

**Company Registration No. 5166173**

**.Big Yellow Self Storage Company  
Limited  
Report and Financial Statements**

**31 March 2008**



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

## **Report and financial statements 2008**

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

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

Nicholas Vetch  
Philip Burks (resigned 5 November 2007)  
James Gibson  
Adrian Lee  
John Trotman (appointed 2 July 2007)

#### **Secretary**

Michael Cole

#### **Registered office**

2 The Deans  
Bridge Road  
Bagshot  
Surrey  
GU19 5AT

#### **Bankers**

The Royal Bank of Scotland plc  
8<sup>th</sup> Floor  
280 Bishopsgate  
London  
EC2M 4RB

HSH Nordbank AG  
Moorgate Hall  
155 Moorgate  
London  
EC2M 6UJ

#### **Solicitors**

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

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London, 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 2008.

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

.Big Yellow Self Storage Company Ltd ("Big Yellow") 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 activities 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 activities in the next year.

As shown in the company's income statement on page 12, the company's sales have increased by 14% compared to prior year. The profit before tax for the year is £100 million, an 8% increase over the prior year. Occupied space was 1,817,000 sq ft as at 31 March 2008, a 2% increase on the prior year, with 388,000 sq ft added during the period. 46 stores were open at year end and the company had another 11 sites committed which would provide the company with 3.6 million sq ft of capacity when fully developed.

14 of the 46 open stores had been open less than two years and so have yet to achieve their stable level of occupancy. The portfolio of 32 stores open more than two years at the beginning of the period averaged 82% (2007: 85%) occupancy. In addition these 32 stores achieved EBITDA margins of 65% (2007: 64%) and, after an allocation of central overhead, net operating income margins of 59% (2007: 58%). The 25 freehold stores within this 32 achieved EBITDA margins of 71% in the year.

Store operating costs and overheads are relatively fixed so the amount of occupied space and the rents achieved are the key performance indicators for the company. The company also managed to increase income from packing materials and insurance, to £8.3 million (2007: £6.7 million).

### **Business Objectives**

In recent years, Big Yellow has established itself as the leading self storage brand in the UK (MORI National Survey, August 2007), 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 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 roll-out of new freehold stores in major urban conurbations throughout the UK
- retaining a focus on London and the South East in the core Group
- conservative financing using flexible bank borrowings secured against a prime freehold portfolio, and more recently the Partnership with Pramerica
- 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
- recruiting and retaining quality people into the business

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

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

### **Financing objectives**

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

### **Financial Instruments**

Information about the use of Financial Instruments by the company is given in note 1 to the financial statements.

### **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**

The economy grew satisfactorily in the first half of 2007, with consumer spending remaining strong. The credit crunch, which started in August 2007 has clearly impacted the availability of mortgages to home owners which in turn has caused a significant reduction in housing market activity. This came on top of the additional costs from increasing interest rates over the previous year, and more latterly rising energy, food and transport prices. The combination of these factors has impacted confidence and decision making, which has slowed demand. We believe however that the structural need for self storage remains. We have increased storage rents to customers by 6.1% from May 2008. Over the last six years average net storage rental growth has been 4.5%.

Approximately 50% of 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% of customers 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 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 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 30,000 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 resulting in changes in occupancy. This is a seasonal business and typically one sees growth over the spring and the summer months, with the seasonally weaker periods being the winter months.

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

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

### **Property Risk**

The company will retain its focus on growing the core business in London and the South of England, through the acquisition of key strategic sites. 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. We believe the current difficulties in the banking and capital markets clearly 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 because of our strong balance sheet underpinned by our freehold property assets, with available banking facilities and an ability to access more if required.

The planning process remains difficult with planning consents taking approximately 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. A slowing property market will provide opportunities to buy certain sites on a conditional basis, as we have with two of our recent acquisitions.

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.

In the year under review the company was successful in acquiring 5 sites: two in London with sites in Camberley, Reading and a second site in Guildford. The company now has a portfolio of 57 stores and sites (and one extension site) of which 46 are currently open and a further 4 have planning consents. We have surplus land of £29.4 million. Included in this is our second site at Bow, which was acquired at a time when our existing store was subject to a compulsory purchase order for the Olympic Zone. This order has fallen away, so we have made the decision to dispose of the site.

