ACCOUNTING POLICIES
Year ended 31 March 2014

Basis of preparation
The consolidated and Company financial statements have been prepared on a historical cost basis. They are presented in sterling and all values are rounded to the nearest 0.1 million (£ million) except where otherwise indicated.

The consolidated financial statements of Dairy Crest Group plc have been prepared in accordance with IFRS as adopted by the European Union ('EU'). The separate Company financial statements have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

Having reviewed and taken into account Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009, the Directors are satisfied that the Company and the Group have adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. See the Going Concern Statement on page 63 of the Directors' Report.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are (i) the measurement of the impairment of goodwill, intangible assets and property, plant and equipment (ii) the measurement of defined benefit pension scheme assets and obligations (iii) the calculation of promotional discount accruals and (iv) the estimation of tax costs in France in relation to the sale of St Hubert.

(i) The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. The assessment of value in use is compared to the carrying value of goodwill. This requires estimation of future cash flows and the selection of a suitable discount rate. Goodwill in Dairies was fully impaired in the year ended 31 March 2012.

The Group tests whether intangible assets, property, plant and equipment are impaired where there are indications that there is a risk of impairment. This requires an estimation of the value in use of the cash-generating units in which these assets reside. The assessment of value in use is compared to the carrying value of assets. This requires estimation of future cash flows and the selection of a suitable discount rate.

In the year ended 31 March 2014, the Group tested the intangible assets, property, plant and equipment of the Dairies cash-generating unit for impairment due to indicators of impairment being present. Three key assumptions in performing the test included the projected value and timing of cash flows from property sales, the allocation of corporate costs following the restructure of the business to a single operating unit and the projected profit growth. The result of the test was that no impairment was required however the headroom was low and therefore sensitive to the above assumptions.

(ii) Measurement of defined benefit pension obligations requires estimation of future changes in inflation, mortality rates, the expected return on plan assets and the choice of a suitable discount rate.

(iii) The group accrues for customer claims against agreed promotional funding. Accruals are calculated based on an estimated redemption rate of the promotion. The redemption rate used is dependent on the promotional mechanic. Management consider this to be an area of judgment that is significant due to the potential size of the claims.

(iv) The sale of the St Hubert business will result in tax payable in France both on the chargeable gain on disposal and on dividend payments made to the UK parent between 31 March 2012 and the date of disposal in August 2012. An estimate has been made of the likely tax costs resulting from these transactions however the final assessment has yet to be agreed with the French tax authorities which may result in a change to the level of tax provisioning.

The key areas where judgment has been applied are (i) The timing and nature of exceptional costs and (ii) the judgment that for IFRS 8 purposes only one segment should be reported on.

(i) Items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance are disclosed separately in the Consolidated Income Statement as exceptional. Management consider this to be an area of judgment due to the assumptions made around the timing and nature of exceptional costs.

(ii) Following the restructure of the Group to a single operating unit in 2013, management has judged that following the implementation of a new structure, the Group comprises one segment under IFRS 8.

Further analysis of the key sources of estimation uncertainty and sensitivities are included in the relevant notes to the accounts.

Changes in accounting policies
The following accounting standards and interpretations became effective for the current reporting period:

International Accounting Standards (IAS/IFRSs)
IFRS 1 – Amendment to IFRS 1 – First Time Adoption of IFRS (effective 1 January 2013)
IFRS 13 – Fair Value Measurement (effective from 1 January 2013)
IFRS 7 – Amendments to IFRS 7 – Financial Instruments: Disclosures (effective 1 January 2013)
IFRS 9 – Financial Instruments (effective 1 January 2015)
IFRS 10 – Consolidated Financial Statements (effective 1 January 2014)
IFRS 11 – Joint Arrangements (effective 1 January 2014)
IFRS 12 – Disclosure of Interest in Other Entities (effective 1 January 2014)
IAS 1 – Amendments to IAS 1: Presentation of Financial Statements (effective from 1 July 2012)
IAS 19R – Amendments to IAS 19: Employee Benefits (effective from 1 January 2013)
IAS 32 – Amendments to IAS 32: Financial Instruments (effective from 1 January 2014)
IAS 27 – Separate Financial Statements (effective 1 January 2014)
IAS 28R – Investments in Associates and Joint Ventures (effective 1 January 2014)
IAS 32 – Improvement to IAS 32: Financial Instruments (effective 1 July 2013)
IFRS 3 – Improvement to IFRS 3: Business Combinations (effective 1 January 2013)

International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective from 1 January 2013)

The application of these standards has had no material impact on the net assets, results and disclosures of the Group in the year ended 31 March 2014 with the exception of the amendments to IAS19R – Employee Benefits. The principal impact on the Group of the application of this standard is the requirement to use the discount rate when calculating expected returns on the asset component of pension cost. This change has resulted in higher charges to the Consolidated Income Statement for the pension interest cost. There is no material impact on the reported pension liabilities each year end as the impact in the Consolidated Income Statement is mitigated by an offsetting change in the calculation of actuarial gains and losses in the Statement of Comprehensive Income – namely the difference between actual and expected asset returns will increase.

Further details are included in Note 20 to the accounts.

The impact of IAS 1 – Amendment to IAS 1: Presentation of Financial Statements has resulted in a presentation change to the consolidated statement of comprehensive income that requires the 'other comprehensive income' to be grouped into one of the following:

- To be reclassified to profit and loss in subsequent years; or
- Not to be reclassified to the profit and loss in subsequent years

The IASB and IFRIC have issued the following standards (with an effective date after the date of these accounts) and interpretations:

International Accounting Standards (IAS/IFRSs)

IAS 16 – Improvement to IAS 16: Property, Plant and Equipment (effective 1 July 2014)

IAS 38 – Improvement to IAS 38: Intangible Assets (effective 1 July 2014)

IAS 24 – Improvement to IAS 24: Related Party Disclosure (effective 1 July 2014)

IFRS 13 – Improvement to IFRS 13: Fair Value Measurement (effective 1 July 2014)

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Consolidation

The Group financial statements consolidate the accounts of Dairy Crest Group plc and its subsidiaries drawn up to 31 March each year using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries acquired during the year are consolidated from the date on which control is transferred to the Group. Subsidiaries continue to be consolidated until the date that control ceases.

Where the Group ceases to control a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences on net assets and borrowings designated as net investment hedges, previously recorded in other comprehensive income; (iv) recognises the fair value of any investment or associate retained; (v) recognises any surplus or deficit in the consolidated income statement; and (vi) reclassifies the parent's share of components previously recognised in other comprehensive income or retained earnings as appropriate.

Interest in associates

The Group's investments in associates are accounted for under the equity method of accounting. Associates are entities over which the Group exerts significant influence. The Company and its associates use consistent accounting policies. The investment in associates are carried in the balance sheet at initial fair value plus post-acquisition changes in the Group's share of net assets, less any impairment in value and any distributions received. The consolidated income statement reflects the share of the post-tax results of associates. Where there has been a change recognised directly in the associates' other comprehensive income, the Group recognises its share of such changes and discloses this, where applicable in other comprehensive income.

Foreign currency translation

The functional and presentational currency of Dairy Crest Group plc and its United Kingdom ('UK') subsidiaries is Sterling (£).

Transactions in foreign currency are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the balance sheet date. Exchange differences on monetary items are taken to the income statement, except where recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

On consolidation, assets and liabilities of foreign subsidiaries are translated into sterling at year end exchange rates. The results of foreign subsidiaries are translated into sterling at average rates of exchange for the year (being an approximation of actual exchange rates). Exchange differences arising from the retranslation of the net investment in foreign subsidiaries at year end exchange rates, less exchange differences on borrowings, which finance or provide a hedge against those undertakings are taken to a separate component of equity as long as IFRS hedge accounting conditions are met. Exchange differences relating to foreign currency borrowings that provide a hedge against a net investment in a foreign entity remain in equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated to write off the cost (less residual value) of property, plant and equipment, excluding freehold land, on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings:	25 years
Leasehold land and buildings:	25 years or, if shorter, the period of the lease
Office equipment:	4 to 6 years
Factory plant and equipment:	6 to 20 years
Vehicles:	4 to 10 years

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds the estimated recoverable value, the asset is written down to its recoverable amount. The recoverable amount of plant and equipment is the greater of the fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are

discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are charged to the consolidated income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year that it is derecognised.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets.

All other borrowing costs are recognised as an expense in the period they occur.

Investments
The Company recognises its investments in subsidiaries at cost being the fair value of consideration paid, less provisions for impairment where appropriate.

Business Combinations and Goodwill
Business combinations from 1 April 2010 are accounted for using the acquisition method (previously used the purchase method). The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of acquiree's identifiable net assets will be determined on a transaction by transaction basis. Acquisition costs incurred are expensed to profit and loss.

Goodwill on acquisition is initially measured at cost being the cost of the acquisition (see above) less net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. All goodwill was tested for impairment at the time of transition to IFRS and no impairment was identified.

Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at the net book value as at this date and is not subsequently amortised.

As at the acquisition date, any goodwill acquired is allocated to the cash-generating unit or groups of cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's cash-generating units, for the purpose of considering goodwill, are 'Dairies' (fully impaired), 'Spreads', 'MH Foods' and 'Cheese'. These represent the lowest level at which goodwill is monitored.

Goodwill arising on acquisitions before 1 April 1998 has been charged against the merger reserve and will remain set off against reserves even if the related investment becomes impaired or the business sold.

