balance at 31 March	812	812

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.

## 22. RESERVES

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Own shares £'000	Total £'000
At 1 April 2004	9,940	1,959	1,653	117,159	–	130,711
Profit for the financial year	–	–	–	30,141	–	30,141
Dividends	–	–	–	(1,545)	–	(1,545)
Issue of shares	133	431	–	–	–	564
Purchase of own shares	–	–	–	–	(812)	(812)
Share options	–	–	–	109	–	109
At 31 March 2005 / 1 April 2005	10,073	2,390	1,653	145,864	(812)	159,168
Profit for the financial year	–	–	–	83,435	–	83,435
Current/deferred Tax	–	–	–	3,557	–	3,557
Dividends	–	–	–	(3,541)	–	(3,541)
Issue of shares	202	1,278	–	–	–	1,480
Share options	–	–	–	220	–	220
<b>At 31 March 2006</b>	<b>10,275</b>	<b>3,668</b>	<b>1,653</b>	<b>229,535</b>	<b>(812)</b>	<b>244,319</b>

## 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 related to equity-settled share-based payment transactions since 7 November 2002 of £0.2 million (2005: £0.1 million).

### 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 scheme's 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 Abbey at Work.

On 27 September 2004 and 6 June 2005 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 30 of the remuneration report.



# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 23. SHARE-BASED PAYMENTS (continued)

	2006 No. of Options	2006 Weighted average exercise price (in £)	2005 No. of Options	2005 Weighted average exercise price (in £)
<b>Share option scheme "ESO"</b>				
Outstanding at beginning of year	7,658,295	0.93	8,920,374	0.83
Granted during the year	3,110	0.96	220,000	1.32
Forfeited during the year	(40,941)	0.90	(156,758)	0.95
Exercised during the year	(2,027,528)	0.73	(1,325,321)	0.36
Outstanding at the end of the year	5,592,936	1.00	7,658,295	0.93
Exercisable at the end of the year	5,112,525	1.00	4,849,414	0.93

Options outstanding at 31 March 2006 had a weighted average contractual life of 5.3 years.

	2006 No. of Options	2005 No. of Options
<b>LTIP scheme</b>		
Outstanding at beginning of year	146,000	–
Granted during the year	479,332	146,000
Forfeited during the year	(56,278)	–
Outstanding at the end of the year	569,054	146,000
Exercisable at the end of the year	–	–

Options outstanding at 31 March 2006 had a weighted average contractual life of 9.0 years.

	2006 No. of Options	2006 Weighted average exercise price (in £)	2005 No. of Options	2005 Weighted average exercise price (in £)
<b>Employee Share Save Scheme ("SAYE")</b>				
Outstanding at beginning of year	206,034	1.12	32,613	1.40
Granted during the year	45,455	1.78	173,421	1.07
Forfeited during the year	(45,252)	1.22	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	206,237	1.24	206,034	1.12
Exercisable at the end of the year	–	–	–	–

Options outstanding at 31 March 2006 had a weighted average contractual life of 8.3 years.

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

	ESO	LTIP	SAYE
Expected volatility	25%	24%	27%
Expected life	3 years	3 years	3 years
Risk-free rate	4.7%	4.7%	4.7%
Expected dividends	3.2%	3.2%	3.2%

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

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties were £7.2 million (2005: £5.7 million).

## 25. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

## 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. No other related party transactions took place during the years ended 31 March 2006 and 31 March 2005.

The remuneration of the 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 29 to 33.

	2006 £'000	2005 £'000
Short term employee benefits	1,190	2,205
Post employment benefits	75	73
Share-based payments	3,469	1,499
	4,734	3,777

## 27. EXPLANATION OF TRANSITION TO IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 March 2005 and the date of transition to IFRS was therefore 1 April 2004.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from full retrospective application of IFRS accounting policies. Big Yellow has taken the following key exemptions:

- (a) Business combinations:** Big Yellow has chosen not to restate business combinations that occurred prior to 1 April 2004 to comply with IFRS 3 "Business Combinations". As a result the carrying value of goodwill recorded under UK GAAP as at 1 April 2004 has been fixed at transition date.
- (b) Share-based payments:** IFRS 2 "Share-based Payments" has been applied retrospectively to equity-settled awards that had not vested as at 1 April 2005 and were granted on or after 7 November 2002.

