

**Company Registration No. 05166173**

**.Big Yellow Self Storage Company  
Limited**

**Annual Report and Financial Statements**

**31 March 2009**



# **.Big Yellow Self Storage Company Limited**

## **Report and financial statements 2009**

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# **.Big Yellow Self Storage Company Limited**

## **Report and financial statements 2009**

### **Officers and professional advisers**

#### **Directors**

Nicholas Vetch  
James Gibson  
Adrian Lee  
John Trotman

#### **Secretary**

Michael Cole

#### **Registered office**

2 The Deans  
Bridge Road  
Bagshot  
Surrey  
GU19 5AT

#### **Bankers**

The Royal Bank of Scotland plc  
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EC2M 4RB

HSH Nordbank AG  
Moorgate Hall  
155 Moorgate  
London  
EC2M 6UJ

#### **Solicitors**

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Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

#### **Auditors**

Deloitte LLP  
Reading, United Kingdom

# **.Big Yellow Self Storage Company Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

### **Business review and principal activities**

.Big Yellow Self Storage Company Limited ("Big Yellow", "the company") is a wholly owned subsidiary of Big Yellow Group PLC.

The principal activity of the company is the rental of self storage units and provision of ancillary services from the properties, such as the sale of packaging materials and contents insurance in the UK.

There have not been any significant changes in the company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activity in the next year.

As shown in the company's income statement, the company's sales have increased by 2% compared to prior year. The operating profit before (losses)/gains on investment properties and other non-current assets was £29.8 million (2008: £28.9 million). The loss before tax for the year was £51.8 million (2008: profit of £99.8 million). Occupied space was 1,732,000 sq ft as at 31 March 2009 (2008: 1,817,000 sq ft). 4 stores opened in the year bringing the total to 50 open stores at 31 March 2009 and the company had another 4 sites committed which would provide the company with 250,000 sq ft of capacity when fully developed.

This has been a challenging year for the company, as the financial crisis which started in August 2007 has turned into a deep economic downturn. Nevertheless, our performance has been relatively resilient, although not immune. We believe that resilience is owing to a combination of factors including:

- a prime portfolio of freehold self storage properties;
- successful acquisition and development of new stores;
- the strength of operational management;
- being the UK's leading self storage brand, with high public awareness;
- strong cash flow generation and high operating margins; and
- flexible and conservative financing, with a senior debt facility in place until 2013 and partial hedging in place to 2015.

### **Business objectives**

In recent years, Big Yellow has established itself as the leading self storage brand in the UK (YouGov Survey, September 2008), a key objective set at flotation. The company continues to invest in developing quality assets at the premium end of the self storage market and to build on our brand leadership nationally. We intend to measure our progress by commissioning quantitative research each year.

The main elements of our strategy remain:

- the selective build out of freehold stores in major urban conurbations throughout the UK;
- retaining a focus on London and the South East in the core Group;
- financing using flexible bank borrowings secured against a prime freehold portfolio;
- locating stores in visible, convenient and accessible locations;
- 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; and
- recruiting and retaining quality people into the business.

# **.Big Yellow Self Storage Company Limited**

## **Directors' report (continued)**

### **Going concern**

A review of the company's business activities, together with the factors likely to affect its future development, performance and position is set out within this Directors' report.

The financial position of the company, its cash flows and liquidity position, as shown in the balance sheet, cash flow statement and accompanying notes in the financial statements, is such that it is in a net asset position with limited exposure to liquidity or credit risk despite net current liabilities, and is financed by an intercompany loan from the ultimate parent company, Big Yellow Group PLC, as disclosed in note 12.

After reviewing company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the directors believe that the company has adequate resources to continue operations for the foreseeable future. In reaching this conclusion the directors have had regard to the Company's operating plan and budget for 2010 and projections contained in the longer term business plan. The directors have considered carefully the company's trading performance and cash flows in the context of the uncertain global economic environment, the shortage of credit available in the bank finance market in particular and the other principal risks to the company's performance and are satisfied with the company's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Financing objectives**

The company's activities are financed by its parent, Big Yellow Group PLC.

### **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, and the opening of our first purpose built store in Richmond, London in May 1999.

### **Self storage market risk**

We noted last year that the credit crunch which started in August 2007 impacted the availability of mortgages to home owners which in turn has caused a significant reduction in housing market activity. We have now entered a deep recessive cycle in the global economy. Demand for self storage has slowed since the start of the credit crunch, however we believe that the structural need for self storage remains, and we are pleased at the relative resilience that has been shown to date by the sector. We have increased storage rents to customers by on average 4.25% from May 2009. Over the last six years average net storage rental growth has been 4.5% per annum.

Of the customers moving into the business in the last year, our surveys indicate approximately 54% is in some way linked to the housing market of which 26% are customers renting storage space whilst moving within the rental sector, and the balance moving within the owner occupied sector. We have seen an increase in demand from customers within the rental sector during the year, in part caused by the decline in the housing market and availability of credit. Customers within the rental sector will typically stay longer in the stores than the shorter demand profile of house move customers. 12% of our customers who moved in during the year rent storage space as a spare room for lifestyle purposes and approximately 20% of customers used 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, be getting married or divorced, be students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 14% of our customers 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.

## **.Big Yellow Self Storage Company Limited**

### **Directors' report (continued)**

#### **Self storage market risk (continued)**

The demand from business customers, who typically occupy larger rooms, has been relatively robust, as they seek a cost effective, flexible solution to their storage requirements, preferring self storage to the commitment of a long lease.

Self storage is an immature market in the UK compared to other markets such as the United States and Australia, and we believe it has further opportunity for growth. Awareness of self storage and how it can be used by 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 has historically been limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent. The lack of availability of credit within the economy has further reduced this rate of growth in recent months.