The Group has not restated business combinations prior to the transition date of 1 April 2004. Acquisitions prior to this date are recorded under previous accounting rules.

Intangible assets
Intangible assets acquired as part of an acquisition of a business are capitalised at fair value separately from goodwill if the fair value can be measured reliably on initial recognition and the future expected economic benefits flow to the Group. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Currently, all the Group's intangible assets have finite useful lives and are amortised over 3 to 15 years. Acquired intangible assets principally comprise acquired brands and, following the sale of St Hubert, principally the Frylight brand which was considered to have a useful life of 15 years at the date of acquisition.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets generated internally comprise software development expenditure. Software development is carried at cost less accumulated amortisation and is amortised over four to seven years. Internally generated intangible assets that are not yet available for use are tested for impairment annually either individually or at the cash-generating unit level or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Research and development
Expenditure on research is written off as incurred. Development expenditure is also written off as incurred unless the future recoverability of this expenditure can reasonably be assured as required by IAS 38: Intangible Assets.

Recoverable amount of non-current assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes the purchase price of raw materials (on a first in first out basis), direct labour and a proportion of manufacturing overheads based on normal operating capacity incurred in bringing each product to its present location and condition. Net realisable

value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

Interest bearing loans

All loans and borrowings are initially recognised at the fair value net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Consolidated Income Statement when the liabilities are derecognised.

Net debt

The Group and Company define net debt as cash and cash equivalents, interest bearing loans and finance leases. The calculation of net debt excludes the fair value of derivative financial instruments with the exception of cross currency swaps to fix foreign currency debt in Sterling where they are designated as cash flow hedges. In this case the fixed Sterling debt, not the underlying foreign currency debt retranslated, is included in net debt. It includes any cash or borrowings included within disposal groups classified as held for sale and excludes unamortised upfront facility fees.

Retirement benefit obligations

The Group operates two types of pension arrangements, a defined benefit scheme and defined contribution schemes.

Defined contribution schemes

These pension arrangements do not constitute a future obligation to the Group. Members of these schemes will contribute a percentage of their salary into the scheme and the Company will pay an additional amount into the scheme. The size of an individual's pension on retirement is based on the performance of the asset portfolio and is not linked to salary. Company contributions to the scheme are charged to the profit and loss account in the same period as services are rendered by the relevant employee.

Defined benefit schemes

Under these pension arrangements the individual and company make contributions into a scheme and future benefits to individuals are guaranteed subject to final salary, number of years service, future inflation and other factors. Scheme assets and future liabilities are recorded in the sponsoring company's balance sheet as one net asset or obligation.

The company has closed its defined benefit scheme and therefore no current service costs are required to be charged to Income Statement.

At the beginning of each financial year the scheme actuaries will provide an estimate of the interest cost on the net scheme liability/deficit. This interest is charged/credited to finance income/charges in the profit and loss account in each reporting period. Any correction required to this estimate is done at period 6 and period 12 based on updated calculations provided by the scheme actuary.

Scheme admin costs that are not directly related to investment activities are charged to the profit and loss account. Admin costs that are directly related to investment are recognised as part of the re-measurement exercise through the OCI/reserves.

Scheme admin costs, net pension interest and employer cash contributions (including any additional contributions) are posted to the retirement obligation on the balance sheet. At the half year and full year an updated actuarial valuation is obtained from external advisors. Any movement in the pension asset/liability resulting from changes in assumptions, or differences between expected and actual asset returns (namely actuarial gains or losses) are taken to the statement of comprehensive income in full along with the related deferred tax impact.

Where there is a potential pension surplus, further work would be undertaken by external advisors to ascertain the limit if any on any surplus that can be recognised. The present value of benefits from reduced company contributions beyond the agreed minimum funding level agreement form the upper limit for any recognisable surplus (IFRIC 14).

Any potential tax implications of an estimated scheme surplus would be allowed for in the total pension liability, transacted via deferred tax assets and OCI /reserves.

Any event that has a material impact on the scheme would be discussed with the scheme actuary. Examples of a material event would be a merger or acquisition or the implementation of an insurance buy-in.

Where a scheme-wide curtailment gain occurs because of amendments to the plan, the gain is recognised when the plan terms are amended even if the impact will only take effect in future accounting periods. The announcement itself of scheme term changes does not trigger a curtailment gain.

Share based payments

Equity based performance payments

The Group and Company has issued equity-settled share based payment schemes for which they receive services from employees in consideration for the equity instrument. Equity-settled share based payment schemes are measured at fair value at the grant date by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

The cost of equity settled transactions with employees is measured by reference to the fair value and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees became fully entitled to the award. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

Rights granted to employees of subsidiary undertakings over equity instruments of the Company are treated as an investment in the Company's balance sheet.

Employees' Share Ownership Plan ('ESOP')
The shares in the Company held by the Dairy Crest Employees' Share Ownership Plan Trust to satisfy Long Term Incentive Share Plan awards are presented as a deduction from equity in arriving at shareholders' equity. Consideration received from the sale of such shares is also recognised in equity with no gain or loss recognised in the Consolidated Income Statement.

The Group and Company have not adopted the exemption to apply IFRS 2 Share-based payments only to awards made after 7 November 2002.

Leased assets
Assets acquired under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset or, if lower, the present value of the minimum lease payments. The net present value of future lease rentals is included as a liability on the balance sheet. The interest element of lease rentals is charged to the Consolidated Income Statement in the year. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Revenue
Revenue on sale of food and dairy products is recognised on delivery. Revenue comprises the invoiced value for the sale of goods net of value added tax, rebates and discounts and after eliminating sales within the Group.

Discounts comprise mainly promotional accruals where the Group accrues for customer claims against agreed promotional funding. This is an area of judgment that management consider significant due to the potential size of the claims. Accruals are calculated based on an estimated redemption rate of the promotion. The redemption rate used is dependent on the promotional mechanic and considers known historic data on the performance of that mechanic.

Dividend income is recognised when the Company's right to receive payment is established.

Other income
Other income comprises the profit on disposal of closed household depots.

Exceptional items
Certain items are recorded separately in the Consolidated Income Statement as exceptional. Only items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance are disclosed in this manner in order to give a better understanding of the underlying operational performance of the Group. The profits arising on disposal of closed sites, other than as a result of depot rationalisation, are reported within exceptional items.

Government and other grants
Government grants are initially recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Consolidated Income Statement over the expected useful life of the relevant asset in equal annual instalments.

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that

are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited to Other Comprehensive Income if it relates to items that are charged or credited to Other Comprehensive Income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Consolidated Income Statement.

Financial assets

The Group and Company classifies financial assets that are within the scope of IAS 39 as:

- financial assets at fair value through profit and loss;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial assets, as appropriate.

The Group and Company determines the classification of financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value. The Group and Company currently hold only loans and receivables.

Derivative instruments

The Group and Company use derivative financial instruments such as forward currency contracts, cross-currency swaps and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value and subsequently re-measured to fair value at each balance sheet date.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and cross-currency swap contracts is determined by reference to market values for similar instruments and specific valuations performed by counterparties at the balance sheet date.

For the purpose of hedge accounting, hedges are classified as either:

- fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a firm commitment in relation to foreign exchange exposure.

Neither the Group nor the Company has entered into any fair value hedges during the year.

Cash flow hedges

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in Other Comprehensive Income and the ineffective portion is recognised in the Consolidated Income Statement.

When the hedged firm commitment (in relation to foreign exchange exposure) or the highly probable forecast transactions results in the recognition of a non-monetary asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in Other Comprehensive Income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in Other Comprehensive Income are transferred to the Consolidated Income Statement in the same year in which the hedged item affects the net profit and loss, for example when the future sale actually occurs, interest payments are made or when debt matures. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the Consolidated Income Statement for the year.

Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1 Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Company's Board members as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM uses product group profit, as reviewed at monthly business review meetings, as the key measure of the Group's results as it reflects the Group's underlying trading performance for the period under evaluation. Trading profit is defined as profit on operations before exceptional items and amortisation of acquired intangible assets but includes the Group share of post-tax profit of associate.

In April 2013, the Group reorganised from a divisional structure to a functional structure to become 'One Dairy Crest'. Prior to the reorganisation, the business was structured into divisions according to product types and this was used to identify and determine the Group's operating segments as 'Cheese', 'Spreads', 'MH Foods', 'Dairies', 'Share of Associate' and 'Other'. Certain of these operating segments were aggregated and the Group reported on five continuing segments within the business: 'Cheese', 'Spreads', 'Dairies', 'Share of Associate' and 'Other'.

Following the reorganisation, the CODM's primary focus for review and resource allocation is the Group as a whole and no longer any component part of the business. All revenue streams for the business are managed centrally by functional teams (Demand, Supply, Procurement and Finance) that have responsibility for the whole of the Group's product portfolio. Although some discrete financial information is available to provide insight to the management team of the key performance drivers, the product group profit is not part of the CODM's review.

Having considered these factors, management has judged that following the implementation of the new structure, the Group comprises one operating segment under IFRS 8. As such, disclosure required under IFRS 8 for the financial statements is shown on the face of the consolidated income statement and consolidated balance sheet.

Voluntary disclosure

To assist the readers of the financial statements, management considers it appropriate to provide voluntary disclosure on a basis consistent with historic reporting of the product groups. In disclosing the product group profit for the year, certain assumptions have been made when allocating resources which are now centralised at a group level.