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 27. EXPLANATION OF TRANSITION TO IFRS (continued) Reconciliation of Equity at 1 April 2004 (Date of Transition to IFRS)

	<i>Note</i>	UK GAAP* £'000	Effect of transition to IFRS £'000	IFRS £'000
<b>Non-current assets</b>				
Investment property	<i>a</i>	106,390	99,060	205,450
Development property		21,202	–	21,202
Interests in leasehold properties		–	26,234	26,234
Plant, equipment & owner occupied property	<i>a</i>	3,100	–	3,100
Goodwill	<i>b</i>	1432	–	1432
		132,124	125,294	257,418
Non-current assets classified as held for sale		–	–	–
<b>Current assets</b>				
Inventories		288	–	288
Trade and other receivables		5,822	–	5,822
Cash and cash equivalents		756	–	756
		6,866	–	6,866
<b>Total assets</b>		138,990	125,294	264,284
<b>Current liabilities</b>				
Other payables	<i>c</i>	11,706	(1,044)	10,662
Derivative financial instruments		–	220	220
<b>Non-current liabilities</b>				
Bank borrowings	<i>d</i>	68,893	–	68,893
Deferred tax liabilities	<i>e</i>	–	27,564	27,564
Obligations under finance leases	<i>c</i>	–	26,234	26,234
<b>Total liabilities</b>		80,599	52,974	133,573
<b>Net assets</b>		58,391	72,320	130,711
<b>Equity</b>				
Called up share capital		9,940	–	9,940
Share premium account		1,653	–	1,653
Reserves		46,798	72,320	119,118
<b>Equity shareholders' funds</b>		58,391	72,320	130,711

\* Reformatted to IFRS format

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 27. EXPLANATION OF TRANSITION TO IFRS (continued) Reconciliation of Equity at 31 March 2005

	<i>Note</i>	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Investment property	<i>a</i>	140,434	134,796	275,230
Development property		36,076	–	36,076
Interests in leasehold properties		–	25,659	25,659
Plant, equipment & owner occupied property	<i>a</i>	1,314	–	1,314
Goodwill	<i>b</i>	1,335	98	1,433
		179,159	160,553	339,712
Non-current assets held for sale		–	2,867	2,867
<b>Current assets</b>				
Inventories		254	–	254
Trade and other receivables		8,896	–	8,896
Cash and cash equivalents		6,379	–	6,379
		15,529	–	15,529
<b>Total assets</b>		194,688	163,420	358,108
<b>Current liabilities</b>				
Trade and other payables		(15,192)	1,608	(13,584)
Derivative financial instruments			(153)	(153)
Current tax liability		(32)	–	(32)
<b>Non-current liabilities</b>				
Bank borrowings	<i>d</i>	(108,348)	–	(108,348)
Obligations under finance leases	<i>c</i>	–	(25,659)	(25,659)
Other payables		(12,138)	–	(12,138)
Deferred tax liabilities	<i>e</i>	(299)	(38,727)	(39,026)
<b>Total liabilities</b>		(136,009)	(62,931)	(198,940)
<b>Net assets</b>		58,679	100,489	159,168
<b>Equity</b>				
Called up share capital		10,073	–	10,073
Share premium account		2,390	–	2,390
Reserves		46,216	100,489	146,705
<b>Equity shareholders' funds</b>		58,679	100,489	159,168

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 27. EXPLANATION OF TRANSITION TO IFRS (continued)