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 are at their strongest and barriers to competition exist.

We have a large current storage customer base of approximately 28,500 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 resulting in changes in occupancy. Despite the current environment, this has remained a seasonal business and typically one sees growth over the spring and the summer months, with the seasonally weaker periods being the winter months.

The average length of stay in Big Yellow's stores is increasing. At 31 March 2009 the average length of stay for existing customers was 18.0 months; a marked increase on 15.6 months in the prior year. For all customers, including those who have moved out of the business, the average length of stay has increased from 8.0 months to 8.4 months. This translates into a loyal customer base. In our 32 same store portfolio, 36% of our customers have been storing with us for over three years. A further 19% in these stores have been in the business for between one and three years.

#### **Property risk**

We have slowed down our real estate acquisition programme; focussing during the year on building out selected sites within our development pipeline, and conserving available facilities within the business. We believe the current difficulties in the banking and capital markets make access to capital required to fund growth more difficult and will slow down the growth in self storage store openings in the market generally. We believe that we are in a relatively strong position with our freehold property assets, with the proven ability to access more funding when the opportunity presents itself.

The planning process remains difficult with some planning consents taking in excess of twelve months to achieve. We do take planning risk where necessary, although the more distressed property market will in our view provide more opportunity to buy sites on a conditional basis.

Big Yellow's 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.

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 to our Big Yellow specification. No new sites were acquired in the year under review.

# **.Big Yellow Self Storage Company Limited**

## **Directors' report (continued)**

### **Property risk (continued)**

We achieved two significant sustainability milestones during the year. Our Sheen store achieved the highest 'Excellent' rating on the Building Research Establishment's Environmental Assessment Methodology ("BREEAM"), in the industrial buildings category, and our new store at Twickenham achieved an A+ rating on carbon emissions, indicating that it has net zero CO2 emissions.

### **Credit risk**

Our customers are required to pay a deposit when they start to rent a self storage unit and are also required to pay in advance for their four-weekly storage charges. The company is therefore not exposed to a significant credit risk. 70% of our customers pay by direct debit. Since the commencement of the credit and liquidity issues in August 2007, we have not seen an increase in the levels of bad debts and arrears.

### **Taxation risk**

The company 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.

### **Real Estate Investment Trust ("REIT") risk**

The Big Yellow Group, of which the company is part, converted to a REIT with effect from 15 January 2007. The Group is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation. The Group has internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with. To date all REIT regulations have been complied with.

### **Human resources risk**

At Big Yellow we have developed a professional, lively and enjoyable 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 company.

### **Reputational risk**

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. Big Yellow's Intranet and Website ([bigyellow.co.uk](http://bigyellow.co.uk)) are important avenues of communication for both employees and shareholders.

### **Stores**

During the year we opened six stores, three wholly owned stores in London (at Kennington, Sheen and Bromley), and three within Big Yellow Limited Partnership at Sheffield, Birmingham and Liverpool. These store openings bring the number now trading in the Group and the Partnership to 54. The available net lettable space increased by 380,000 sq ft over the year to 3.4 million sq ft with the opening of these six stores.

The maturity profile across the 50 wholly owned stores open at the end of the year shows a blended occupancy for the portfolio of 55% (1.7 million sq ft occupied), with the same stores at an average occupancy of 75% (2008: 82%).

## **.Big Yellow Self Storage Company Limited**

### **Directors' report (continued)**

#### **Stores (continued)**

The fall in average occupancy reflects the more difficult trading conditions experienced through the year, and is primarily as a result of weakness in our mid-range room sizes typically used by owner-occupiers staying relatively short periods and moving within the housing market. Our ability to manage rental yields through price increases has meant that despite the impact of a 9% occupancy fall on the same store portfolio, the reduction in revenue year on year was limited to 4%.

There are a further 16 freehold sites (including nine sites within Big Yellow Limited Partnership). These sites are at various stages of planning and construction which, when fully developed, will increase the total capacity of the portfolio to 4.5 million sq ft.

6 of the 16 sites in the development pipeline are located in Greater London, including Twickenham which opened in May, which we believe will continue to improve the quality of our store portfolio. There are five sites currently under construction in the Partnership and the trading results from recently opened stores in the north are encouraging.

We continue to work on obtaining planning consents for all future stores. We expect to open six stores in the current financial year, one within the core Group, and five within the Partnership.

During the year we moved in over 34,000 customers taking 2.1 million sq ft compared to 40,000 customers taking 2.4 million sq ft last year. This resulted in the wholly owned stores reducing in occupancy by 85,000 sq ft (37,000 sq ft increase last year). Of the 50 wholly owned stores open at the year end 47 are now trading profitably with the other 3 being recent openings.

The Big Yellow store model is now well established. The "typical" store contains 60,000 sq ft and takes some 3 to 4 years to achieve 85% occupancy. The average room size is 60 sq ft and the average net rental achieved last year across the 50 wholly owned stores was £26.53 per sq ft per annum (the average rent in London is higher at £28.75 per sq ft per annum). The stores in lease-up achieved a higher average rental (£27.00 per sq ft) than the mature stores (£26.42 per sq ft), reflecting the greater London weighting of the lease-up stores.

The store is initially run by three staff – adding a part time member of staff once the store occupancy justifies the need for the extra administrative and sales workload. Given that the operating costs of these assets are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Excellent 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 in place a team of Area Managers who have on average been with Big Yellow for six years. They develop and support the stores to drive the growth of the business. Adrian Lee, Operations Director, is the Board member responsible for dealing with all customer issues.

The store bonus structure rewards occupancy growth, sales growth and cost control through setting quarterly targets based on occupancy and 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 preparing their own targets and budgets each quarter, leading to improved visibility, a better understanding of sales lines and control of operating costs.

