

Notes to the Financial Statements (continued)

Year ended 31 March 2015

13. NON-CURRENT ASSETS

a) Investment property, investment property under construction and interests in leasehold property

	Investment property £000	Investment property under construction £000	Interests in leasehold property £000	Total £000
At 31 March 2013	745,605	17,277	21,803	784,685
Additions	1,745	5,860	–	7,605
Capital Goods Scheme adjustment	1,186	–	–	1,186
Transfer to surplus land	(1,330)	–	–	(1,330)
Adjustment to present value	–	–	2,985	2,985
Revaluation (see note 14)	29,184	(834)	–	28,350
Depreciation	–	–	(974)	(974)
At 31 March 2014	776,390	22,303	23,814	822,507
Additions	36,343	5,157	–	41,500
Acquisition of Partnership stores	111,055	–	–	111,055
Transfer from surplus land	1,478	–	–	1,478
Reclassification	12,650	(12,650)	–	–
Adjustment to present value	–	–	(2,067)	(2,067)
Acquisition of Big Storage	24,900	–	–	24,900
Disposals	(19,300)	–	–	(19,300)
Revaluation (see note 14)	63,594	871	–	64,465
Depreciation	–	–	(918)	(918)
At 31 March 2015	1,007,110	15,681	20,829	1,043,620

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses, which are all applied to generating rental income, arising on the investment property in the year are disclosed in the Portfolio Summary on page 24. Included within additions is £0.4 million of capitalised interest (2014: £0.5 million), calculated at the Group's average borrowing cost for the year of 3.9%. 55 of the Group's investment properties are pledged as security for loans, with a total external value of £861.0 million.

The adjustment to present value in leasehold properties in the year arises due to the acquisition of the freehold of the Battersea store and extinguishment of the lease liability.

Accounting for the acquisition of Big Storage Limited

In January 2015 the Group acquired the entire share capital of Big Storage Limited for a property value of £24.9 million. The net consideration is shown below. The company owned five self storage centres in North West England. The Group subsequently transferred the store at Chester to another subsidiary company of the Group. This store will be rebranded as a Big Yellow.

To determine the assets and liabilities acquired at the date of completion of Big Storage Limited the Group have used the balance sheet at the date of acquisition. The following provides a breakdown of the fair value of the assets and liabilities acquired.

	£000
Investment property	24,900
Other non-current assets	17
Current assets	1,701
Current liabilities	(1,619)
Non-current liabilities	(9,885)
Net assets (100%)	15,114
	£000
Net assets acquired (100%)	15,114
Satisfied by cash consideration	(15,114)
	–

13. NON-CURRENT ASSETS (continued)

a) Investment property, investment property under construction and interests in leasehold property (continued)

In February 2015, the Group sold the share capital of Big Storage Limited to a company ["Armadillo 2"] in which it has a 20% interest, with the balance of the equity owned by an Australian consortium. The disposal was at book and fair value, so there was no profit or loss recorded on disposal. The following provides a breakdown of the assets and liabilities disposed of. Between transactions the Group controlled Big Storage Limited and contractually controlled the assets.

	£000
Investment property	19,300
Other non-current assets	17
Current assets	3,942
Current liabilities	(1,519)
Non-current liabilities	(14,126)
Net assets (100%)	7,614
	£000
Net assets disposed (100%)	7,614
Satisfied by cash consideration	(7,614)
	–

On a net basis, the Group acquired property of £5.6 million, cash of £1.9 million and invested £1.8 million into Armadillo 2.

b) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 31 March 2013	1,867	44	826	25	6,958	9,720
Reclassification	(9)	9	–	–	–	–
Retirement of fully depreciated assets	(15)	–	(418)	–	(5,813)	(6,246)
Additions	–	–	17	–	744	761
At 31 March 2014	1,843	53	425	25	1,889	4,235
Retirement of fully depreciated assets	–	–	(52)	–	(891)	(943)
Additions	42	–	171	–	418	631
At 31 March 2015	1,885	53	544	25	1,416	3,923
Depreciation						
At 31 March 2013	(261)	(44)	(609)	(15)	(6,041)	(6,970)
Reclassification	2	(2)	–	–	–	–
Retirement of fully depreciated assets	15	–	418	–	5,813	6,246
Charge for the year	(49)	(3)	(27)	(7)	(440)	(526)
At 31 March 2014	(293)	(49)	(218)	(22)	(668)	(1,250)
Retirement of fully depreciated assets	–	–	52	–	891	943
Charge for the year	(35)	(1)	(53)	(3)	(474)	(566)
At 31 March 2015	(328)	(50)	(219)	(25)	(251)	(873)
Net book value						
At 31 March 2015	1,557	3	325	–	1,165	3,050
At 31 March 2014	1,550	4	207	3	1,221	2,985

c) Goodwill

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

Notes to the Financial Statements (continued)

Year ended 31 March 2015

13. NON-CURRENT ASSETS (continued)

d) Investment in associates

The table below shows the movement for all associates in the period and reconciles to the income statement and the balance sheet.