On 9 July 2008 the Camberley, Poole and Reading sites were sold to Big Yellow Limited Partnership with a book value of £9.8 million, for a total profit of £21,000 (see note 20). We manage the construction of our properties very tightly. The building of each site is handled by another Group company 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.

### **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.

### **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. 75% of our customers pay by direct debit. Since the commencement of the credit and liquidity issues since last August, we have not seen any increase in bad debts and arrears.

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

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

### **REIT Risk**

The Group, of which the company is a part, converted to a REIT with effect from 15 January 2007. The company is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation. The company 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, 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.

### **Stores**

During the year we opened five stores, all in London (at Sutton, Ealing, Barking Central, Balham, and our flagship 139,000 sq ft store at Fulham). We also closed our store in Sheen for comprehensive redevelopment into a new 64,000 sq ft store, which reopened in December 2008. These store openings bring the number trading in the company at 31 March 2008 to 46. The available net lettable space increased by 388,000 sq ft over the year to 2.9 million sq ft with the opening of these five stores.

The 46 stores open at the end of the year have a blended occupancy for the portfolio of 62% (1.8 million sq ft occupied), with the 32 stores more than two years old at an average occupancy of 82%, consistent with the prior year. The closing occupancy at 31 March 2008 was 79% against 82% in the prior year, reflecting the more difficult trading conditions experienced in the second half of the year.

There are a further 11 freehold sites and an extension site at Richmond. These sites are at various stages of planning and construction which, when fully developed, will increase the total capacity of the portfolio to 3.6 million sq ft.

6 of the 11 sites in the development pipeline are located in Greater London, which we believe will continue to improve the quality of our store portfolio.

We continue to work on obtaining planning consents for all future stores. We expect to open three stores in the current financial year,

During the year we moved in over 40,000 customers taking 2.4 million sq ft compared to 42,000 customers taking 2.5 million sq ft last year. This resulted in the stores increasing occupancy by 37,000 sq ft (150,000 sq ft last year), after adjusting for the sale of Leeds and the closure of Sheen. Of the 46 stores open at the year end 42 are now trading profitably with the other four being the most recent to open.

The Big Yellow store model is now well established. The "typical" store contains 60,000 sq ft and takes some 2.5 to 3.5 years to achieve 85% occupancy. The average room size is some 60 sq ft and the average net rental achieved last year across the 46 stores was £25.38 per sq ft per annum (the average rent in London is higher at £27.93 per sq ft per annum). The store is initially run by three staff – adding a part timer once the store occupancy justifies the need for the extra administrative and sales workload. Given that the operating costs of these assets are

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

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

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. From our surveys 98% of customers would recommend Big Yellow to a friend. 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.

We opened our Fulham store in March after our most complicated construction project to date, involving a six month demolition, and an 18 month construction period. The new store incorporates retaining a Victorian façade and a significant element of glazing, a double basement and five floors above ground. We have also developed Big Yellow Wine Cellars, the first wine self storage in the UK, with 480 private climate controlled cellars with the same benefits as self storage, including accessibility, flexibility and convenience. The cellars were formally launched on 13 May 2008, at a wine tasting launched by Oz Clarke, the celebrity wine personality.

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.

#### **Sales and Marketing**

During the year we completed a strategic review of our Marketing programme and we rolled out our new Brand proposition "Get some space in your life." This involved a complete re-design of our marketing materials, and was launched in April 2007 with an award winning TV, press and online advertising campaign. Our TV advertisement has won multiple awards including 'New Advertiser' and 'Best 30 second TV ad' at the British Television Advertising Awards. We have now integrated the new designs into all our marketing materials, including an updated signage package for new stores.

We are at the forefront of online innovation in the self storage industry, and during the year we launched the UK's first self storage online reservation and real-time pricing system. As a result of this, online enquiries now account for the majority of our sales prospects, and an increasing number of our customers are completing their reservations online. We are constantly looking to improve our e-commerce proposition and we will continue to lead the industry in this area.