The Group manages the construction and fit-out of its stores in-house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget. We currently have six new stores in the course of construction, all of which will open in the financial year 2009/10.



## **.Big Yellow Self Storage Company Limited**

### **Directors' report (continued)**

#### **Stores (continued)**

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 lifts and gates.

During the year we were pleased to sign a management agreement with a subsidiary of HSBC Bank plc to manage a portfolio of ten freehold stores, branded as Armadillo Self Storage. We have been operating the stores for two months. Our initial activity has consisted of moving the staff onto our centralised systems and training the staff on our way of working. We are currently working on rebranding all the stores with a new Armadillo Self Storage livery. The portfolio will shortly be integrated on our website and we look forward to working with HSBC to maximise value over the five year term of our management contract.

#### **Sales and marketing**

This year we have reinforced our position as the clear brand leader in the UK self storage industry.

We are at the forefront of online innovation, and during the year we launched our new website, building on our unique online reservation and real-time pricing system. The new website is structured around educating browsers and communicating our best quality facilities and value for money. As a result of this, our conversion rate of online enquiries has doubled. Traffic to the website has grown by 59% year-on year, and all our advertising budget is now dedicated to online activity.

During 2008, we invested in new tools to help us measure and continually optimise our online marketing. We are constantly looking to improve our e-commerce proposition and we will continue to lead the industry in this area.

We commission annual awareness surveys and our Brand continues to grow strongly.

Highlights from this year's survey include:

- brand awareness across the UK has grown by 30% this year;
- we have achieved Brand awareness of 82% in London, an increase of 30% over the previous year;
- our Brand awareness is still three times the level of our nearest competitor
- 80% of our customer base continues to fall within the top three ACORN customer categories; and
- Big Yellow leads the industry in terms of Brand preference, with more potential customers expecting to use Big Yellow than any other Brand.

*Source: YouGov, September 2008*

A thorough understanding of self storage (i.e. a full awareness of the service provided and its benefits) grew more rapidly this year, with 50% of the UK population having at least a reasonable knowledge of the product. In spite of this growth, educating the public about our top quality service and facilities continues to be at the core of our marketing programme.

We continually monitor local market conditions and review our promotions regularly. Our strategy is to offer targeted promotions to ensure we are offering the best value available to our customers, whilst ensuring that we achieve our rental yield objectives.

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.

# **.Big Yellow Self Storage Company Limited**

## **Directors' report (continued)**

### **Sales and marketing (continued)**

During the year the Group spent approximately £2.6 million (4.5% of our revenue) on marketing, in line with the previous year. It is our intention to continue to invest 4.25% to 4.5% of our revenue to increase awareness of Big Yellow in existing and new markets, particularly as we expand into new cities across the country.

### **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 all our stores out of our trading 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 and we have continued to run courses to enhance the awareness and effectiveness of our procedures in relation to security, entitled "You and Your Customer".

### **People**

At Big Yellow we aim to provide a lively, fun and enjoyable working environment, without losing our commitment to delivering the very best standards of customer service.

We encourage a culture of partnership within the business and believe in staff participating in corporate performance through bonus schemes and share incentives. Many employees benefit from an HMRC 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. Our stakeholder pension scheme, managed by Friends Provident, has been taken up by nearly 70% of employees eligible to join and a voucher awards scheme is used extensively across the business to recognise and reward our staff.

We aim to promote employee wellbeing through a range of flexible working options to include flexitime, staggered hours, home working and sabbaticals. We provide a comprehensive range of medical support and advice through our occupational health providers and have arranged corporate gym membership on a national basis.

We continue to recognise the importance of communication and consultation with an annual conference, regular formal and informal meetings and bi-monthly newsletters and operational updates. In addition, our directors and senior management spend significant time in the stores and are accessible to employees at all levels. An annual Employee Attitude Survey provides management with key feedback and guidance as to where to focus its attention to further improve the working environment.

We had 273 full, part time and casual employees in the business at the year end (2008: 226 employees), and recruiting and retaining the right calibre people remains critical to the continued success of the Company.

We promote the individual development of staff through training and regular performance appraisals and delivered nearly 900 days training to employees in the last year, equating to an average of approximately 3.5 days training per employee. In the stores, nearly 60% of the managerial posts have been filled by internal promotions.

In March of this year, we were delighted to have been recognised as one of the Sunday Times 100 Best Companies To Work for 2009 and also to have achieved Two Star Status for the Best Companies Accreditation.

# **.Big Yellow Self Storage Company Limited**

## **Directors' report (continued)**

### **Corporate Social Responsibility**

The Board appointed a Corporate Social Responsibility Manager last year. We remain committed to our formal corporate social responsibility ("CSR") policy. This is shown below.

### **Corporate Social Responsibility policy**

The Board recognises that high levels of corporate social responsibility ("CSR") linked to clear commercial objectives, will create a more sustainable business and increase shareholder and customer value. This Policy will cover all of Big Yellow's operations, as both a self storage developer and operator. Big Yellow is seeking to meet the demand for self storage from businesses and private individuals providing the storage space for their commercial and / or domestic needs, whilst aiding local employment creation and contributing to local community regeneration.