Associate forms a separate product group whose results are reviewed on a post-tax basis.

The Other product group comprises revenue earned from distributing product for third parties and certain central costs net of recharges to the other product groups. Generally, central costs less external 'other' revenue are recharged back into the product groups such that their result reflects the total cost base of the Group. 'Other' operating profit therefore is nil.

The results under the historic segmentation basis for the year ended 31 March 2014 and for the year ended 31 March 2013 and the reconciliation of product group measures to the respective line items included in the financial information are as follows:

		Year ended 31 March	
	Note	2014 £m	Restated 2013 £m
External revenue			
Cheese		**264.6**	231.3
Spreads		**177.4**	194.5
Dairies		**944.8**	951.6
Other		**4.2**	4.2
Total product group external revenue		**1,391.0**	1,381.6
Product group profit*			
Cheese		**39.3**	33.1
Spreads		**16.8**	25.5
Dairies		**18.8**	9.8
Share of associate's net profit	14	**0.3**	–
Total product group profit		**75.2**	68.4
Finance costs	5	**(9.9)**	(18.7)
Adjusted profit before tax		**65.3**	49.7
Acquired intangible amortisation	2	**(0.4)**	(0.4)
Exceptional items	4	**(10.4)**	(56.5)
Other finance expense – pensions	20	**(0.3)**	(3.5)
Group profit/(loss) before tax		**54.2**	(10.7)

* Before exceptional items, amortisation of acquired intangibles and pension interest.

The prior year comparatives have been restated to reflect the amendment to IAS 19R: Employee Benefits (see Accounting policies and Note 20).

1 Segmental analysis continued

	Note	Year ended 31 March 2014 £m	2013 £m
Total assets			
Cheese		**266.2**	237.7
Spreads		**156.7**	138.0
Dairies		**268.5**	268.1
Investments and share of associate		**2.5**	2.2
Other		**37.4**	38.3
Total product group		**731.3**	684.3
Un-allocated assets		**74.7**	300.2
Total assets		**806.0**	984.5
Inter-product group revenue			
Cheese		**11.2**	11.3
Spreads		**3.1**	2.8
Elimination		**(14.3)**	(14.1)
Total		**–**	–
Product group depreciation and amortisation (excluding amortisation of acquired intangible assets)			
Cheese		**7.0**	6.7
Spreads		**2.5**	3.2
Dairies		**15.4**	17.2
Other		**7.0**	4.5
Continuing operations		**31.9**	31.6
Discontinued operations		**–**	0.8
Total		**31.9**	32.4
Product group additions to non-current assets			
Cheese		**12.4**	6.9
Spreads		**21.0**	12.5
Dairies		**25.9**	23.7
Other		**4.6**	4.8
		63.9	47.9
Discontinued operations		**–**	1.1
Total		**63.9**	49.0
Product group exceptional items			
Cheese		**–**	–
Spreads		**(3.8)**	(13.8)
Dairies		**(2.0)**	(30.5)
Unsegmented		**(4.4)**	(3.5)
Total exceptional operating costs	4	**(10.2)**	(47.8)

1 Segmental analysis continued

Interest income and expense are not included in the measure of product group profit. Group treasury has always been centrally managed and external interest income and expense are not allocated to product groups.

Further analysis of the Group interest expense is provided in Note 5.

Tax costs are not included in the measure of product group profit.

Product group assets comprise property, plant and equipment, goodwill, intangible assets, inventories, receivables, assets in disposal group held for sale and investments in associates using the equity method and deferred consideration but exclude cash and cash equivalents, derivative financial assets and deferred tax assets. Other product group assets comprise certain property, plant and equipment that is not reported in the principal groups.

Inter-product group revenue comprises the sale of finished Cheese and Spreads products to the Dairies product group on a cost plus basis and is included in the product group result. Other inter-product group transactions principally comprise the transfer of cream from the Dairies product group to the Spreads product group for the manufacture of butters. Cream transferred into Spreads is charged by reference to external commodity markets and is adjusted regularly so as to reflect the costs that the Spreads product group would incur if it was a stand alone entity. Revenue from inter-product group cream sales is not reported as revenue within the Dairies product group but as a reduction to the Dairies product group's input costs.

Product group depreciation and amortisation excludes amortisation of acquired intangible assets of £0.4 million (2013: £0.4 million) as these costs are not charged in the product group result.

Product group additions to non-current assets comprise additions to goodwill, intangible assets and property, plant and equipment through capital expenditure and acquisition of businesses.

Geographical information – continuing operations

	Year ended 31 March	
External revenue attributed on basis of customer location	**2014 £m**	2013 £m
UK	**1,330.9**	1,336.3
Rest of world	**60.1**	45.3
Total revenue (excluding joint ventures)	**1,391.0**	1,381.6
Non-current assets* based on location		
UK	**390.8**	375.1
Rest of world	**1.1**	0.8
Total	**391.9**	375.9

* Comprises property, plant and equipment, goodwill, intangible assets, investments and investment in associate.

The Group has two customers which individually represent more than 10% of revenue from continuing operations in the year ended 31 March 2014 (2013: two) with each customer accounting for £152.1 million and £174.8 million (2013: £151.8 million and £175.3 million) of revenue from continuing operations being 10.9% and 12.6% (2013: 11.0% and 12.7%).

The product group analysis provided above is based upon groupings of similar products, namely Cheese, Spreads and Dairies, and therefore the analysis of Group revenue by product and services is consistent with the revenue analysis presented above with the exception of non-milk product sales in the Dairies product group, which amounted to £66.3 million (2013: £81.3 million).

2 Operating costs – continuing operations

	Year ended 31 March 2014			Year ended 31 March 2013 – Restated		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Cost of sales	**1,040.4**	**5.8**	**1,046.2**	1,008.2	44.3	1,052.5
Distribution costs	**207.8**	**–**	**207.8**	229.1	–	229.1
Administrative expenses	**86.5**	**4.4**	**90.9**	84.0	3.5	87.5
	1,334.7	**10.2**	**1,344.9**	1,321.3	47.8	1,369.1

Profit on operations from continuing operations is stated after (charging)/crediting	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 £m
Release of grants	**1.7**	0.9
Depreciation	**(28.6)**	(28.2)
Amortisation of intangibles – acquired	**(0.4)**	(0.4)
Amortisation of intangibles – internally generated	**(3.3)**	(3.4)
Operating lease rentals	**(27.0)**	(29.2)
Research and development expenditure	**(3.8)**	(3.3)
Cost of inventories recognised as an expense	**(1,040.4)**	(1,008.2)
Including: Write-down of inventories recognised as an expense	**(0.6)**	(1.2)

Remuneration paid to auditors	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 £m
Fees payable to the Company's auditors – audit of Company's annual accounts*	**0.1**	0.1
Fees payable to the Company's auditors and its associates for other services:		
audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
taxation services	**0.1**	0.1
corporate finance services	**–**	0.2
	0.5	0.7

* £10,000 (2013: £10,000) of this relates to the Company.

Corporate finance services in the year ended 31 March 2013 comprised reporting accountant work in relation to the disposal of St Hubert.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Ernst & Young LLP are auditors of the Dairy Crest Group Pension Fund. Fees paid by the Fund for audit services are not included in the above table.

3 Other income – property

	Year ended 31 March 2014			Year ended 31 March 2013		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Profit on disposal of depots	**18.2**	**–**	**18.2**	7.7	–	7.7

The Group continues to rationalise its Dairies operations as a result of the ongoing decline in doorstep volumes. This rationalisation includes the closure of certain depots (the profit on which is shown above) and rationalisation of the ongoing Dairies operations. These activities represent a fundamental part of the ongoing ordinary activities of the Dairies operations.

4 Exceptional items

Exceptional items comprise those items that are material and one-off in nature that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance of the Group.

Operating costs	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 £m
Depot administration restructuring costs	**–**	(9.2)
Costs associated with closure of Dairy processing sites	**–**	(21.3)
Spreads restructuring costs	**(3.8)**	(13.8)
Business reorganisation	**(4.4)**	(3.5)
Rationalisation of operating sites	**(2.0)**	–
	(10.2)	(47.8)
Finance costs		
Repayment of loan notes and associated costs (Note 5)	**(0.2)**	(8.7)
	(10.4)	(56.5)
Tax relief on exceptional items	**2.1**	12.0
Deferred tax adjustment for change in UK corporation tax rate	**1.9**	–
	(6.4)	(44.5)
Discontinued operations – (Note 29)	**1.4**	47.7
	(5.0)	3.2

Exceptional items in the year ended 31 March 2014 comprise:

- In September 2012 the Group announced that it was to consult with employees on plans to consolidate spreads production into a single UK location at its site in Kirkby, Liverpool. As a result of this consolidation the site at Crudgington, Shropshire is expected to close in the coming financial year. The exceptional costs incurred in the period ended 31 March 2014 were £3.8 million (2013: £13.8 million), comprising plant and equipment write-down,termination costs and duplicate running costs. The tax effect of this exceptional charge in the year was £0.8 million (2013: £2.8 million).
- In February 2013 the Group announced plans to reorganise the business into a single management and operational structure from 1 April 2013. This is replacing the divisional structures that previously existed and will lead to a more efficient and simplified organisation. This reorganisation has resulted in exceptional costs in the year ended 31 March 2014 of £4.4 million (2013: £3.5 million) comprising predominantly redundancy costs and the write-down of an intangible asset on the basis that there will be no future benefit from this asset following the reorganisation. The tax effect in the year of this exceptional charge in the year was £0.8 million (2013: £0.8 million). This project has now completed.
- In December 2013 the Group announced that it was starting consultation with employees regarding the closure of its Proper Welsh Milk dairy in Whitland, Carmarthenshire. The dairy was subsequently closed in January 2014 resulting in exceptional costs in the year of £0.6 million comprising plant and equipment write-down and redundancy costs. In March 2014, the Group announced a strategic review of its FoodTec UK Ltd subsidiary and an exceptional cost of £1.4 million has been incurred in the period comprising the write-down of its working capital, plant and equipment. The tax effect of this exceptional charge in the year was £0.3 million.
- In March 2013 the Group gave notice to the holders of its 2007 private placement loan notes that it would repay £100 million of principal in April 2013. The costs of early repayment were accrued at 31 March 2013 as the Group was irrevocably committed to the repayment at that date. Costs of £8.7 million predominantly comprise make whole penalties which were calculated based on the discounted future coupons between repayment date and original note maturity. A further £0.2 million of costs have been incurred in the period ended 31 March 2014 comprising bank charges and professional fees relating to the transaction. The tax effect of this exceptional charge was nil (2013: £2.1 million).