### Reconciliation of Consolidated Income Statement for year ended 31 March 2005

	<i>Note</i>	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
<b>Revenue</b>		33,375	–	33,375
Cost of sales	<i>a, c</i>	(18,254)	5,330	(12,924)
<b>Gross profit</b>		15,121	5,330	20,451
Administrative expenses	<i>g</i>	(5,436)	15	(5,421)
<b>Operating profit before gains on investment properties</b>		9,685	5,345	15,030
Gain on the revaluation of investment properties	<i>a</i>	–	34,976	34,976
<b>Operating profit</b>		9,685	40,321	50,006
Gains on sale of non-current assets		2	–	2
Investment income		142	–	142
Finance costs	<i>c</i>	(5,776)	(1,538)	(7,314)
<b>Profit before taxation</b>		4,053	38,783	42,836
Taxation		(1,531)	(11,164)	(12,695)
<b>Profit for the year</b>		2,522	27,619	30,141

# Notes to the Financial Statements (continued)

Year ended 31 March 2006

## 27. EXPLANATION OF TRANSITION TO IFRS (continued)

### Notes to the IFRS Reconciliations

The principal reasons for the adjustments shown in the reconciliations between UK GAAP and IFRS are set out below:

#### a) IAS 40 – Investment Properties

Under UK GAAP, Big Yellow classified their self storage sites as fixed assets, and were held at cost in the balance sheet. Under IFRS, these storage sites are now classified as investment properties under the provisions of IAS 40. As a consequence they are held on the balance sheet at fair value. Investment properties are not depreciated and are subject to an external valuation bi-annually with any movements on revaluation recognised separately in the income statement.

#### b) IFRS 3 – Business Combinations

Under IFRS 3, goodwill on acquisition is no longer amortised, but is held at UK GAAP carrying value at the transition date, or acquisition date, and is then subject to an impairment review at each reporting date.

#### c) IAS 17 – Leases

Under IAS 17, investment properties which are owned leasehold are accounted for as finance leases rather than operating leases. Investment and development properties are valued net of this obligation, so an amount equivalent to the obligation is included in the balance sheet as a non-current asset.

#### d) IAS 32 and IAS 39 – Financial Instruments

Under the provisions of IAS 39, the Group's financial liabilities, such as interest rate swaps, are held in the balance sheet at fair value. The Group has not adopted hedge accounting and consequently movements in the interest rate swaps are recognised in the income statement.

The version of IAS 39 adopted by the European Union prohibits the option to carry borrowings at their fair values, and consequently the Group will continue to include the borrowings in the balance sheet at amortised cost. The fair value of the borrowings will however be disclosed as part of the requirements under IAS 32.

#### e) IAS 12 – Taxation

IAS 12 requires full provision to be made for deferred tax on temporary differences. The main difference compared to deferred tax under UK GAAP is that provision has been made in full for the deferred tax arising on the revaluation of investment properties, and the tax base has been calculated on the basis of continued use of the properties.

#### f) IAS 10 – Post Balance Sheet Events

Under IAS 10, unapproved dividends are not provided for in the accounts and consequently any liability relating to unapproved dividends recognised under UK GAAP is reversed.

#### g) IFRS 2 – Share-based Payments

Under IFRS 2 the fair value of share options and other share-based payments is recognised as an expense in the income statement over the vesting period.

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

We have audited the individual company financial statements of Big Yellow Group PLC for the year ended 31 March 2006 which comprise the company balance sheet and the related notes A to G. These individual company financial statements have been prepared under the accounting policies set out therein.

The corporate governance statement and the directors' remuneration report are included in the group annual report of Big Yellow Group PLC for the year ended 31 March 2006. We have reported separately on the group financial statements of Big Yellow Group PLC for the year ended 31 March 2006 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the individual company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the individual company financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual company financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the individual company financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors Report is consistent with the individual company financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual company financial statements.

## Basis of Audit Opinion

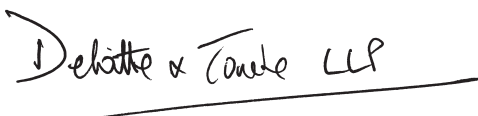
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the individual company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual company financial statements.