The Board commits itself to:

- Complying with relevant social and environmental legislation
- Establishing a formal integrated CSR management structure to implement "best practice"
- Preventing pollution and the waste of resources to protect the environment
- Consulting with stakeholders on social aspects to improve their services to the Group
- Providing capital for sustainable development that is economically viable
- Reporting annually on improving ethical, community and environmental performance

Operationally, Big Yellow commits to:

- **Development** – to address relevant issues on local community and climate change aiming to achieve best practice on sustainability checklists and local planning guidance
- **Design** – to minimise its carbon footprint as far as practicable through the application of passive building principles, viable renewable energy and other sustainability criteria
- **Construction** – to aim for build site sustainable practices by raising environmental and health and safety standards through the Considerate Constructors Scheme
- **Estates and Facilities** - to monitor energy, waste and water provider performance in order to identify areas for operational efficiency improvements
- **Operations** – to keep store managers and customers informed of the ethical, safety, security, energy use and waste minimisation aspects of storage and packaging
- **Sales, Marketing and Customer Care** – to facilitate external communication of sustainability and ethical market differentiation and improve customer satisfaction
- **Human Resources** – to integrate the Group CSR policy within all training programmes, employee communications, and benefits initiatives, whilst continuing to promote charitable giving, employment creation and staff retention
- **Office Management and Information Technology** – to facilitate internal communication of environmental performance and cost effectiveness of energy usage, waste paper reduction, recycled paper usage, and the recycling of waste paper

# **.Big Yellow Self Storage Company Limited**

## **Directors' report (continued)**

### **Corporate Social Responsibility policy (continued)**

The CSR Manager will facilitate the Board and Group Operations to achieve these commitments by establishing more specific objectives within the existing management structure and implementing guidance to meet agreed continuous improvement targets. The CSR Manager is also responsible for recording key performance indicators for annual reporting and review by the Board.

### **Share capital**

The authorised and issued share capital of the company at the beginning and end of the year are £1,000.

### **Results and dividends**

The income statement is set out on page 14 of the financial statements. The directors do not recommend the payment of a dividend (2008: £nil).

### **Directors**

The directors of the company who served throughout the year and to the date of this report are shown on page 1.

### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken 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.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed by the company which eliminates the need to hold annual general meetings and annually appoint auditors. Deloitte LLP will remain as auditors unless a special resolution is passed by the company changing this status.

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



Michael Cole  
Secretary

28 October 2009

## **.Big Yellow Self Storage Company Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company'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 Standards 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 IFRSs. However, 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;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of .Big Yellow Self Storage Company Limited**

We have audited the financial statements of .Big Yellow Self Storage Company Limited for the year ended 31 March 2009 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense, the Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### **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. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the 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 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 financial statements.

**Independent auditors' report to the members of  
Big Yellow Self Storage Company Limited (continued)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the 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.

A handwritten signature in black ink, appearing to read 'Deloitte LLP', is written over the printed name.

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
Reading, United Kingdom

28 October 2009

## **.Big Yellow Self Storage Company Limited**

### **Income statement**

**Year ended 31 March 2009**

		<b>2009</b>	<b>2008</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
			<b>(restated)</b>
<b>Revenue</b>	<b>3</b>	<b>56,988</b>	<b>55,635</b>
Cost of sales		(21,678)	(20,706)
<b>Gross profit</b>		<b>35,310</b>	<b>34,929</b>
Administrative expenses		(5,478)	(6,035)
<b>Operating profit before (losses)/gains on investment properties and other non-current assets</b>	<b>5</b>	<b>29,832</b>	<b>28,894</b>
(Loss)/gain on revaluation of investment properties	9a	(52,182)	88,166
Impairment of development property	9d	(10,264)	-
Profit/(loss) on disposal of non-current assets	9a	433	(192)
<b>Operating (loss)/profit</b>		<b>(32,181)</b>	<b>116,868</b>
Finance costs	7	(19,667)	(17,079)
<b>(Loss)/profit before taxation</b>		<b>(51,848)</b>	<b>99,789</b>
Taxation	8	(460)	287
<b>(Loss)/profit for the year</b>	<b>15</b>	<b>(52,308)</b>	<b>100,076</b>

All items in the income statement relate to continuing activities.

Please see notes 2 and 21 for details of the restatement.



# Big Yellow Self Storage Company Limited


## Balance sheet 31 March 2009

		2009 £'000	2008 £'000 (restated)
<b>Non-current assets</b>	<b>Note</b>		
Investment property	9a	735,060	735,840
Development property	9a	26,269	49,195
Interests in leasehold properties	9a	21,852	22,274
Plant, equipment and owner-occupied property	9b	1,452	1,562
Deferred tax asset	10	-	993
Investment in subsidiaries	16	4,520	4,520
		<u>789,153</u>	<u>814,384</u>
<b>Current assets</b>			
Inventories		338	332
Trade and other receivables	11	8,249	7,024
Cash and cash equivalents		748	-
Assets classified as held for sale	9c	-	8,546
		<u>9,335</u>	<u>15,902</u>
<b>Total assets</b>		<u>798,488</u>	<u>830,286</u>
<b>Current liabilities</b>			
Bank overdraft		-	(294)
Trade and other payables	12	(17,584)	(19,346)
Obligations under finance leases	13	(1,984)	(1,958)
		<u>(19,568)</u>	<u>(21,598)</u>
<b>Non-current liabilities</b>			
Trade and other payables	12	(637,086)	(613,947)
Obligations under finance leases	13	(19,868)	(20,317)
		<u>(656,954)</u>	<u>(634,264)</u>
<b>Total liabilities</b>		<u>(676,522)</u>	<u>(655,862)</u>
<b>Net assets</b>		<u>121,966</u>	<u>174,124</u>
<b>Equity</b>			
Called up share capital	14	1	1
Reserves	15	121,965	174,123
<b>Shareholders' funds</b>		<u>121,966</u>	<u>174,124</u>

Please see notes 2 and 21 for details of the restatement.

These financial statements were approved by the Board of Directors on 28 October 2009.

Signed on behalf of the Board of Directors

  
John Trotman  
Director

Company Registration No. 05166173

## **.Big Yellow Self Storage Company Limited**

### **Statement of recognised income and expense Year ended 31 March 2009**

	<b>2009 £'000</b>	<b>2008 £'000 (restated)</b>
Current and deferred tax recognised in equity	(443)	96
Net (expense)/income recognised directly in equity for the year	(443)	96
(Loss)/profit for the year	(52,308)	100,076
<b>Total recognised income and expense for the year attributable to equity shareholder</b>	<b>(52,751)</b>	<b>100,172</b>

Please see notes 2 and 21 for details of the restatement.