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

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

We carry out annual awareness surveys and our Brand continues to grow strongly. Highlights from this year's survey include:

- We have achieved Brand awareness of 60% - 70% in our target groups in London & the South East, an increase of 30% over the previous year
- Our Brand awareness is now three times the level of our nearest competitor
- 80% of our customer base continues to fall within the top three ACORN customer categories
- Big Yellow leads the industry in terms of Brand preference, with more potential customers expecting to use Big Yellow than any other Brand

*Source: Ipsos Mori, August 2007*

A thorough understanding of self storage (i.e. a full awareness of the service provided and its benefits) remains relatively low at approximately 30%, and educating the public about our top quality service and facilities continues to be at the centre 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. During the year our competitors have increased discounting significantly in order to attract new customers. Big Yellow continues to operate at the quality end of the market and, in spite of the competitive environment, we have controlled our discount level from scheduled rents to an average of 9.1% for the year.

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.

During the year the company spent approximately £2.6 million (4.6% of our turnover) on marketing, in line with the previous year. It is our intention to continue to invest 4.25% to 4.5% of our turnover 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".

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

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

### **People**

At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing our commitment to the best 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. An annual Employee Attitude Survey provides the management with key feedback and guidance as to where to focus its resources in each year.

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 from an HMRC approved Sharesave Scheme. This 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 company and has been taken up by 70% of employees eligible to join.

We had 248 full, part time and casual employees in the business at the year end (2007: 226 employees), 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 delivered over 700 days training to employees in the last year, equating to an average of approximately 3 days training per employee. In the stores over 60% of the managerial posts have been filled by internal promotions. We have a policy on flexible working to meet individual needs where possible, without compromising corporate objectives.

### **REITS**

On 15 January 2007, as part of a Group restructuring, the company transferred certain assets between fellow Group companies.

### **Share capital**

The authorised and issued share capital of the company are £1,000 (2007: £1) at 31 March 2008.

### **Directors**

The directors of the company who served throughout the year and subsequently, except as noted, are shown on page 1.

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

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

#### **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.

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

29 January 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 (continued)**

We have audited the financial statements of .Big Yellow Self Storage Company Limited for the year ended 31 March 2008 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 21. 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 2008 and of its profit 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.



**Deloitte LLP**

Chartered Accountants and Registered Auditors

London, United Kingdom

21 July 2009

## .Big Yellow Self Storage Company Limited

### Income statement Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Revenue	3	55,948	49,074
Cost of sales		(20,719)	(36,024)
<b>Gross profit</b>		<u>35,229</u>	<u>13,050</u>
Administrative expenses		(6,035)	(4,039)
<b>Operating profit before gains on investment properties</b>	5	29,194	9,011
Gain on revaluation of investment properties		89,076	86,903
Losses on non current assets		(192)	-
<b>Operating profit</b>		<u>118,078</u>	<u>95,914</u>
Finance costs	7	(18,519)	(3,406)
<b>Profit before taxation</b>		<u>99,559</u>	<u>92,508</u>
Taxation	8	287	(19,616)
<b>Profit for the year</b>	15	<u><u>99,846</u></u>	<u><u>72,892</u></u>

All items in the income statement relate to continuing activities.

# Big Yellow Self Storage Company Limited

## Balance sheet 31 March 2008

	Note	2008 £'000	2007 £'000 (restated)
<b>Non-current assets</b>			
Investment property	9a	735,840	590,060
Development property	9a	56,450	68,195
Interests in leasehold properties	9a	22,274	27,039
Plant, equipment and owner-occupied property	9b	1,562	955
Deferred tax asset	10	993	-
Investment in subsidiary	16	4,520	-
		<u>821,639</u>	<u>686,249</u>
<b>Current assets</b>			
Inventories		332	436
Deferred tax asset	10	-	650
Trade and other receivables	11	7,024	6,337
Cash and cash equivalents		-	1,415
Assets classified as held for sale	9c	8,546	-
		<u>15,902</u>	<u>8,838</u>
<b>Total assets</b>		<u>837,541</u>	<u>695,087</u>
<b>Current liabilities</b>			
Bank overdraft		(294)	-
Trade and other payables	12	(19,346)	(19,465)
Obligations under finance leases	13	(1,958)	(2,305)
Current tax liability		-	(11,538)
		<u>(21,598)</u>	<u>(33,308)</u>
<b>Non-current liabilities</b>			
Trade and other payables	12	(621,732)	(563,095)
Obligations under finance leases	13	(20,317)	(24,733)
		<u>(642,049)</u>	<u>(587,828)</u>
<b>Total liabilities</b>		<u>(663,647)</u>	<u>(621,136)</u>
<b>Net assets</b>		<u>173,894</u>	<u>73,951</u>
<b>Equity</b>			
Called up share capital	14	1	-
Reserves	15	173,893	73,951
<b>Equity shareholders' funds</b>		<u>173,894</u>	<u>73,951</u>

These financial statements were approved by the Board of Directors on 29 June 2009.