## Opinion

In our opinion:

- > the individual company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Principles, of the state of the company's affairs as at 31 March 2006;
- > the individual company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- > the information given in the Directors' report is consistent with the financial statements.



## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

15 May 2006

# Company Balance Sheet

31 March 2006

	Note	2006 £'000	2005 restated £'000
<b>Non-current assets</b>			
Plant, equipment and owner-occupied property	C	2,121	399
Investment in subsidiary companies	C	2,030	2,029
		<b>4,151</b>	2,428
<b>Current assets</b>			
Trade and other receivables	D	192,882	137,666
Cash and cash equivalents		12,328	4,293
		<b>205,210</b>	141,959
<b>Total assets</b>		<b>209,361</b>	144,387
<b>Current liabilities</b>			
Trade and other payables	E	7,016	4,673
Derivative financial instruments		147	47
		<b>7,163</b>	4,720
<b>Non-current liabilities</b>			
Bank borrowings	F	139,510	75,600
Deferred tax		–	84
		<b>139,510</b>	75,684
<b>Total liabilities</b>		<b>146,673</b>	80,404
<b>Net assets</b>		<b>62,688</b>	63,983
<b>Equity</b>			
Called up share capital		10,275	10,073
Share premium account		3,668	2,390
Reserves	G	48,745	51,520
<b>Equity shareholders' funds</b>		<b>62,688</b>	63,983

The financial statements were approved by the board of directors and authorised for issue on 15 May 2006. They were signed on its behalf by:

**James Gibson**  
Director



# Notes to the Company Accounts

Year ended 31 March 2006

## A. PROFIT FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £546,000 (2005: £34,000). The company had no employees during the current or prior year.

## B. ACCOUNTING POLICIES

Although the Group consolidated accounts are prepared under IFRS, the Big Yellow Group PLC company accounts presented in this section are prepared under UK GAAP. Following the issue of several UK accounting standards intended to converge certain aspects of UK GAAP with IFRS, the accounting policies relevant to the Company are included within those set out in the group accounting policies in note 2 to the consolidated financial statements principally those for plant, equipment and owner-occupied property, borrowings, interest, derivatives and share-based payments. Investments are stated at cost less provision for impairment.

The new UK accounting standards are:

- > FRS 21: Events after the balance sheet date
- > FRS 25: Financial instruments: disclosure and presentation
- > FRS 26: Financial instruments: measurement
- > FRS 20: Share-based payments

The effect of FRS 21 on the comparative figures is to exclude the 2005 proposed final dividend from the balance sheet and income statement. Consequently, in respect of year ended 31 March 2005, retained earnings and equity shareholder's funds are increased by £1,512,000.

The impact of FRS 26 is to recognise the fair value of interest rate swaps at 1 April 2005 which was £47,000.

FRS 20 requires you to recognise the fair value of share options and other share-based payments as an expense in the income statement over the vesting period. The impact of FRS 20 is a charge of £220,000 for the year.

## C. NON CURRENT ASSETS

### Investments in Subsidiary Companies

	Investment in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2005 and 31 March 2006	2,029

Details of the Company's subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of for power held %	Principal activity
.Big Yellow Self Storage Company Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 1 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 2 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 3 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 4 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 5 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 6 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 7 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 8 Limited	UK	100	100	Self storage
BYSSCo Limited	UK	100	100	Self storage
Big Yellow Construction Company Limited	UK	100	100	Construction