4 Exceptional items continued

- In the year ended 31 March 2013, the Group closed two processing sites in Aintree and Fenstanton. Whilst these projects were largely completed within the year, £0.5 million of closure costs have been incurred in the year ended 31 March 2014 that have been offset by proceeds from the sale of property, plant and equipment of £0.5 million.
- With effect from 1 April 2015, the corporation tax rate which was enacted on 2 July 2013 has changed from 23% to 20%. The deferred tax calculations are now based on the lower rate resulting in a deferred tax benefit of £1.9 million in the year ended 31 March 2014. Due to the size and one-off nature of this significant amendment in the enacted rate, it has been classified as an exceptional deferred tax credit in the period.

Exceptional items in the year ended 31 March 2013 comprised:

- £9.2 million of costs associated with the rationalisation of administrative activities and other structural changes in the Dairies depot network. This restructuring resulted in centralisation of back office activities supporting the depot network. These costs related to redundancies (£7.4 million), incremental operating costs associated with delivery of the project (£1.1 million) and write downs of property, plant and equipment (£0.7 million). The tax effect of this exceptional charge was £2.2 million. The project has now completed.
- In the year ended 31 March 2013, the Group closed two processing sites at Aintree in Liverpool and Fenstanton in Cambridgeshire. The closure of the sites and resultant changes in the supply chain, volume requirements and customer channels resulted in exceptional costs of £21.3 million. These costs related to redundancies (£9.0 million), duplicate running costs (£6.2 million), asset write downs (£0.7 million) and other costs (£5.4 million) including stock write offs and duplicate running costs. The tax effect of this exceptional charge was £5.0m. This project has now completed.

5 Finance costs and other finance income

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Bank loans and overdrafts (at amortised cost)	**(9.7)**	(19.6)
Unwind of discount on provisions (Note 23)	**(0.2)**	(0.2)
Finance charges on finance leases	**(0.2)**	(0.3)
Pre-exceptional finance costs – continuing operations	**(10.1)**	(20.1)
Finance income on cash balances (financial assets not at fair value through profit and loss)	**0.2**	1.4
Pre-exceptional net finance costs – continuing operations	**(9.9)**	(18.7)
Exceptional cost of repayment of loan notes (Note 4)	**(0.2)**	(8.7)
Total net finance costs – continuing operations	**(10.1)**	(27.4)

Interest payable on bank loans and overdrafts is stated after capitalising £1.6 million (2013: £0.1 million) of interest on expenditure on capital projects at the Group's average cost of borrowing of 5.0%.

6 Tax expense

The major components of income tax expense for the years ended 31 March 2014 and 2013 are:

Consolidated income statement	2014 £m	2013 £m
Current income tax		
Adjustments in respect of previous years – current tax	**0.2**	–
– transfer from deferred tax	**–**	(2.8)
	0.2	(2.8)
Deferred income tax		
Relating to origination and reversal of temporary differences	**8.0**	(3.3)
Effect of change in tax rate	**(1.9)**	(0.9)
Adjustments in respect of previous years – deferred tax	**(0.9)**	1.4
– transfer to current tax	**–**	2.8
	5.4	(2.8)
Analysed: Before exceptional items	**9.4**	9.2
Exceptional items	**(4.0)**	(12.0)
	5.4	(2.8)

Reconciliation between tax charge/(credit) and the profit/(loss) before tax multiplied by the statutory rate of corporation tax in the UK:

	2014 £m	2013 £m
Profit/(loss) before tax	**54.2**	(10.7)
Tax at UK statutory corporation tax rate of 23% (2013: 24%)	**12.5**	(2.5)
Adjustments in respect of previous years	**(0.7)**	1.4
Adjustment in respect of associate's profits	**(0.1)**	–
Deferred tax adjustment for change in UK corporation tax rate (23% to 20%; 2013: 24% to 23%)*	**(1.9)**	(0.9)
Non-deductible expenses	**1.2**	1.5
Profits offset by available tax relief	**(5.6)**	(2.3)
	5.4	(2.8)

* Owing to the availability of brought forward trading tax losses, the Group does not expect any taxable profits to arise before 1 April 2015, accordingly deferred tax has been provided on all temporary differences at 20%.

The effective pre-exceptional rate of tax on Group profit before tax is 14.6% (2013: 20.1%). The effective tax rate continues to be below the headline rate of UK corporation tax due to the property profit income stream, on which the tax charges are sheltered by brought forward capital losses or roll over relief. The higher level of property profits this year have reduced the effective rate of tax but we expect the effective tax rate to increase next year to approximately 18%.

The UK corporation tax rate reduced to 23% from April 2013. A further 2% reduction has been enacted, taking the rate to 21% from April 2014, as has an additional 1% reduction, taking the rate to 20% from April 2015.

Consolidated other comprehensive income	2014 £m	2013 £m
Deferred income tax related to items charged to other comprehensive income		
Tax relief on actuarial losses	**(8.7)**	(5.4)
Valuation of financial instruments	**0.3**	0.2
Tax credit	**(8.4)**	(5.2)

There were no income tax or deferred tax amounts charged to changes in equity in the year ended 31 March 2014 (2013: nil).

6 Tax expense continued

Deferred income tax

Deferred income tax at 31 March 2014 and 2013 relates to the following:

Deferred tax liability	2014 £m	2013 £m
Accelerated depreciation for tax purposes	**(28.0)**	(31.7)
Financial instruments valuation	**(0.1)**	–
Goodwill and intangible assets	**(8.0)**	(9.2)
	(36.1)	(40.9)

Deferred tax asset	2014 £m	2013 £m
Government grants	**1.9**	3.0
Share based payments	**0.1**	0.1
Pensions	**17.9**	17.1
Financial instruments valuation	**–**	0.2
Other	**4.8**	5.9
	24.7	26.3
Net deferred tax liability	**(11.4)**	(14.6)

The Company has a deferred tax asset of £0.2 million at 31 March 2014 (2013: £0.4 million asset). This relates to temporary differences in respect of financial instruments valuations.

The movement on the net deferred tax balance is shown below:

	2014 £m	2013 £m
Opening net deferred tax liability	**(14.6)**	(69.4)
Charge to income statement	**(5.2)**	–
Credit to other comprehensive income	**8.4**	5.2
Disposal of businesses	**–**	47.3
Exchange impact	**–**	2.3
Closing net deferred tax liability	**(11.4)**	(14.6)

The movement on the deferred tax liability is shown below:

	Deferred tax asset/(liability)				
	Goodwill and intangible assets £m	Pensions £m	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Balances at 31 March 2013	(9.2)	17.1	(31.7)	9.2	(14.6)
(Charge)/credit to income statement: continuing operations	1.2	(7.9)	3.7	(2.2)	(5.2)
Credit/(charge) to other comprehensive income	–	8.7	–	(0.3)	8.4
Balances at 31 March 2014	**(8.0)**	**17.9**	**(28.0)**	**6.7**	**(11.4)**
Balances at 31 March 2012	(55.4)	15.2	(37.4)	7.6	(70.0)
(Charge)/credit to income statement: continuing operations	(0.9)	(4.1)	3.2	1.8	–
Credit/(charge) to other comprehensive income	–	6.0	–	(0.2)	5.8
Disposal of businesses	44.8	–	2.5	–	47.3
Exchange impact	2.3	–	–	–	2.3
Balances at 31 March 2013	(9.2)	17.1	(31.7)	9.2	(14.6)

The Group has capital losses which arose in the UK of £137.5 million (2013: £56.3 million) that are available indefinitely for offset against future taxable gains. Deferred tax has not been recognised in respect of these losses as there is no foreseeable prospect of their being utilised. The Group has realised capital gains amounting to £27.6 million (2013: £36.9 million) for which rollover relief claims have been or are intended to be made.