Signed on behalf of the Board of Directors



John Trotman  
Director



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

### **Statement of recognised income and expense Year ended 31 March 2008**

	<b>Note</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Current and deferred tax recognised in equity	<b>8</b>	<u>96</u>	<u>(3,747)</u>
Net income recognised directly in equity for the year		96	(3,747)
Profit for the year		<u>99,846</u>	<u>72,892</u>
<b>Total recognised income and expense for the year attributable to equity shareholder</b>		<u><u>99,942</u></u>	<u><u>69,145</u></u>

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

### **Cash flow statement Year ended 31 March 2008**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(restated)</b>
Operating profit	118,078	95,914
Gain on revaluation	(89,076)	(86,903)
Loss on non-current assets	192	-
Depreciation	1,330	248
Decrease/(increase) in inventories	104	(98)
Increase in receivables	(687)	(2,025)
Increase in payables	32,092	553,602
<b>Cash flows from operating activities</b>	<b>62,033</b>	<b>560,738</b>
Taxation	(11,498)	-
<b>Net Cash from Operating activities</b>	<b>50,535</b>	<b>560,738</b>
Purchase of non-current assets	(67,928)	(560,706)
Sale of assets to associate	15,683	-
Investment in associate	1	-
<b>Cash flows from investing activities</b>	<b>(52,244)</b>	<b>(560,706)</b>
Financing activities	-	-
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,709)</b>	<b>32</b>
<b>Opening cash and cash equivalents</b>	<b>1,415</b>	<b>1,383</b>
<b>Closing cash and cash equivalents</b>	<b>(294)</b>	<b>1,415</b>

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

## **Notes to the accounts**

**Year ended 31 March 2008**

### **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 in 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 adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 *Presentation of Financial Statements*. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments namely trade and other receivables and trade and other payables. Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. These Interpretations have 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:

IFRS 8 *Operating segments*

IFRIC 12 *Service Concession Arrangements*

IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008).

IFRIC14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IAS 23 (Revised) *Borrowing Costs*

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.

#### **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.

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

## **Notes to the accounts Year ended 31 March 2008**

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

#### **Going Concern**

The company's business activities, together with prospects for its future development, performance and position are set out in the Directors Report. The current economic conditions create uncertainty particularly over the level of demand for the rental of self storage units.

The company meets its day to day working capital requirements through a bank overdraft and an intercompany loan from its ultimate parent company, Big Yellow Group PLC, as disclosed in note 12. Taking account of reasonably possible changes in trading performance the company's forecasts and projections show that the company can operate within its current level of intercompany financing.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources and facilities to continue in operational existence for the foreseeable future and consequently the accounts have been prepared on a going concern basis.

#### **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. Fees earned from Big Yellow Limited Partnership are recognised over the period for which the services are provided. Franchises fees are recognised in the income statement as they fall contractually due to the Group.

#### **Finance leases**

Assets held under finance leases, disclosed within interest in leasehold properties, are recognised as assets of the company 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.

#### **Operating leases**

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.

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

## **Notes to the accounts Year ended 31 March 2008**

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

#### **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.

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

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

## **Notes to the accounts Year ended 31 March 2008**

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

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**

Investment properties are properties owned or leased by the company 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 company 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. 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 transaction, 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

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

## **Notes to the accounts Year ended 31 March 2008**

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

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.

#### **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.

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

### **Notes to the accounts Year ended 31 March 2008**

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

##### **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.

##### *a) 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.

##### *b) 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.



## Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

#### 3. Revenue

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
<b>Open stores</b>				
Self storage income	46,486		40,400	
Other storage related income	7,869		6,481	
Ancillary store rental income	114		138	
Income from stores transferred to associate or closed for redevelopment	690		1,316	
		55,159		48,355
<b>Stores under development</b>				
Non-storage income	551		639	
		551		639
<b>Fee income</b>				
Fees earned from Big Yellow Limited Partnership	138		-	
		138		-
<b>Franchise income</b>				
Franchise fee received	100		100	
		100		100
<b>Revenue per income statement</b>		<u>55,948</u>		<u>49,074</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.