# Notes to the Company Accounts (continued)

Year ended 31 March 2006

## C. NON CURRENT ASSETS (continued)

### Plant, Equipment and Owner Occupied Property

	Freehold Property £'000	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings & office equipment £'000	Total £'000
<b>Cost</b>						
At 1 April 2005	–	37	12	14	930	993
Additions	1,764	–	–	–	192	1,956
Disposals	–	(20)	–	(14)	–	(34)
<b>At 31 March 2006</b>	<b>1,764</b>	<b>17</b>	<b>12</b>	<b>–</b>	<b>1,122</b>	<b>2,915</b>
<b>Accumulated Depreciation</b>						
At 1 April 2005	–	(14)	(3)	(11)	(566)	(594)
Charge for the year	–	(3)	(1)	11	(207)	(200)
<b>At 31 March 2006</b>	<b>–</b>	<b>(17)</b>	<b>(4)</b>	<b>–</b>	<b>(773)</b>	<b>(794)</b>
<b>Net book value</b>						
<b>At 31 March 2006</b>	<b>1,764</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>349</b>	<b>2,121</b>
At 31 March 2005	–	23	9	3	364	399

## D. TRADE AND OTHER RECEIVABLES

	31 March 2006 £'000	31 March 2005 £'000
Amounts owed by Group undertakings	192,088	137,655
Other receivables	4	4
Prepayments and accrued income	790	7
	<b>192,882</b>	137,666

## E. TRADE AND OTHER PAYABLES

	31 March 2006 £'000	31 March 2005 £'000
<b>Current</b>		
Trade payables	4,835	3,623
Other payables	16	15
Accruals and deferred income	2,165	1,035
	<b>7,016</b>	4,673

## F. BANK BORROWINGS

	31 March 2006 £'000	31 March 2005 £'000
Bank borrowings	140,000	76,000
Unamortised loan arrangement costs	(490)	(400)
	<b>139,510</b>	75,600

The bank loans are secured on 28 of the Group's properties.

# Notes to the Company Accounts (continued)

Year ended 31 March 2006

## F. BANK BORROWINGS (continued)

### Maturity Profile of Financial Liabilities

	2006 Financial liabilities £'000	2005 Financial liabilities £'000
Within one year or on demand	–	–
Between two and five years	140,000	76,000
Gross financial liabilities	140,000	76,000

## G. RESERVES

Company	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Own shares £'000	Total £'000
Balance at 1 April 2005 (restated)	10,073	1,653	2,390	50,679	(812)	63,983
Profit for the financial year	–	–	–	546	–	546
Dividends	–	–	–	(3,541)	–	(3,541)
Issue of shares	202	–	1,278	–	–	1,480
Share options	–	–	–	220	–	220
<b>Balance at 31 March 2006</b>	<b>10,275</b>	<b>1,653</b>	<b>3,668</b>	<b>47,904</b>	<b>(812)</b>	<b>62,688</b>

The Company's share capital is disclosed in note 21 to the consolidated financial statements.

## Five Year Summary

	IFRS			UK GAAP	
	2006 £	2005 £	2004 £	2003 £	2002 £
<b>Results</b>					
Revenue	41,890	33,375	23,830	15,579	8,408
Operating profit before gain on investment properties	21,645	15,030	4,719	(449)	(2,775)
Profit before taxation	118,547	42,836	1,243	(2,294)	(2,306)
Adjusted profit before taxation	12,601	7,791	–	–	–
<b>Key statistics</b>					
Number of stores open	37	32	29	26	19
Square footage occupied	1,672,000	1,470,000	1,268,000	875,000	550,000
Number of customers	27,800	24,600	20,400	13,800	8,100
Average number of employees during the year	178	160	140	116	79

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS are explained in note 26 to the accounts which provides an explanation of the transition to IFRS.

# Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the Members of the Company will be held at 20 Moorgate, London EC2R 6DA on 6 July 2006 at 10.00 a.m. to transact the following business (all resolutions will be proposed as ordinary resolutions save for resolutions numbered 8 and 9 which will be proposed as special resolutions):

1. To receive the Directors' Report and Accounts and the Auditors' Report thereon for the year ended 31 March 2006.
2. To approve the Directors' remuneration report for the year ended 31 March 2006.
3. Upon the recommendation of the Directors, to declare a dividend of 3p per Ordinary Share to be payable to shareholders on the register of members at the close of business on 9 June 2006.
4. To re-elect David Ross as a Director of the Company, who retires by rotation under the articles of association of the Company.
5. To re-elect James Gibson as a Director of the Company, who retires by rotation under the articles of association of the Company.
6. To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to agree their remuneration.