	Big Yellow Limited Partnership	Armadillo 1	Armadillo 2	Total associates
At the beginning of the year	17,861	–	–	17,861
Subscription for partnership capital and advances	–	3,648	1,789	5,437
Part disposal of Partnership interest	–	(1,728)	–	(1,728)
Share of results (see below)	1,564	1,807	145	3,516
Dividends	–	(89)	–	(89)
Acquisition of remaining interest	(19,425)	–	–	(19,425)
Investment at the end of year	–	3,638	1,934	5,572

Big Yellow Limited Partnership

At the start of the year the Group had a 33.3% interest in Big Yellow Limited Partnership. This interest was accounted for as an associate, using equity accounting. The Partnership commenced trading on 1 December 2007. On 1 December 2014, the Group acquired the remaining 66.7% of the Partnership interest that it did not previously own. From this date, the Partnership is accounted for as a wholly owned subsidiary of the Group. The results up to this date are equity accounted as shown in the note below:

	31 March 2015 £000	31 March 2014 £000
At the beginning of the year	17,861	17,681
Share of results (see below)	1,564	180
Acquisition of remaining interest	(19,425)	–
	–	17,861

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

	1 April 2014 to 30 November 2014 £000	Year ended 31 March 2014 £000
Big Yellow Limited Partnership		
Income statement (100%)		
Revenue	7,476	9,529
Cost of sales	(3,367)	(4,846)
Administrative expenses	(86)	(112)
Operating profit	4,023	4,571
Gain/(loss) on the revaluation of investment properties	2,473	(1,985)
Net interest payable	(1,569)	(2,820)
Fair value movement of interest rate derivatives	(233)	774
Profit before and after tax	4,694	540
Balance sheet (100%)		
Investment property	–	108,110
Other non-current assets	–	3,588
Current assets	–	3,009
Current liabilities	–	(3,201)
Derivative financial instruments	–	77
Non-current liabilities	–	(58,000)
Net assets (100%)	–	53,583

13. NON-CURRENT ASSETS (continued)

d) Investment in associates (continued)

	1 April 2014 to 30 November 2014 £000	Year ended 31 March 2014 £000
Group share of (33.3%)		
Operating profit	1,341	1,524
Gain/(loss) on the revaluation of investment properties	824	(662)
Net interest payable	(523)	(940)
Fair value movement of interest rate derivatives	(78)	258
Profit for the year	1,564	180
Associate net assets	–	17,861

Accounting for the acquisition

The following provides a breakdown of the fair value of the assets and liabilities acquired. The investment properties have been valued by the Directors with regard to the September 2014 property valuations performed by Cushman & Wakefield LLP uplifted for the capital movement in the two month period to the Acquisition date.

	£000
Investment property	111,055
Other non-current assets	3,566
Current assets	3,312
Current liabilities	(2,058)
Non-current liabilities	(57,000)
Net assets (100%)	58,875
	£000
Net assets acquired (66.67% of £58.9 million)	39,250
Satisfied by cash consideration	(39,250)
	–

From the date of acquisition of the Partnership on 1 December 2014 to 31 March 2015, the revenue of the Partnership was £3.7 million, and the statutory profit before tax was £4.3 million. The profit for the Partnership for the full year from 1 April 2014 was £9.0 million. Excluding the share of results of the Partnership as an associate of £1.6 million, the combined statutory profit before tax of the Group and the Partnership for the full year would have been £112.6 million.

Armadillo

The Group has a 20% interest in Armadillo Storage Holding Company Limited (“Armadillo 1”) and a 20% interest in Armadillo Storage Holding Company 2 Limited (“Armadillo 2”). Both interests are accounted for as associates, using the equity method of accounting.

	Armadillo 1		Armadillo 2	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
At the beginning of the year	–	–	–	–
Subscription for partnership capital and advances	3,648	–	1,789	–
Part disposal of Partnership interest	(1,728)	–	–	–
Share of results (see below)	1,807	–	145	–
Dividends	(89)	–	–	–
	3,638	–	1,992	–

The Group’s total subscription for partnership capital and advances in Armadillo Storage Holding Company Limited is £1,920,000 and £1,789,000 in Armadillo Storage Holding Company 2 Limited.

The investment properties owned by Armadillo 1 and Armadillo 2 have been valued at 31 March 2015 by Jones Lang LaSalle.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

13. NON-CURRENT ASSETS (continued)

d) Investment in associates (continued)

The figures below show the trading results of the Partnerships, and the Group's share of the results and the net assets of the Partnerships.

	Armadillo Storage 1 Period from 16 April 2014 to 31 March 2015 £000	Armadillo Storage 2 Period from 3 February 2015 to 31 March 2015 £000
Income statement (100%)		
Revenue	4,321	627
Cost of sales	(2,258)	(335)
Administrative expenses	(100)	(75)
Operating profit	1,963	217
Gain on the revaluation of investment properties	10,078	1,449
Net interest payable	(504)	(73)
Acquisition costs written off	(467)	(540)
Fair value movement of interest rate derivatives	(197)	(35)
Deferred tax	(1,833)	(290)
Profit attributable to shareholders	9,040	728
Dividends paid	(447)	–
Retained profit	8,593	728
Balance sheet (100%)		
Investment property	30,125	23,175
Other non-current assets	1,005	1,465
Current assets	1,132	1,256
Current liabilities	(2,151)	(1,406)
Derivative financial instruments	(197)	(35)
Non-current liabilities	(11,721)	(14,785)
Net assets (100%)	18,193	9,670
Group share		
Operating profit	471	43
Gain on the revaluation of investment properties	2,042	290
Net interest payable	(123)	(15)
Acquisition costs written off	(177)	(108)
Fair value movement of interest rate derivatives	(39)	(7)
Deferred tax	(367)	(58)
Profit attributable to shareholders	1,807	145
Dividends paid	(89)	–
Retained profit	1,718	145
Associates' net assets	3,638	1,934