# **.Big Yellow Self Storage Company Limited**

## **Cash flow statement** **Year ended 31 March 2009**

	2009 £'000	2008 £'000 (restated)
Operating (loss)/profit	(32,181)	116,868
Loss/(gain) on revaluation of investment properties	52,182	(88,166)
Impairment of development property	10,264	-
(Gain)/loss on non-current assets	(433)	192
Depreciation	695	611
Repayment of finance lease capital obligations	690	719
Share option expense	593	491
(Increase)/decrease in inventories	(6)	104
Increase in receivables	(1,225)	(687)
(Decrease)/increase in payables	(15,425)	50,420
<b>Cash flows from operating activities</b>	<b>15,154</b>	<b>80,552</b>
Interest paid	(19,668)	(18,519)
Taxation	-	(11,498)
<b>Net cash from operating activities</b>	<b>(4,514)</b>	<b>50,535</b>
Purchase of non-current assets	(7,787)	(67,928)
Sale of assets to associate	9,986	15,683
Sale of non-current assets	3,357	-
Investment in associate	-	1
<b>Cash flows from investing activities</b>	<b>5,556</b>	<b>(52,244)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,042</b>	<b>(1,709)</b>
<b>Opening cash and cash equivalents</b>	<b>(294)</b>	<b>1,415</b>
<b>Closing cash and cash equivalents</b>	<b>748</b>	<b>(294)</b>

Please see notes 2 and 21 for details of the restatement.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **1. General information**

.Big Yellow Self Storage Company Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out on page 2.

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

### **2. Significant accounting policies**

#### **Adoption of new and revised standards**

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<i>Income statement</i>		
Decrease in interest payable	920	1,440
Decrease in revaluation deficit	(1,145)	(910)
(Increase)/decrease in loss after tax	<u>(225)</u>	<u>530</u>
<i>Balance sheet</i>		
Increase in development assets	314	530
Increase in net assets	314	530

In the current year, one interpretation issued by the International Financial Reporting Interpretations Committee is effective for the current period: IFRIC 12 Service Concession Arrangements. The adoption of this interpretation has not led to any changes in the company's accounting policies.

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

IFRS 3 (revised 2008)	Business Combinations
IFRS 8	Operating Segments
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-Cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

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

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements Year ended 31 March 2009**

### **2. Significant accounting policies (continued)**

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

#### **Basis of accounting**

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

The company 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 or after 1 April 2007.

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

The financial statements contain information about .Big Yellow Self Storage Company Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option under Section 398 of the Companies Act 2006 not to prepare consolidated financial statements.

#### **Going concern**

A review of the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors' Report.

The financial position of the company, its cash flows and liquidity position, as shown in the balance sheet, cash flow statement and accompanying notes in the financial statements, is such that it is in a net asset position with limited exposure to liquidity or credit risk and is financed by an intercompany loan from the ultimate parent company, Big Yellow Group PLC, as disclosed in note 12.

After reviewing company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the directors believe that the company has adequate resources to continue operations for the foreseeable future. In reaching this conclusion the directors have had regard to the Company's operating plan and budget for 2010 and projections contained in the longer term business plan. The directors have considered carefully the company's trading performance and cash flows in the context of the uncertain global economic environment, the shortage of credit available in the bank finance market in particular and the other principal risks to the company's performance and are satisfied with the company's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **Investment in subsidiaries**

These are recognised at cost less provision for any impairment.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **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.

#### **Revenue recognition**

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

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

#### **Finance costs**

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

#### **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.

#### **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 company's liability for current tax is calculated using tax rates that have been 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.

## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **2. Significant accounting policies (continued)**

##### **Taxation (continued)**

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

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

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

##### **Plant, equipment & owner occupied property**

All property, plant and equipment not classified as investment or development property, are carried at historic cost less accumulated 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:

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

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

##### **Investment property**

The criterion used to distinguish investment property from owner-occupied property is to consider whether the property is held for rental income and for capital appreciation. Where this is the case, the company recognises these owned or leased properties as investment properties. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS40, investment property held leasehold is stated gross of the recognised finance lease liability.

Gains or losses arising from the changes in fair value of investment property are included in the income statement of the period in which they arise. In accordance with IAS40, as the company uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Leasehold properties that are leased under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value. The obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception, and is shown within note 13a. Lease payments are apportioned between finance charges and a reduction of the outstanding lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements Year ended 31 March 2009**

### **2. Significant accounting policies (continued)**

#### **Development property**

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

#### **Impairment of assets**

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's net selling price and its value-in-use (i.e. the Net Present Value of its future cash flows discounted at a pre-tax interest rate that reflects the borrowing costs and risk for the asset).

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Due to the nature of the company's operations, the use of significant financial instruments by the company is limited to intercompany transactions. The directors do not believe there to be significant credit or liquidity risk arising from these transactions. The directors do not believe there to be any further significant risks in relation to financial instruments.

#### **A - Derivative financial instruments and hedge accounting**

There are no derivative financial instruments in the company.

#### **B - Loans and receivables**

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

#### **C - Impairment of financial assets**

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

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

#### **D - Cash and cash equivalents**

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



## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **2. Significant accounting policies (continued)**

##### **Financial instruments (continued)**

##### **E - Financial liabilities and equity**

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

##### **F - Equity instruments**

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

##### **G - Trade receivables**

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

##### **H - Trade payables**

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

##### **Retirement benefit costs**

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

##### **Share-based payments**

The company 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 company 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 company's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes 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.

##### **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.

##### *Estimate of Fair Value of Investment Properties*

The company 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.