To consider and, if thought fit, pass the following resolutions:

7. THAT the Directors be and are generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) pursuant to and in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £3,425,086. This authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2007, except that the Company may at any time before the expiry of this authority make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired.
8. THAT, subject to the passing of resolution 7, the Directors be and are empowered (in substitution for any previous powers granted to the Directors to the extent unused) pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the general authority conferred on them by resolution 7 and/or to sell equity securities held as treasury shares for cash pursuant to section 162D of the Act, in each case as if section 89(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
  - (a) any such allotment and/or sale of equity securities in connection with an issue or offer by way of rights or other pre-emptive issue or offer, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - (b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities for cash having, in the case of relevant shares (as defined in section 94(5) of the Act), an aggregate nominal value, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal value, not exceeding in aggregate the sum of £513,763.

This authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, at such time as the general authority conferred on the Directors by resolution 7 expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

# Notice of the Annual General Meeting (continued)

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Article 53 of the Company's Articles of Association and for the purposes of Section 166 of the Companies Act 1985 (the "Act"), to make one or more market purchases (within the meaning of Section 163(3) of the Act) of its own ordinary shares of 10p each in the capital of the Company provided that:
- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 10,275,260 representing approximately 10 per cent of the Company's issued ordinary share capital;
  - (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than 5 per cent above the average of the market values for an ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased and the minimum price which may be paid for such ordinary shares is 10p per ordinary share (exclusive of expenses); and
  - (c) unless previously revoked or varied, the authority hereby conferred shall expire on the date falling 15 months after the date of the passing of this resolution, or if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2007 save that the Company may make a purchase of ordinary shares after the expiry of such authority in execution of a contract of purchase that was made under and before the expiry of such authority.

Registered Office:                      By Order of the Board  
Unit 2 The Deans                      M Cole  
Bridge Road                              Company Secretary  
Bagshot  
Surrey GU19 5AT  
15 May 2006

## NOTES

- (i) Any member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed for use by shareholders and, to be effective, must be deposited at the Company's registrars, Computershare Investor Services PLC of PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 7NH not less than 48 hours before the time of the meeting. Appointment of a proxy will not preclude a shareholder from attending the meeting and voting in person.
- (ii) The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the Register of Members of the Company at 6 p.m. on 4 July 2006 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (iii) The Register of Directors' Interests will be available for inspection for at least 15 minutes prior to and during the Annual General Meeting.
- (iv) Copies of all Directors' service contracts and the letters of appointment of the Non-Executive Directors will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the conclusion of the meeting and at the Annual General Meeting, during and for 15 minutes prior to such meeting.

## EXPLANATORY NOTES ON THE RESOLUTIONS

### RESOLUTION 1: Report and Accounts

The Directors must present to shareholders at the Annual General Meeting the Directors' Report and Accounts and the Auditors' Report for the year ended 31 March 2006.

### RESOLUTION 2: Directors' Remuneration

The Directors are required to compile a remuneration report for the financial year under review (which is set out in the Annual Report & Accounts) and to put to members at the Annual General Meeting a resolution to approve this report.

### RESOLUTION 3: Declaration of Dividend

Payments of dividends are permitted under the Companies Act 1985 where profits are available for that purpose. The Company's articles of association permit the payment of final dividends by ordinary resolution.

# Notice of the Annual General Meeting (continued)

## **RESOLUTIONS 4 and 5: Re-appointment of Directors**

The Company's Articles of Association require that:

- (a) one third of the Directors (or if their number is not a multiple of three, the number nearest to, but not greater than, one third of the Directors) shall retire from office by rotation; and
- (b) the Directors to retire by rotation shall be first, any Director who wishes to retire and not offer himself for re-election and secondly, those who have been longest in office since their last appointment or reappointment and in addition any Director who has not been re-appointed as a Director at either of the two previous annual general meetings of the Company must retire.