7 Dividends paid and proposed

Declared and paid during the year	2014 £m	2013 £m
Equity dividends on ordinary shares:		
Final dividend for 2013: 15.0 pence (2012: 14.7 pence)	**20.5**	19.6
Interim dividend for 2014: 5.9 pence (2013: 5.7 pence)	**8.0**	7.8
	28.5	27.4

Proposed for approval at AGM (not recognised as a liability at 31 March)		
Equity dividends on ordinary shares:		
Final dividend for 2014: 15.4 pence (2013: 15.0 pence)	**21.0**	20.5

8 Earnings per share

Basic earnings/losses per share ('EPS') on profit/(loss) for the year from continuing operations is calculated by dividing profit/(loss) from continuing operations by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit from continuing operations by the weighted average number of ordinary shares outstanding during the year plus the difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the year. Note that in the circumstances where there is a basic loss per share, share options are anti-dilutive and therefore are not included in the calculation of diluted losses per share.

The shares held by the Dairy Crest Employees' Share Ownership Plan Trust ('ESOP') are excluded from the weighted average number of shares in issue used in the calculation of earnings and diluted earnings per share.

To show earnings per share on a consistent basis, which in the Directors' opinion reflects the ongoing performance of the business more appropriately, adjusted earnings per share has been calculated. The computation for basic and diluted earnings per share (including adjusted earnings per share) is as follows:

	Year ended 31 March 2014			Year ended 31 March 2013 (Restated)		
	Earnings £m	Weighted average no of shares million	Per share amount pence	Earnings £m	Weighted average no of shares million	Per share amount pence
Basic EPS from continuing operations	**48.8**	**136.5**	**35.8**	(7.9)	134.7	(5.9)
Effect of dilutive securities:						
Share options	**–**	**1.6**	**(0.5)**	–	–	–
Diluted EPS from continuing operations	**48.8**	**138.1**	**35.3**	(7.9)	134.7	(5.9)
Adjusted EPS from continuing operations						
Profit/(loss) from continuing operations	**48.8**	**136.5**	**35.8**	(7.9)	134.7	(5.9)
Exceptional items net of tax	**6.4**	**–**	**4.7**	44.5	–	33.0
Amortisation of acquired intangible assets (net of tax)	**0.3**	**–**	**0.2**	0.3	–	0.2
Pension interest expense (net of tax)	**0.2**	**–**	**0.1**	2.7	–	2.1
Adjusted basic EPS from continuing operations	**55.7**	**136.5**	**40.8**	39.6	134.7	29.4
Effect of dilutive securities:						
Share options	**–**	**1.6**	**(0.5)**	–	–	–
Adjusted diluted EPS from continuing operations	**55.7**	**138.1**	**40.3**	39.6	134.7	29.4
Basic EPS from discontinued operations	**1.4**	**136.5**	**1.0**	54.5	134.7	40.5
Effect of dilutive securities:						
Share options	**–**	**1.6**	**–**	–	–	–
Diluted EPS from discontinued operations	**1.4**	**138.1**	**1.0**	54.5	134.7	40.5
Basic EPS on profit/(loss) for the year	**50.2**	**136.5**	**36.8**	46.6	134.7	34.6
Effect of dilutive securities:						
Share options	**–**	**1.6**	**(0.4)**	–	–	–
Diluted EPS on profit/(loss) for the year	**50.2**	**138.1**	**36.4**	46.6	134.7	34.6

8 Earnings per share continued

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of signing of these financial statements.

The prior period comparatives have been restated to reflect the amendment to IAS 19R: Employee Benefits (see Note 20). This resulted in a basic loss per share on continuing operations and therefore no dilution has been assumed across any EPS measures. This is in line with IAS 33 guidelines.

9 Remuneration of employees and key management personnel

Number of employees (continuing operations) – Group	Year ended 31 March 2014 number	Year ended 31 March 2013 number
Average number of employees:		
Production	**1,859**	2,036
Sales, distribution and administration	**2,686**	3,247
Total employees	**4,545**	5,283

Remuneration of employees, including key management personnel (continuing operations)	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Wages and salaries	**157.0**	176.5
Social security costs	**15.2**	17.2
Equity settled share based payments expense (Note 26)	**1.5**	1.9
Pension costs (Note 20)	**7.0**	7.1
	180.7	202.7

The above costs relate to continuing operations and include amounts paid to the Company's Executive and Non-executive Directors.

Further analysis is as follows:

Directors	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Salaries and benefits	**1,374**	1,528
Bonuses	**833**	613
Fees to Non-Executive Directors	**327**	331
Emoluments	**2,534**	2,472
Severance payments	**577**	–
Employer payments to defined contribution pension scheme	**39**	31
Gain on exercise of sharesave options	**–**	15
Highest paid director		
Salary and benefits	**656**	656
Bonus	**423**	272
Emoluments	**1,079**	928
Employer payments to defined contribution pension scheme	**9**	9
Gain on exercise of sharesave options	**–**	5

Further information relating to directors' remuneration for the year ended 31 March 2014 is provided in the Directors' Remuneration Report on pages 45 to 62.

10 Property, plant and equipment

Consolidated 2014	Land and buildings £m	Vehicles, plant and equipment £m	Assets in the course of construction £m	Total £m
Cost				
At 1 April 2013	183.4	306.5	23.6	513.5
Additions	1.6	6.3	54.9	62.8
Disposals	(12.3)	(28.0)	(5.2)	(45.5)
Transfers and reclassifications	1.3	2.5	(3.8)	–
At 31 March 2014	**174.0**	**287.3**	**69.5**	**530.8**
Accumulated depreciation				
At 1 April 2013	64.4	178.8	–	243.2
Charge for the year	5.6	23.0	–	28.6
Asset impairments	0.1	1.7	–	1.8
Disposals	(6.4)	(25.0)	–	(31.4)
At 31 March 2014	**63.7**	**178.5**	**–**	**242.2**
Net book amount at 31 March 2014	**110.3**	**108.8**	**69.5**	**288.6**

Consolidated 2013	Land and buildings £m	Vehicles, plant and equipment £m	Assets in the course of construction £m	Total £m
Cost				
At 1 April 2012	192.6	303.0	29.0	524.6
Additions	3.5	18.0	21.3	42.8
Acquisition of businesses	–	0.5	–	0.5
Disposals	(4.2)	(22.8)	(0.5)	(27.5)
Disposal of St Hubert	(8.7)	(15.7)	(1.2)	(25.6)
Transfers and reclassifications	0.6	24.3	(24.9)	–
Exchange	(0.4)	(0.8)	(0.1)	(1.3)
At 31 March 2013	183.4	306.5	23.6	513.5
Accumulated depreciation				
At 1 April 2012	64.8	176.9	–	241.7
Charge for the year	5.9	23.1	–	29.0
Asset impairments	1.4	12.3	–	13.7
Disposals	(2.3)	(22.8)	–	(25.1)
Disposal of St Hubert	(5.2)	(10.1)	–	(15.3)
Exchange	(0.2)	(0.6)	–	(0.8)
At 31 March 2013	64.4	178.8	–	243.2
Net book amount at 31 March 2013	119.0	127.7	23.6	270.3

Depreciation of property, plant and equipment relating to the discontinued St Hubert business, included in the table above was nil in the year ended 31 March 2014 (2013: £0.8 million)

2013/14

The carrying value of property, plant and equipment within each cash generating unit ('CGU') is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. With regard to the Dairies CGU, goodwill was fully impaired in 2011/12 however given the low margins in this business and large movements in milk input costs during 2013/14, the carrying value of property, plant and equipment within this CGU has been reviewed along with its value in use. The impairment methodology and key inputs for all CGUs are as set out in Note 11. For the Dairies CGU, the discount rate applied to the value in use calculation was 9.3% (2013: 8.7%) and cashflows are forecast to year five with nil growth assumed thereafter. The key input assumptions in performing the impairment test were the profits expected from property sales, the allocation of corporate costs and the projected profit growth to 3%. The impairment review has not indicated any required write down of the carrying value of property, plant and equipment in the year ended 31 March 2014. However, the headroom was low and therefore sensitive to the discount rate used for each of the key input assumptions in deriving the projected cash flows.

In March 2014, the Group announced a strategic review of the FoodTec UK Ltd ingredients subsidiary. The carrying value of £1.1 million working capital and £0.3 million property, plant and equipment has been fully impaired in the year ended 31 March 2014 (see Note 4).

10 Property, plant and equipment continued

Following the closure of the Proper Welsh Milk dairy in January 2014, the carrying value of property, plant and equipment of £0.5 million has been written down in full (see Note 4).

As a result of plans to consolidate spreads production into a single UK location, the carrying value of some property, plant and equipment of £1.0 million has been written down in the year ended 31 March 2014 (see Note 4).

2012/13

Following the decision in 2011 to transfer all Clover manufacture from Crudgington, Shropshire to Kirkby, Liverpool, in September 2012 the Group announced plans to consolidate all spreads production into a single UK location at its site in Kirkby. Subject to consultation, this decision will result in the closure of the site at Crudgington in 2014. As a result of this decision £11.4 million of plant and equipment at the sites has been impaired to nil net book value (representing management's best estimate of resale value net of costs of sale). In addition, the land and buildings at Crudgington were impaired by £0.9 million (see Note 4).

The culmination of the centralisation of administrative activity in the Dairies depot network along with the closures of milk processing sites at Fenstanton, Cambridgeshire and Aintree, Liverpool resulted in impairments of £0.5 million to land and buildings and £0.9 million to plant and equipment (see Note 4).