#### 5. Operating profit

The auditors' remuneration for the audit of the company's accounts was £102,000 (2007: £75,000). The auditors' remuneration was borne by the company's parent company in both years.

#### 6. Employee costs

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

	2008 No.	2007 No.
Sales	176	157
Administration	42	34
	<u>218</u>	<u>191</u>

#### 6. Employee costs (continued)

At 31 March 2008 the total number of employees was 226 (2007: 208).

## .Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

	2008 £'000	2007 £'000
Their aggregate remuneration comprised:		
Wages and salaries	6,102	5,266
Social security costs	707	638
Other costs	753	556
	<u>7,562</u>	<u>6,460</u>
<b>7. Finance costs</b>		
	<b>2008</b> £'000	<b>2007</b> £'000
Interest on obligations under finance leases	1,508	416
Intercompany interest	16,978	-
Other interest payable	33	2,990
	<u>18,519</u>	<u>3,406</u>
<b>8. Taxation</b>		
	<b>2008</b> £'000	<b>2007</b> £'000
<b>UK current tax</b>		
<b>Current tax</b>		
- REIT conversion charge	-	11,498
- Current tax	302	196
- Adjustment in respect of prior year	(40)	-
<b>Deferred tax (see note 10):</b>		
- Current year	(588)	8,050
- Released on conversion to REIT	-	(128)
- Adjustment in respect of change in tax rate	39	-
	<u>(287)</u>	<u>19,616</u>

## .Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

#### 8. Taxation (continued)

A reconciliation of the tax charge is shown below:

	2008 £'000	2007 £'000
Profit before tax	99,559	92,508
Tax charge at 30% thereon	29,868	27,752
Effects of:		
Permanent differences	(20)	(310)
Adjustments to tax in respect of prior periods	(40)	-
REIT conversion charge	-	11,498
Deferred tax released on conversion to REIT	-	(128)
Revaluations post REIT period	(26,723)	(18,597)
Profits from the tax exempt business	(3,411)	(621)
Share-based payments	-	155
Group relief surrendered not paid	-	(133)
Adjustment in respect of change in tax rate	39	-
<b>Total tax (credit)/charge</b>	<b>(287)</b>	<b>19,616</b>
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of deferred tax charge (see note 10)</b>		
Accelerated capital allowances	-	7,621
Deductions for share options	206	-
Other	(549)	301
<b>Deferred tax (credit)/charge</b>	<b>(343)</b>	<b>7,922</b>

In addition to the current year income statement tax charge of £302,000, there is a debit to reserves of £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 accounts Year ended 31 March 2008

#### 9. Non-current assets

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

	Investment property	Development property	Interest in leasehold property
	£'000	£'000	£'000
At 1 April 2007	590,060	68,195	27,039
Additions	6,951	58,218	-
Adjustment to present value	-	-	(292)
Reclassification	53,725	(53,725)	-
Transfer from other group companies	-	(8,542)	-
Purchase of freehold	8,128	-	(3,754)
Revaluation	89,076	-	-
Disposals	(12,100)	(7,696)	-
Depreciation	-	-	(719)
<b>At 31 March 2008</b>	<b>735,840</b>	<b>56,450</b>	<b>22,274</b>

The freehold trading properties held by the company at 31 March 2008 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 £18 million (2007: £16.5 million).

## .Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

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

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

	Freehold Property £'000	Leasehold improve- ments £'000	Plant and machinery £'000	Fixtures, fittings & office equipment £'000	Total £'000
<b>Cost</b>					
At 31 March 2007	-	-	320	747	1,067
Additions	63	26	225	594	908
Transfer from other group companies	76	-	54	1,353	1,483
Disposals	-	-	-	(81)	(81)
At 31 March 2008	<u>139</u>	<u>26</u>	<u>599</u>	<u>2,613</u>	<u>3,377</u>
<b>Depreciation</b>					
At 31 March 2007	-	-	(17)	(95)	(112)
Charge for the year	(2)	(15)	(249)	(345)	(611)
Transfer from other group companies	-	-	(9)	(1,120)	(1,129)
Disposals	-	-	-	37	37
At 31 March 2008	<u>(2)</u>	<u>(15)</u>	<u>(275)</u>	<u>(1,523)</u>	<u>(1,815)</u>
<b>Net book value</b>					
At 31 March 2008	<u>137</u>	<u>11</u>	<u>324</u>	<u>1,090</u>	<u>1,562</u>
At 31 March 2007	<u>-</u>	<u>-</u>	<u>303</u>	<u>652</u>	<u>955</u>

##### 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 £8,545,820. Land at these sites is surplus to requirements and the Group intends to sell it within the next 12 months. This land has been measured at the lower of carrying value and fair value less cost to sell, as required by IFRS 5.

## Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

#### 10. Deferred Tax

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

	Revaluation of investment property £'000s	Accelerated capital allowances £'000	Deduction for share options £'000	Other £'000	Total £'000
At 1 April 2006	-	7,621	4,547	301	12,469
Recognised in income	(7,474)	(275)	-	(301)	(8,050)
Release of deferred tax provision	7,474	(7,346)	-	-	128
Recognised in equity	-	-	(3,897)	-	(3,897)
At 31 March 2006 and 1 April 2007	-	-	650	-	650
Recognised in income	-	-	-	-	-
Release of deferred tax provision	-	-	-	549	549
Recognised in equity	-	-	(206)	-	(206)
At 31 March 2008	-	-	444	549	993

#### 11. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	1,584	1,449
Other receivables	194	263
Prepayments and accrued income	5,246	4,625
	<u>7,024</u>	<u>6,337</u>

Trade receivables are net of a bad debt provision of £4,000 (2007: £13,000).

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, we have the right to sell the items they store to recoup the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

For individual storage customers, the 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.

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

### **Notes to the accounts Year ended 31 March 2008**

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

Included in the company's trade receivable balance are debtors with a carrying amount of £163,000 (2007: £113,000) 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 29 days past due (2007: 34 days past due).

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

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
0 - 30 days	109	73
30 - 60 days	26	30
60 +days	28	10
Total	<u>163</u>	<u>113</u>

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

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Balance at the beginning of the period	13	4
Impairment losses recognised	-	9
Amounts written off as uncollectible	(9)	-
Balance at the end of the period	<u>4</u>	<u>13</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>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
0 - 30 days	-	-
30 - 60 days	2	3
60 + days	2	10
Total	<u>4</u>	<u>13</u>

## .Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

#### 12. Trade and other payables

	2008 £'000	2007 £'000 (restated)
<b>Current</b>		
Trade payables	8,733	-
Taxation and social security	203	218
VAT repayable on capital goods scheme	1,228	2,557
Other payables	1,882	2,144
Accruals and deferred income	7,300	14,546
	<u>19,346</u>	<u>19,465</u>
<b>Non- current</b>		
Amounts owed to group undertakings	617,844	557,979
VAT repayable on capital goods scheme	3,888	5,116
	<u>621,732</u>	<u>563,095</u>

The prior year adjustment relates to the adoption of IFRIC 11, IFRS2 Group and Treasury Share Transactions. The effect of the adjustment is to reduce amounts owed to group undertakings and retained earnings by £336,000.

Amounts owed to group undertakings have fixed interest payments at an interest rate of 2.91% and are not repayable within 5 years.

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

	2008 £'000	2007 £'000
Carrying amount £'000	5,116	7,673
Estimated Fair Value £'000	<u>4,331</u>	<u>6,680</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 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 accounts Year ended 31 March 2008

#### 13. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Amounts payable under finance leases:</b>				
Within one year	2,002	2,357	1,958	2,305
Within two to five years inclusive	8,009	9,468	6,753	8,025
Greater than five years	29,117	35,796	13,564	16,708
	<u>39,128</u>	<u>47,621</u>	<u>22,275</u>	<u>27,038</u>
Less: Future finance charges	(16,853)	(20,583)	-	-
Present value of lease obligations	<u>22,275</u>	<u>27,038</u>	<u>22,275</u>	<u>27,038</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