## Big Yellow Self Storage Company Limited

### Notes to the financial statements Year ended 31 March 2009

#### 2. Significant accounting policies (continued)

##### Critical accounting estimates and judgements (continued)

##### *Development Property*

The company'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 company 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 company 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 company's balance sheet and transferred from development properties. The company reviews all development property assets for impairment at each balance sheet date.

#### 3. Revenue

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Open stores</b>				
Self storage income	47,204		46,486	
Other storage related income	7,964		7,869	
Ancillary store rental income	96		114	
Income from stores transferred to associate or closed for redevelopment	-		690	
		55,264		55,159
<b>Stores under development</b>				
Non-storage income	139		551	
		139		551
<b>Fee income</b>				
Fees earned from Big Yellow Limited Partnership	1,368		138	
Other management fees earned	67		-	
		1,435		138
<b>Franchise income</b>				
Franchise fee received	150		100	
		150		100
<b>Revenue per income statement</b>		<u>56,988</u>		<u>55,948</u>

#### 4. Segmental information

Revenue represents amounts derived from the provision of self storage accommodation and related services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The company'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.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **5. Operating profit**

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

	2009 £000	2008 (restated) £000
Depreciation of plant, equipment and owner-occupied property	693	419
Finance lease depreciation	690	719
Decrease/(increase) in fair value of investment property	52,182	(89,076)
Cost of inventories recognised as an expense	751	921
Employee costs (see note 6)	8,333	7,562
Operating lease rentals	80	75
Auditors' remuneration for audit services	1	1

### **6. Directors' remuneration and employee costs**

The total amounts for Directors' remuneration were as follows:

	2009					2009	2008
	Salary /fees £	Annual Bonus £	Taxable benefits £	Sub total £	Pension £	Total £	Total £
Nicholas Vetch	234,800	-	2,743	237,543	23,480	261,023	273,070
James Gibson	257,460	-	3,368	260,828	25,746	286,574	300,187
Adrian Lee	190,600	-	2,856	193,456	19,060	212,516	222,221
John Trotman	125,000	-	1,707	126,707	12,500	139,207	110,855
	<u>807,860</u>	<u>-</u>	<u>10,674</u>	<u>818,534</u>	<u>80,786</u>	<u>899,320</u>	<u>906,333</u>

No Directors exercised share options in the year (2008: two Directors).

Four Directors received contributions to their money purchase pension plans (2008: four Directors). The Directors' pension entitlements are equivalent to 10% of their basic salary, unchanged from the prior year.

No amounts were paid to third parties in respect of services provided by the Directors.

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

	2009 No.	2008 No.
Sales	194	176
Administration	45	42
	<u>239</u>	<u>218</u>

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements Year ended 31 March 2009**

### **6 Directors' remuneration and employee costs (continued)**

At 31 March 2009 the total number of employees was 273 (2008: 226). Their aggregate remuneration comprised:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	6,727	6,102
Social security costs	709	707
Other pension costs	304	262
Share-based payments	593	491
	<u>8,333</u>	<u>7,562</u>

### **7. Finance costs**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest on obligations under finance leases	1,319	1,508
Intercompany interest	19,266	16,978
Amounts capitalised under IAS23	(920)	(1,440)
Other interest payable	2	33
	<u>19,667</u>	<u>17,079</u>

### **8. Taxation**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>UK current tax</b>		
<b>Current tax</b>		
- Current tax	1	302
- Adjustment in respect of prior year	(90)	(40)
<b>Deferred tax (see note 10):</b>		
- Current year	-	(588)
- Adjustment in respect of change in tax rate	-	39
- Release prior year deferred tax	549	-
	<u>460</u>	<u>(287)</u>

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements Year ended 31 March 2009**

### **8. Taxation (continued)**

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

	<b>2009 £'000</b>	<b>2008 £'000 (restated)</b>
(Loss)/profit before tax	(51,848)	100,089
Tax (credit)/charge at 28% (2008 - 30%) thereon	(14,517)	30,027
Effects of:		
Permanent differences	(70)	(20)
Adjustments to tax in respect of prior periods	(90)	(40)
Revaluations post REIT period	14,611	(26,450)
Profits from the tax exempt business	123	(3,843)
Release of deferred tax losses	549	-
Adjustment in respect of change in tax rate	-	39
Losses utilised in the period	(146)	-
<b>Total tax charge/(credit)</b>	<b>460</b>	<b>(287)</b>
<b>Analysis of deferred tax charge (see note 10)</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Deductions for share options	444	206
Other	549	(549)
<b>Deferred tax charge/(credit)</b>	<b>993</b>	<b>(343)</b>

In addition to the current year income statement tax charge of £1,000 (2008: £302,000), there is a debit to reserves of £444,000 (2008: £206,000) in respect of the current tax deduction and the deferred tax arising on potential future deductions under Schedule 23, in respect of the exercise of employee share options.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **9. Non-current assets**

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

	Investment property £'000	Development property £'000 (restated)	Interests in leasehold property £'000
At 1 April 2008	735,840	49,195	22,274
Additions	7,418	2,568	-
Adjustment to present value	-	-	268
Reclassification	28,575	(28,575)	-
Transfer from land held for sale	-	5,650	-
Transfer from other group companies	15,409	17,653	-
Revaluation	(52,182)	-	-
Impairment	-	(10,264)	-
Disposal to associated company	-	(9,958)	-
Depreciation	-	-	(690)
At 31 March 2009	<u>735,060</u>	<u>26,269</u>	<u>21,852</u>

Please see notes 2 and 21 for details of the restatement.