Capitalised leases included in vehicles, plant and equipment comprise:	**2014 £m**	2013 £m
Cost	**31.7**	32.1
Accumulated depreciation	**(24.0)**	(22.9)
Net book amount	**7.7**	9.2

11 Goodwill

	£m
Cost	
At 31 March 2012	333.0
Disposal (Note 29)	(176.4)
Exchange	(9.3)
At 31 March 2013 and 31 March 2014	**147.3**
Accumulated impairment	
At 31 March 2012	(73.0)
At 31 March 2013	(73.0)
Impairments in the year ended 31 March 2014	–
At 31 March 2014	**(73.0)**
Net book amount at 31 March 2014	**74.3**
Net book amount at 31 March 2013	74.3

Impairment testing of goodwill

Acquired goodwill has been allocated for impairment testing purposes to four groups of cash generating units ('CGUs'): Dairies, Spreads, MH Foods and Cheese. At March 2012 goodwill in relation to the Dairies CGU was fully impaired and the carrying value of goodwill for this CGU at 31 March 2014 is nil.

All groups of CGUs with goodwill are tested for impairment annually by comparing the carrying amount of that CGU with its recoverable amount. Recoverable amount is determined based on a value-in-use calculation using cash flow projections based on financial budgets and strategic plans approved by senior management covering a three-year period and appropriate growth rates beyond that. The discount rate applied to the projections is 9.8% for Spreads and 9.4% for MH Foods and Cheese (2013: 8.7% for all CGUs).

Discount rates are pre-tax and calculated by reference to average industry gearing levels, the cost of debt and the cost of equity based on the capital asset pricing model and CGU-specific risk factors.

The growth rate used to extrapolate cash flows beyond the three-year period for MH Foods and Cheese is 2.0% per annum (being the estimated UK long-term growth rate adjusted for industry growth rates and extrapolation risks) (2013: 2.0% per annum beyond year three). The growth rate used to extrapolate cash flows beyond the three-year period for Spreads is nil reflecting the minimal growth rates in that market (2013: 2% per annum beyond year three).

11 Goodwill continued

The carrying amount of goodwill allocated to groups of CGUs at 31 March 2014 is:

Dairies	Nil	(2013: nil)
MH Foods	£6.7 million	(2013: £6.7 million)
Spreads	£65.5 million	(2013: £65.5 million)
Cheese	£2.1 million	(2013: £2.1 million)

Gross margin – budgeted gross margins are based initially on actual margins achieved in the preceding year further adjusted for projected input and output price changes, volume changes, initiatives implemented and associated efficiency improvements. The budgeted margins form the basis for strategic plans, which incorporate longer-term market trends.

Discount rates – reflect management's estimate of the risk-adjusted weighted average cost of capital for each CGU.

Raw materials prices – budgets are prepared using the most up to date price and forecast price data available. This is based on forward prices in the market place adjusted for any contracted prices at the time of forecast. The key resources are milk, vegetable oils, fuel oil, diesel, gas and electricity and packaging costs.

Growth rate estimates – for periods beyond the length of the strategic plans, growth estimates are based upon published industry research adjusted downwards to reflect the risk of extrapolating growth beyond a three year time frame. For the residential business, long-term rates of market decline as seen over recent years have been extrapolated forward offset by growth assumptions for milk&more, FRijj and the liquid milk business.

The Directors consider the assumptions used to be consistent with the historical performance of each CGU where appropriate and to be realistically achievable in the light of economic and industry measures and forecasts.

2013/14 and 2012/13

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Spreads, MH Foods and Cheese CGUs, management believes that no reasonably possible change in the above key assumptions would cause the carrying value of those units to exceed their recoverable amount.

12 Intangible assets

	Assets in the course of construction £m	Internally generated £m	Acquired intangibles £m	Total £m
Cost				
At 31 March 2012	9.8	26.7	191.2	227.7
Additions	5.7	–	–	5.7
Disposal	–	(7.2)	(173.5)	(180.7)
Transfers and reclassifications	(7.2)	7.2	–	–
Exchange	–	(0.4)	(9.0)	(9.4)
At 31 March 2013	8.3	26.3	8.7	43.3
Additions	1.1	–	–	1.1
Transfers and reclassifications	(2.9)	2.9	–	–
At 31 March 2014	**6.5**	**29.2**	**8.7**	**44.4**
Accumulated amortisation				
At 31 March 2012	–	13.4	43.8	57.2
Disposal	–	(6.8)	(42.4)	(49.2)
Amortisation for the year	–	3.4	3.4	6.8
Impairments	–	–	0.2	0.2
Exchange	–	(0.3)	(1.9)	(2.2)
At 31 March 2013	–	9.7	3.1	12.8
Amortisation for the year	–	3.3	0.4	3.7
At 31 March 2014	**–**	**13.0**	**3.5**	**16.5**
Net book amount at 31 March 2014	**6.5**	**16.2**	**5.2**	**27.9**
Net book amount at 31 March 2013	8.3	16.6	5.6	30.5

Amortisation of acquired intangible assets relating to the discontinued St Hubert business, included in the table above amounted to £3.0 million in the year ended 31 March 2013.

Assets in the course of construction comprise systems upgrade costs across all sites and implementation costs in relation to a supply chain demand forecasting model, that are yet to be completed as at 31 March 2014.

Internally generated intangible assets comprise software development and implementation costs across manufacturing sites, the milk&more business and Head Office.

Acquired intangibles comprise predominantly brands acquired with the acquisition of businesses. The largest component within acquired intangibles is the 'Frylight' brand acquired with the acquisition of Morehands Limited (MH Foods) in June 2011. A useful life of 15 years has been assumed for this brand.

The remaining useful lives at 31 March 2014 for significant intangible assets are as follows:

Acquired Frylight brand: 12 years

The carrying value of the Frylight brand at 31 March 2014 is £4.9 million (2013: £5.3 million).

2012/2013

Disposal in the year relates to the sale of St Hubert – see Note 29.

13 Investments

Group

During the year ended 31 March 2013, the Group acquired 7% of the share capital of HIECO Limited for a consideration of £0.3 million.

Company	Share grants awarded in subsidiaries £m	Shares in subsidiary undertakings £m	Total £m
Cost			
At 1 April 2012	11.4	468.1	479.5
Share based payment charge in subsidiary companies	1.4	–	1.4
At 31 March 2013	12.8	468.1	480.9
Share based payment charge in subsidiary companies	1.2	–	1.2
At 31 March 2014	**14.0**	**468.1**	**482.1**

Shares in subsidiary undertakings comprise an investment in Dairy Crest Limited of £239.2 million and an investment of £228.9 million in Dairy Crest UK Limited.

Share grants awarded in subsidiaries represent the cumulative cost of the Company's grant of equity instruments, under share based payment awards, to employees of subsidiary undertakings.

At 31 March 2014 the principal subsidiary undertakings and other associates were:

	Business	Percentage of ordinary share capital held
Subsidiary undertakings and associates:		
Dairy Crest Limited	Manufacture of dairy products	100%
Philpot Dairy Products Limited*	Trading in dairy products	100%
FoodTec UK Limited*	Manufacture and trading in dairy products and ingredients	100%
Morehands Limited*	Manufacture of cooking oils	100%
Wexford Creamery Limited	Manufacture of dairy products	30%

* Investments are held by Dairy Crest Limited

The principal place of operation and country of incorporation of all subsidiary undertakings and associates is England and Wales except for Wexford Creamery Limited which is in the Republic of Ireland.

14 Investment in associates

The investment in associates using the equity method at 31 March 2014 is represented by a 20% interest in Wexford Creamery Limited ('WCL') which is involved in the manufacture of cheese in the Republic of Ireland.

Following the sale of 50% of the ordinary shares of WCL in June 2010, the Group equity accounts for a 20% shareholding in that company. The Group holds a further 10% of the issued share capital of WCL however, due to the existence of fixed-price put and call options in relation to this additional holding, it is assumed that the economic benefit from this 10% has been transferred and therefore accounted for as a sale. The fixed price under the options of 1.8 million Euros is recorded at its discounted amount of deferred consideration of £1.4 million.

The share of the assets, liabilities, income and expenses of the associate at 31 March and for the years then ended, which are equity accounted for in the consolidated financial statements, are as follows:

	2014 £m	2013 £m
Current assets	2.2	1.7
Current liabilities	(1.4)	(1.2)
Share of net assets	0.8	0.5
Revenue	13.5	10.3
Operating costs	(13.2)	(10.3)
Result before tax	0.3	–
Tax expense	–	–
Share of net result	0.3	–

15 Inventories

	Consolidated	
	2014 £m	2013 £m
Raw materials and consumables	33.4	33.2
Finished goods	186.2	175.0
	219.6	208.2

Cheese inventories at 31 March 2014 totalled £167.2 million (2013: £155.5 million).

During the year ended 31 March 2014, £0.1 million of engineering and packaging inventories were written off following the on-going consolidation of Clover manufacture into one site and following a strategic review of FoodTec UK Limited, the Group's dairy products and ingredients subsidiary, £0.5 million of inventories were written-off. See also Note 4.

In April 2013 the Group granted the Trustee of the Dairy Crest Group Pension Fund a floating charge over maturing cheese inventories with a maximum realisable value of £60 million.

16 Trade and other receivables

	Consolidated		Parent Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Trade receivables	104.8	83.3	–	–
Amounts owed by subsidiary undertakings	–	–	9.9	169.3
Other receivables	8.4	10.6	0.6	1.4
Prepayments and accrued income	5.2	4.9	–	–
	118.4	98.8	10.5	170.7

All amounts above, with the exception of prepayments and accrued income, are financial assets.