Accordingly, David Ross and James Gibson are retiring by rotation and are offering themselves for re-appointment by the shareholders. Short biographies of each of the Directors offering themselves for re-appointment are contained on page 35 of the Directors' Report and Accounts.

## **RESOLUTION 6: Re-appointment of Auditors**

The Auditors of the Company must be re-appointed at each General Meeting at which Accounts are presented. The Directors propose to re-appoint Deloitte & Touche LLP as Auditors of the Company.

## **RESOLUTION 7: Authority to the Directors to Allot Shares**

Under the Companies Act 1985 the Directors may only allot shares if authorised to do so. If passed, this resolution will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £3,425,086 (up to 34,250,860 new ordinary shares of 10 pence each), which is equal to approximately one-third (33.33%) of the issued share capital of the Company as at 15 May 2006, being the latest practicable date prior to the publication of the notice. At the date of this notice the Company held no treasury shares. The authority will expire 15 months after the date of passing of the resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2007.

Passing this resolution will continue the Directors' flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. The Directors have no present intention of issuing new shares pursuant to this resolution, except on the exercise of options under the Company's share schemes.

## **RESOLUTION 8: Disapplication of Statutory Pre-emption Rights**

If the Company issues new shares for cash it must first offer them to existing shareholders in proportion to their current holdings, in compliance with their statutory pre-emption rights. If passed, this resolution will authorise the Directors to modify these rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue.

The resolution also seeks shareholder authority to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 5% of the aggregate nominal value of the issued share capital of the Company as at 15 May 2006, being the latest practicable date prior to the publication of the notice (up to 5,137,630 new ordinary shares of 10 pence each). The authority will expire at the same time as the authority to allot shares given pursuant to resolution 7.

The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in this resolution.

## **RESOLUTION 9: Authority as to Purchase Own Shares**

This resolution will authorise the Company to purchase its own shares subject to the constraints set out in the resolution. The Directors will resolve that the Company make purchases under this authority only if satisfied that it was in the interests of the shareholders as a whole to do so and that it was likely to result in an increase in earnings per share. The resolution sets out the maximum and minimum prices that can be paid.

Shares purchased out of distributable profits by the Company pursuant to Resolution 9, may be held "in treasury" for later sale, cancellation or, providing Listing Rules requirements are met, transfer to an Employee Benefit Trust, instead of being cancelled immediately, providing that certain statutory requirements are met and that such shares held in treasury do not exceed 10% of the Company's issued share capital. Shares held in treasury can be held indefinitely pending, for example, a suitable time to place them back on the market. This will enable the Company to sell shares held in treasury to take advantage of capital growth in its own shares. Sales of treasury shares must be for cash and are subject to statutory pre-emption rights.

The Directors' current intention is that shares purchased pursuant to this authority (to the extent statutory requirements are met) will be held in treasury for future cancellation, sale for cash, or (provided Listing Rule requirements are met) transfer for the purpose of or pursuant to an employee share scheme. However, shares repurchased by the Company, may, in the light of the circumstances existing at the time of the repurchase, also be immediately cancelled. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they had been cancelled (for example, they carry no voting rights and do not rank for dividends).

As at 15 May 2006, being the latest practicable date prior to the publication of the notice, options were outstanding over 6,368,227 ordinary shares of 10 pence each in the Company representing approximately 6.2% of the issued share capital of the Company at that date. If the proposed market purchase authority were used in full, shares over which options were outstanding would, as at 15 May 2006, being the latest practicable date prior to the publication of the notice, represent approximately 5.5% of the Company's adjusted issued share capital at that date.

# Dividends and Financial Calendar

Final dividend ex dividend date	7 June 2006
Final dividend record date	9 June 2006
Annual General Meeting	6 July 2006
Final dividend payment date	12 July 2006
Interim results announced	November 2006
Interim dividend ex dividend date	December 2006
Interim dividend record date	December 2006
Interim dividend payment date	December 2006



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