The freehold trading properties held by the company at 31 March 2009 were valued by external valuers, Cushman & Wakefield, Real Estate Consultants ("C&W"). The valuation was 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 was prepared on the basis of Market Value as a fully equipped operational entity, having regard to trading potential. The valuation was provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. Full details of the method and significant assumptions applied in determining the fair values have been shown in the accounts of the ultimate parent company, Big Yellow Group PLC, which are publicly available.

The income from self storage accommodation earned by the company from its investment property is disclosed in note 3. Direct operating expenses (excluding depreciation) arising on the investment property in the year were £20 million (2008: £18 million).

The profit on disposal of non-current assets in 2009 is £433,000 (2008: loss of £192,000) which comprises surplus land at Balham and Reading land with combined net book value of £2,945,000 sold to third parties for proceeds of £3,350,000, and property at Camberley, Poole, Reading and Sheffield with a combined net book value of £9,958,000 sold to associated companies for total proceeds of £9,986,000 (see note 17).

The majority of the trading properties are secured against borrowings in Big Yellow Group PLC.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **9. Non-current assets (continued)**

#### **b) Plant, equipment and owner-occupied property**

	<b>Freehold Property £'000</b>	<b>Leasehold improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures, fittings and office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 April 2008	139	26	599	2,613	3,377
Additions	-	-	30	389	419
Transfer from other group companies	-	-	23	145	168
At 31 March 2009	139	26	652	3,147	3,964
<b>Depreciation</b>					
At 1 April 2008	(2)	(15)	(275)	(1,523)	(1,815)
Charge for the year	-	(2)	(118)	(575)	(695)
Transfer from other group companies	-	-	-	(2)	(2)
At 31 March 2009	(2)	(17)	(393)	(2,100)	(2,512)
<b>Net book value</b>					
At 31 March 2009	137	9	259	1,047	1,452
At 31 March 2008	137	11	324	1,090	1,562

#### **c) Non-current assets classified as held for sale**

At 31 March 2008, the company had land at three sites with a total carrying value of £8,546,000 classified as held for sale. Of this balance £2,896,000 has been sold during the year and £5,650,000 has been transferred back to development property as the land no longer met the criteria required to be held for sale.

#### **d) Impairment of non-current assets**

In the year a total impairment of £10,264,000 was made against development property. This resulted from prevailing market conditions and planning outcomes.

## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **10. Deferred tax**

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

	<b>Deduction for share options £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 April 2007	650	-	650
Deferred tax	-	549	549
Recognised in equity	(206)	-	(206)
At 31 March 2007 and 1 April 2008	444	549	993
Recognised in income			
Release of deferred tax provision	-	(549)	(549)
Recognised in equity	(444)	-	(444)
At 31 March 2009	-	-	-

#### **11. Trade and other receivables**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Trade receivables	1,543	1,584
Other receivables	98	194
Intercompany receivables	58	-
Prepayments and accrued income	6,550	5,246
	<b>8,249</b>	<b>7,024</b>

Trade receivables are net of a bad debt provision of £21,000 (2008: £4,000).

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

##### **Trade receivables**

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



## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **11. Trade and other receivables (continued)**

##### **Trade receivables (continued)**

For individual storage customers, the company does not perform credit checks, however this is mitigated by the fact that all customers are required to pay in advance, and also to pay a deposit ranging from between 1 week's to 4 weeks' storage income. Before accepting a new business customer who wishes to use a number of the company's stores, the company uses an external credit rating to assess the potential customer's credit quality and defines credit limits by customer. There are no customers who represent more than 5 per cent of the total balance of trade receivables.

Included in the company's trade receivable balance are debtors with a carrying amount of £155,000 (2008: £163,000) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The company holds a right of lien over the customers' goods if these debts are not paid. The average age of these receivables is 25 days past due (2008: 29 days past due).

##### **Ageing of past due but not impaired receivables**

	<b>2009 £'000</b>	<b>2008 £'000</b>
0 - 30 days	108	109
30 - 60 days	30	26
60 + days	17	28
Total	<u>155</u>	<u>163</u>

##### **Movement in the allowance for doubtful debts**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Balance at the beginning of the period	4	13
Impairment losses recognised	21	-
Amounts written off as uncollectible	(4)	(9)
Balance at the end of the period	<u>21</u>	<u>4</u>

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

##### **Ageing of impaired trade receivables**

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

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements Year ended 31 March 2009**

### **12. Trade and other payables**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(restated)</b>
<b>Current</b>		
Trade payables	7,460	8,733
Taxation and social security	209	203
VAT repayable on capital goods scheme	1,228	1,228
Other payables	1,689	1,882
Accruals and deferred income	6,998	7,300
	<u>17,584</u>	<u>19,346</u>
<b>Non- current</b>		
Amounts owed to group undertakings	634,425	610,059
VAT repayable on capital goods scheme	2,661	3,888
	<u>637,086</u>	<u>613,947</u>

Please see note 21 for details of the restatement.

The actual interest cost incurred by Big Yellow Group PLC is recharged to its subsidiaries with a 0.05% markup on the average group interest rate, and is apportioned between the subsidiaries based on the weighted average intercompany loan balance for the year.

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Carrying amount	3,889	5,116
Estimated fair value	<u>3,578</u>	<u>4,331</u>

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

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2008: 29 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **13. Obligations under finance leases**

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Amounts payable under finance leases:</b>				
Within one year	2,028	2,002	1,984	1,958
Within two to five years inclusive	8,057	8,009	6,805	6,753
Greater than five years	27,348	29,117	13,063	13,564
	<u>37,433</u>	<u>39,128</u>	<u>21,852</u>	<u>22,275</u>
Less: Future finance charges	(15,581)	(16,853)	-	-
Present value of lease obligations	<u>21,852</u>	<u>22,275</u>	<u>21,852</u>	<u>22,275</u>

All lease obligations are denominated in sterling. The fair value of the company's lease obligations approximates their carrying amount.