	2008 £	2007 £
<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</u>

#### 15. Reserves

	Retained earnings £'000
<b>At 1 April 2006</b>	4,806
Profit for the financial year	72,892
Taxation recognised in equity (see notes 8 and 10)	(3,747)
Capital contribution equity share options	336
<b>At 31 March 2006 and 1 April 2007</b>	<u>74,287</u>
Capital contribution equity share options transferred to associated company (see note 12)	(336)
<b>At 31 March 2006 and 1 April 2007 restated</b>	<u>73,951</u>
Profit for the financial year	99,846
Taxation recognised in equity (see notes 8 and 10)	96
<b>At 31 March 2008</b>	<u>173,893</u>

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

### **Notes to the accounts Year ended 31 March 2008**

#### **15. Reserves (continued)**

The prior year adjustment relates to the adoption of IFRIC 11, IFRS2 Group and Treasury Share Transactions. The effect of the adjustment is to reduce amounts owed to group undertakings and retained earnings by £336,000.

#### **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.

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

Included within these financial statements are assets with a net book value of £354,000 which were transferred from another group company, an intercompany balance of £617,844,000 (2007: £557,979,000), and intercompany interest payable of £16,978,000 (2007: £nil).

#### **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**

The Group, 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 £491,000 (2007: £336,000).

##### **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 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 Yorkshire Building Society.

On 27 September 2004, 6 June 2005 and 9 June 2006 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 35 of the Group Financial Statements.

The awards granted on 27 September 2004 vested in full.

## .Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

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

	2008 No. of Options	2008 Weighted average exercise price (in £)	2007 No. of Options	2007 Weighted average exercise price (in £)
<b>Share option scheme "ESO"</b>				
Outstanding at beginning of year	2,880,867	1.02	5,592,936	1.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(14,861)	0.87
Exercised during the year	(789,792)	0.88	(2,697,208)	0.98
	<u>2,091,075</u>	<u>1.06</u>	<u>2,880,867</u>	<u>1.02</u>
Outstanding at the end of the year	<u>2,091,075</u>	<u>1.06</u>	<u>2,880,867</u>	<u>1.02</u>
Exercisable at the end of the year	<u>2,091,075</u>	<u>1.06</u>	<u>2,880,867</u>	<u>1.02</u>

Options outstanding at 31 March 2008 had a weighted average contractual life of 3.7 years (2007: 4.7 years).

	2008 No. of Options	2007 No. of Options
<b>LTIP scheme</b>		
Outstanding at beginning of year	1,052,164	591,054
Granted during the year	507,750	470,832
Forfeited during the year	-	-
Exercised during the year	-	(9,722)
	<u>1,559,914</u>	<u>1,052,164</u>
Outstanding at the end of the year	<u>1,559,914</u>	<u>1,052,164</u>
Exercisable at the end of the year	<u>138,000</u>	<u>-</u>

Options in Big Yellow Group PLC shares outstanding at 31 March 2008 had a weighted average contractual life of 8.1 years (2007: 8.5 years).

## .Big Yellow Self Storage Company Limited

### Notes to the accounts Year ended 31 March 2008

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

	2008 No. of Options	2008 Weighted average exercise price (in £)	2007 No of Options	2007 Weighted average exercise price (in £)
Employee Share Save Scheme ("SAYE").				
Outstanding at beginning of year	234,858	1.65	206,237	1.24
Granted during the year	187,976	3.31	40,943	4.29
Forfeited during the year	(100,122)	4.16	(11,072)	1.31
Exercised during the year	(164,793)	1.13	(1,250)	1.07
Outstanding at the end of the year	<u>157,919</u>	<u>2.94</u>	<u>234,858</u>	<u>1.65</u>
Exercisable at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Options outstanding at 31 March 2008 had a weighted average contractual life of 2.9 years (2007: 1.3 years).

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

	ESO	LTIP	SAYE
Expected volatility	24%	26%	28%
Expected life	3 years	3 years	3 years
Risk-free rate	4.7%	4.8%	4.9%
Expected dividends	<u>3.2%</u>	<u>3.7%</u>	<u>3.7%</u>

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 2008 were £10 million (2007: £16.7 million).

#### 21. Events after the balance sheet date

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 for a profit of £7,000. At this date, .Big Yellow Self Storage Company Limited had conditionally exchanged on this site, and the site had a book value of £205,000.

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.

On 9 January 2009, the company sold surplus land at Birmingham with a book value of £475,000 for a total loss of £7,000.

On 20 January 2009 the Birmingham site was sold to Big Yellow Limited Partnership for an initial lease premium of £6,800,000.