16 Trade and other receivables continued

Trade receivables are denominated in the following currencies:

	Consolidated	
	2014 £m	2013 £m
Sterling	**96.5**	79.9
Euro	**2.0**	0.6
US Dollar	**6.2**	2.8
Swiss Franc	**0.1**	–
	104.8	83.3

There are no material concentrations of credit risk.

Trade receivables are non interest bearing and are generally on 30-90 days' terms and are shown net of a provision for impairment. As at 31 March 2014, trade receivables at nominal value of £7.7 million (2013: £7.0 million) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	Consolidated	
	2014 £m	2013 £m
At 1 April	**7.0**	8.3
Net charge for the year – operating	**0.8**	0.9
Amounts written off	**(0.1)**	(2.2)
At 31 March	**7.7**	7.0

Bad debt provisions are principally in the Dairies' residential and mid sized commercial channels on debt over 90 days. These businesses sell product on the doorstep and to middle ground and foodservice customers. The Group has no history of bad debt with regard to sales to large multiple retailers. There were no impairment provisions on any other class of receivables at 31 March 2014 or 2013.

At 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due, not impaired		
	Total £m	Neither past due nor impaired £m	30 – 60 days £m	60 – 90 days £m	> 90 days £m
31 March 2014	**104.8**	**89.5**	**12.3**	**2.6**	**0.4**
31 March 2013	83.3	72.1	6.7	3.0	1.5

The credit quality of trade receivables is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used.

The numbers

17 Financial assets

Derivative financial instruments

Consolidated	Note	2014 £m	2013 £m
Current			
Cross currency swaps (cash flow hedges)		**–**	9.6
Forward currency contracts (cash flow hedges)	31	**0.4**	–
		0.4	9.6
Non-current			
Option to sell 20% holding in Wexford Creamery Limited	31	**1.6**	1.6
Cross currency swaps (cash flow hedges)	31	**5.4**	12.9
		7.0	14.5

Company		2014 £m	2013 £m
Current			
Cross currency swaps (cash flow hedges)	31	**–**	9.6
Non-current			
Cross currency swaps (cash flow hedges)	31	**5.4**	12.9

All derivative financial instruments are fair valued at each balance sheet date and all, with the exception of the option to sell a 20% holding in Wexford Creamery Limited ('WCL'), comprise Level 2 valuations under IFRS 7: Financial Instruments – Disclosures, namely, that they are based on inputs observable directly (from prices) or indirectly (derived from prices).

The WCL options comprise call and put options over 20% of the company for a price of €3.6 million adjusted for 20% of WCLs post-tax profits/losses from June 2010 until the date of exercise. This comprises a Level 3 valuation, namely that it is not based on inputs observable directly or indirectly. Management has valued this option by comparing the current equity accounted carrying value of the 20% holding with the estimated present value of consideration received from the exercise of the option. The difference between these amounts comprises the option value of £1.6 million at 31 March 2014. The principal input assumptions in valuing these options are (i) estimated future profits of WCL which have been based upon best available budgets and forecasts (ii) an appropriate post-tax discount rate of 6% and (iii) an option exercise date of 2018. Over the period until exercise of these options, any movement in the fair value of these instruments is charged/credited to the income statement.

There has been no material movement in the fair value of the WCL options between recognition in June 2010 and 31 March 2014.

18 Cash and short-term deposits

	Consolidated		Parent Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash and short-term deposits	**67.3**	276.1	**–**	14.8

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Following the sale of St Hubert, significant amounts of cash were placed on deposit resulting in concentrations of credit until the repayment of loan notes and the one-off contribution to the pension scheme in April 2013. Counterparty risk and the Group's policy for managing deposits are described in Note 30.

19 Financial liabilities

Group	Note	2014 £m	2013 £m
Current			
Obligations under finance leases	31	**1.8**	2.4
Loan notes (at amortised cost)	31	**25.3**	165.7
Debt issuance costs		**(0.6)**	(0.6)
Financial liabilities – Borrowings		**26.5**	167.5
Cross currency swaps (cash flow hedges)		**2.0**	2.2
Forward currency contracts (at fair value: cash flow hedge)	31	**–**	0.1
Financial liabilities – Derivative financial instruments		**2.0**	2.3
Current financial liabilities		**28.5**	169.8
Non-current			
Obligations under finance leases	31	**–**	3.1
Loan notes (at amortised cost)	31	**144.2**	182.4
Bank loans (at amortised cost)	31	**36.0**	–
Debt issuance costs		**(0.5)**	(1.2)
Financial liabilities – Borrowings		**179.7**	184.3
Cross currency swaps (cash flow hedges)		**6.2**	3.9
Financial liabilities – Derivative financial instruments		**6.2**	3.9
Non-current financial liabilities		**185.9**	188.2

All derivative financial instruments are fair valued at each balance sheet date and all comprise Level 2 valuations under IFRS 7: Financial Instruments – Disclosures, namely, that they are based on inputs observable directly (from prices) or indirectly (derived from prices).

19 Financial liabilities continued

Interest bearing loans and borrowings

The effective interest rates on loans and borrowings at the balance sheet date were as follows:

		Maturity	2014 £m	Effective Interest rate at March 2014	2013 £m	Effective Interest rate at March 2013
Current						
Loan notes:	US$ swapped into £	April 2013	–	–	68.7	5.32%
	Euro	April 2014	–	–	21.0	4.74%
	Euro	April 2017	–	–	23.2	4.85%
	Euro swapped into £	April 2014	25.3	4.97%	45.6	5.04%
	Sterling	April 2017	–	–	7.2	5.84%
Finance leases			1.8	5.18%	2.4	5.18%
Debt issuance costs			(0.6)		(0.6)	
			26.5		167.5	
Non-current						
Multi-currency revolving credit facilities:						
	Sterling floating	October 2016	36.0	LIBOR +115bps	–	–
Loan notes:	US$ swapped into £	April 2016	73.8	5.31%	81.0	5.31%
	Sterling	April 2016	10.0	5.27%	10.0	5.27%
	Euro swapped into £	April 2017	8.8	5.53%	9.0	4.85%
	Sterling	April 2017	2.8	5.84%	2.8	5.84%
	US$ swapped into £	November 2018	15.0	3.87%	16.5	3.87%
	US$ swapped into £	November 2021	33.8	4.52%	37.1	4.52%
	Euro	April 2014	–	–	8.2	4.74%
	Euro swapped into £	April 2014	–	–	17.8	5.04%
Finance Leases			–	5.18%	3.1	5.18%
Debt issuance costs			(0.5)		(1.2)	
			179.7		184.3	

On 18 April 2013 the Group repaid €106.9 million (£92.7 million) and £7.2 million of 2007 notes at a combined premium of £8.7 million. £69.2 million of these notes were due for repayment in April 2014 and £30.7 million were due for repayment in April 2017. In addition there was a natural maturity of £59.5 million ($104.3 million) of loan notes and a €60.0 million (£51.0 million) reduction in the revolving credit facility.

The Group is subject to a number of covenants in relation to its borrowing facilities which, if contravened, would result in its loans becoming immediately repayable. These covenants specify a maximum net debt to EBITDA ratio of 3.5 times, and minimum interest cover ratio of 3.0 times. No covenants were contravened in the year ended 31 March 2014 (2013: None). Key covenants under the 2011 revolving credit facility and debt private placement were unchanged from existing covenants.

Details of the Group's interest rate management strategy and interest rate swaps are included in notes 30 and 31.

19 Financial liabilities continued

Company	2014 £m	2013 £m
Current		
Loan notes (at amortised cost)	**25.3**	165.7
Financial liabilities – Borrowings	**25.3**	165.7
Cross currency swaps (cash flow hedges)	**2.0**	2.2
Financial liabilities – Derivative financial instruments	**2.0**	2.2
Current financial liabilities	**27.3**	167.9
Non-current		
Loan notes (at amortised cost)	**144.2**	182.4
Bank loans (at amortised cost)	**–**	–
Financial liabilities – Borrowings	**144.2**	182.4
Cross currency swaps (cash flow hedges)	**6.2**	3.9
Financial liabilities – Derivative financial instruments	**6.2**	3.9
Non-current financial liabilities	**150.4**	186.3

All derivative financial instruments are fair valued at each balance sheet date and all comprise Level 2 valuations under IFRS 7: Financial Instruments – Disclosures, namely, that they are based on inputs observable directly (from prices) or indirectly (derived from prices).

Interest bearing loans and borrowings

The effective interest rates on loans and borrowings at the balance sheet date were as follows.

		Maturity	2014 £m	Effective Interest rate at March 2014	2013 £m	Effective Interest rate at March 2013
Current						
Loan notes:	US$ swapped into £	April 2013	**–**	**–**	68.7	5.32%
	Euro	April 2014	**–**	**–**	21.0	4.74%
	Euro	April 2017	**–**	**–**	23.2	4.85%
	Euro swapped into £	April 2014	**25.3**	**4.97%**	45.6	5.04%
	Sterling	April 2017	**–**	**–**	7.2	5.84%
			25.3		165.7	
Non-current						
Loan notes:	US$ swapped into £	April 2016	**73.8**	**5.31%**	81.0	5.31%
	Sterling	April 2016	**10.0**	**5.27%**	10.0	5.27%
	Euro swapped into £	April 2017	**8.8**	**5.53%**	9.0	4.85%
	Sterling	April 2017	**2.8**	**5.84%**	2.8	5.84%
	US$ swapped into £	November 2018	**15.0**	**3.87%**	16.5	3.87%
	US$ swapped into £	November 2021	**33.8**	**4.52%**	37.1	4.52%
	Euro	April 2014	**–**	**–**	8.2	4.74%
	Euro swapped into £	April 2014	**–**	**–**	17.8	5.04%
			144.2		182.4	

20 Retirement benefit obligations

The Group has one defined benefit pension scheme (Dairy Crest Group Pension Fund) in the UK which was closed to future service accrual from 1 April 2010. This pension scheme is a final salary scheme that had previously been closed to new employees joining after 30 June 2006. Employees joining after this date and those members of the defined benefit pension scheme on its closure to future service accrual were invited to join the Dairy Crest Group defined contribution plan.