### **14. Called up share capital**

	2009	2008
	£	£
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Called up, allotted and fully paid:</b>		
Ordinary shares of £1	<u>1,000</u>	<u>1,000</u>

### **15. Reserves**

	Retained earnings £'000
At 1 April 2007	73,951
Profit for the financial year (restated*)	100,076
Taxation recognised in equity (see notes 8 and 10)	96
At 31 March 2008 and 1 April 2008	<u>174,123</u>
Loss for the financial year	(52,308)
Taxation recognised in equity (see notes 8 and 10)	(443)
Share options	593
At 31 March 2009	<u>121,965</u>

\*Please see notes 2 and 21 for details of the restatement

## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **16. Subsidiaries**

On 6 July 2007 the company acquired all of the share capital of Speed 8546 Limited for £2,260,000, and Silicon Investments Limited for £2,260,000.

On 31 March 2009 the New Cross site was transferred to .Big Yellow Self Storage Company Limited at its fair value of £4,839,266.

#### **17. Related party transactions**

Included within these financial statements are assets with a net book value of £29,645,000 which were transferred from other group companies at their net book value, intercompany receivables of £58,000, an intercompany loan of £634,425,000 (2008: £610,059,000, restated – see note 21), and intercompany interest payable of £19,266,000 (2008: £16,978,000).

The Group has a 33% interest in Big Yellow Limited Partnership and entered into transactions with the partnership during the year on normal commercial terms.

On 1 July 2008 the South Sheffield site was sold to Big Yellow Limited Partnership with a book value of £205,000 for a profit of £7,000.

On 9 July 2008 the Camberley, Poole and Reading sites with a book value of £9.8 million were sold to Big Yellow Limited Partnership for a total profit of £21,000.

#### **18. Ultimate parent company and controlling party**

The immediate and ultimate parent company, controlling party and only company that prepares group accounts into which the results of the company are consolidated, is Big Yellow Group PLC, a company incorporated in Great Britain and registered and operating in England and Wales. The financial statements of Big Yellow Group PLC are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

#### **19. Share based payments**

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

##### **Equity-settled share option plans**

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

Since 3 September 2004 the Group has operated an Employee Share Save Scheme ("SAYE") which allows any employee who has more than six months service to purchase shares at a 20% discount to the average quoted market price of the Group shares at the date of grant. The associated savings contracts are 3 years at which point the employee can exercise their option to purchase the shares or take the amount saved, including interest, in cash. The scheme is administered by Yorkshire Building Society.

On 27 September 2004, 6 June 2005, 9 June 2006, 13 July 2007 and 9 July 2008 the Group awarded nil-paid options to senior management under the Group's Long Term Incentive Plan ("LTIP"). The awards are conditional on the achievement of challenging performance targets. The awards granted on 27 September 2004 and 6 June 2005 vested in full during the year.

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

# **.Big Yellow Self Storage Company Limited**

## **Notes to the financial statements** **Year ended 31 March 2009**

### **19. Share based payments (continued)**

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

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

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

The weighted average fair value of options granted during the period was £298,813 (2008: £882,265). Options in Big Yellow Group PLC outstanding at 31 March 2009 had a weighted average contractual life of 7.5 years (2008: 8.1 years).

## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **19. Share based payments (continued)**

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

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

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

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

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

#### **20. Capital commitments**

Amounts contracted but not provided in respect of the company's properties as at 31 March 2009 were £5.8 million (2008: £10 million).

#### **21. Prior year restatements**

For the years ended 31 March 2007 and 31 March 2008, the development property was overstated as a result of the Eltham site being incorrectly presented in the accounts of .Big Yellow Self Storage Company Limited.

In the current year, the company has adopted IAS 23 (revised) Borrowing Costs resulting in the capitalisation of borrowing costs to the extent that they relate to the development of specific assets (see note 2).

## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **21. Prior year restatements (continued)**

The details of the restatements are set out in the tables below.

##### **Income statement**

	<b>£'000</b>
Profit for the year	99,846
Capitalised interest	1,440
Reduction in revaluation gain	(910)
	<hr/>
Profit for the year restated	100,376
	<hr/>

##### **Non-current assets: development property**

	<b>£'000</b>
At 1 April 2007 per original accounts	68,195
Eltham	(7,356)
	<hr/>
At 1 April 2007 restated	60,839
Additions per original accounts	58,218
Eltham additions	(429)
Capitalised interest (see note 2)	530
	<hr/>
Additions restated	58,319
Reclassification	(53,725)
Transfer to land held for sale	(8,542)
Disposals	(7,696)
	<hr/>
At 31 March and 1 April 2008	49,195
	<hr/>

## **.Big Yellow Self Storage Company Limited**

### **Notes to the financial statements Year ended 31 March 2009**

#### **21. Prior year restatements (continued)**

##### **Non-current liabilities: trade and other payables**

	<b>£'000</b>
At 31 March 2007 per original accounts	563,095
Amount owing in respect of Eltham	7,356
	<hr/>
At 31 March 2007 restated	570,451
	<hr/>
At 31 March 2008 per original accounts	621,732
Amount owing in respect of Eltham	(7,485)
	<hr/>
At 31 March 2008 restated	614,247
	<hr/>

##### **Profit for the year**

	<b>£'000</b>
At 31 March 2008 per original accounts	100,376
Revenue from Eltham tenants	(313)
Costs associated with Eltham tenants	13
	<hr/>
At 31 March 2008 restated	100,076
	<hr/>

#### **22. Events after the balance sheet date**

On 8 May 2009, the Twickenham site was transferred from another group company at its net book value of £14,437,000. The store commenced trading on 11 May 2009.

On 21 May 2009, contracts were exchanged with a 3<sup>rd</sup> party for the sale of surplus land at the Twickenham site at its net book value.