The Dairy Crest Group Pension Fund is administered by a corporate trustee which is legally separate from the Company. The Trustee's directors are comprised of representatives of both the employer and employees, plus a professional trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The most recent full actuarial valuation of the Dairy Crest Group Pension Fund was carried out as at 31 March 2013 by the Fund's independent actuary using the projected unit credit method. Full actuarial valuations are carried out triennially. This valuation resulted in a deficit of £145.0 million compared to the IAS 19 deficit of £56.3 million reported at that date. The next full actuarial valuation will be carried out in 2016/17 on the 31 March 2016 position.

The Company adopted IAS19R (revised 2011) for 2013/14. As a result the interest cost and expected returns on plan assets of defined benefit plans recognised in the profit and loss have been replaced by the net interest on the defined benefit liability, calculated using the discount rate used to measure the net pension obligation. Administration expenses are now charged as operating costs in the income statement rather than as finance expenses.

The following tables summarise the components recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet for the defined benefit pension scheme. 2013 comparators have been restated to reflect IAS19R.

	Dairy Crest Group Pension Fund	
Amounts recognised in consolidated income statement	**2014 £m**	2013 £m
Administration expenses	**(1.0)**	(0.9)
Other finance income/(costs) – pensions	**(0.3)**	(3.5)
Profit/(loss) before tax	**(1.3)**	(4.4)
Deferred tax	**0.3**	1.0
Profit/(loss) for the period	**(1.0)**	(3.4)
Amounts recognised in other comprehensive income		
Return on plan assets (excluding amounts included in net interest)	**26.8**	79.7
Experience gains arising on scheme liabilities	**4.3**	0.8
Actuarial losses due to changes in the demographic assumptions	**(18.0)**	–
Actuarial losses due to changes in the financial assumptions	**(63.5)**	(72.8)
Net actuarial (loss)/gain	**(50.4)**	7.7
Recognition of liability for unrecoverable notional surplus	**0.8**	(10.9)
Recognised in other comprehensive income	**(49.6)**	(3.2)
Related tax	**8.7**	5.4
Net actuarial loss recognised in other comprehensive income	**(40.9)**	2.2

Actual returns on plan assets were £68.3 million (2013: £117.7 million).

20 Retirement benefit obligations continued

Defined benefit obligation		Dairy Crest Group Pension Fund 2014 £m	Restated 2013 £m
Fair value of scheme assets:	– Equities	**45.5**	84.3
	– Bonds and cash	**523.6**	393.4
	– Equity return swaps valuation	**3.3**	42.9
	– Property and other	**92.3**	62.5
	– Insured retirement obligations	**299.4**	286.3
		964.1	869.4
Defined benefit obligation:	– Uninsured retirement obligations	**(714.3)**	(639.4)
	– Insured retirement obligations	**(297.4)**	(286.3)
Total defined benefit obligation		**(1,011.7)**	(925.7)
Recognition of liability for unrecoverable notional surplus		**(10.1)**	(10.9)
		(1,021.8)	(936.6)
Net liability recognised in the balance sheet		**(57.7)**	(67.2)
Related deferred tax asset		**17.9**	17.1
Net pension liability		**(39.8)**	(50.1)

UK legislation requires that pension schemes are funded prudently. In 2013/14 the Group paid £20.0 million into the fund in line with the agreed schedule of contributions plus an additional £40.0 million from the proceeds of the sale of St Hubert. In addition to this, the Company granted the trustee of the Group's pension scheme to a floating charge over the maturing cheese inventories with a maximum realisable value of £60.0 million.

From October 2009, the Group has been making additional funding contributions to the scheme of £20.0 million per annum. Under the latest schedule of contributions agreed with Trustees (which was signed in March 2014), the contributions will be £13.0 million per annum for 2014/15 and 2015/16, increasing to £16.0 million per annum in 2016/17 reverting to £20.0 million per annum for 2017/18 through to 2019/20.

These annual contributions include £2.8 million per annum of rental payments for land and buildings that are subject to a sale and leaseback agreement between the Group and the Fund as part of the schedule of contributions. The land and buildings included in these arrangements are subject to long term leases and the Group will continue to benefit from substantially all of the risks and rewards of ownership. On this basis, under IFRS, these land and buildings continue to be recognised in property, plant and equipment and rental payments of £2.8 million per annum are treated as cash contributions, reflecting the substance of the arrangements.

The Group is entitled to any surplus on winding up of the Fund albeit refunds are subject to tax deductions of 35% at source. Based on the present value of committed cash contributions at 31 March 2014 and the IAS 19 valuation at that date of £47.6 million, £10.1 million would be deducted from any notional surplus returned to the Group and this has been recognised as an additional liability in accordance with IFRIC 14. However, it should be noted that cash contributions are determined by reference to the triennial actuarial valuation, not the IAS 19 valuation. The actuarial deficit is greater than that recognised under IAS 19 since liabilities are discounted by reference to gilt yields rather than high quality corporate bond yields.

In December 2008, certain obligations relating to retired members were hedged by the purchase of an insurance contract. A further insurance contract for retired members was purchased in June 2009 resulting in coverage for all members who retired up to August 2008. These contracts are included within scheme assets and their value will always be equal to the obligation as calculated under IAS 19 for those members covered.

The purchase of the second insurance contract in June 2009 was funded by the sale of equities. Subsequently, in order to re-establish an appropriate equity weighting of scheme assets, the Fund purchased equity total return swaps (synthetic equity). These instruments comprise an asset leg and a liability leg. The asset leg generates a return based on UK and overseas equity indices and the liability leg incurs a cost based on LIBOR plus margin. Credit risk is minimised since collateral is provided by the counterparties to the benefit of the Fund when the instruments are in the money. At 31 March 2014, the valuation of the above comprises a positive equity exposure of £155.7 million and a negative LIBOR exposure of £152.4 million (2013: equity exposure of £276.8 million and LIBOR exposure of £233.9 million).

The 2013/14 results have been produced under IAS 19R (revised 2011).

Administration expenses are now recognised in the income statement rather than as part of the actuarial gains and losses.

20 Retirement benefit obligations continued

The effects of the adoption of IAS19R on previously reported results are summarised as follows:

Consolidated Income Statement	Originally Reported 31 Mar 13 £m	Amended IAS 19R 31 Mar 13 £m	Movement 31 Mar 13 £m
Operating costs	(1,368.2)	(1,369.1)	(0.9)
Other finance income/(costs) – pensions	5.9	(3.5)	(9.4)
Profit before tax	(0.4)	(10.7)	(10.3)
Tax	0.4	2.8	2.4
Profit for the period	54.5	46.6	(7.9)
Consolidated Statement of Comprehensive Income			
Profit for the period	54.5	46.6	(7.9)
Actuarial gains/(losses)	(13.5)	(3.2)	10.3
Tax	7.6	5.2	(2.4)
Consolidated Balance Sheet			
Deferred tax liability	–	–	–
Shareholders' funds	–	–	–
Decrease in reported earnings per share:			
Basic earnings per share on profit for the year (pence)	40.5	34.6	(5.9)
Diluted earnings per share on profit for the year (pence)	39.9	34.6	(5.3)
Basic earnings/(loss) per share from continuing operations (pence)	–	(5.9)	(5.9)
Diluted earnings/(loss) per share from continuing operations (pence)	–	(5.9)	(5.9)
Adjusted basic earnings per share from continuing operations (pence)	29.9	29.4	(0.5)
Adjusted diluted earnings per share from continuing operations (pence)	29.5	29.4	(0.1)
Basic earnings per share from discontinued operations (pence)	40.5	40.5	–
Diluted earnings per share from discontinued operations (pence)	39.9	40.5	0.6

The average duration of Fund liabilities is approximately 17 years (2013: 18 years). Discount rate assumptions for each reporting period are based upon quoted AA-rated corporate bond indices with maturities matching the Fund's expected benefit payments. The Fund duration is an indicator of the weighted-average time until benefit payments are made. For the Fund as a whole, the duration is around 18 years reflecting the approximate split of the defined benefit obligation (including insured pensioners) between deferred members (duration of 24 years), current non-insured pensioners (duration of 15 years) and insured pensioners (duration of 11 years).

The following table provides an analysis of the defined benefit obligation by membership category:

	2014 £m	2013 £m
Deferred members	**498.6**	442.5
Non-insured pensioner members	**215.7**	196.9
Insured pensioner members	**297.4**	286.3
Total defined benefit obligation	**1,011.7**	925.7

The RPI inflation assumptions are determined by adopting a yield curve approach, based on the break-even rate of inflation implied by fixed interest gilt yields and index-linked yields. Applying this approach to the Fund's projected benefit payments gives an average break-even inflation assumption of 3.6% (2013: 3.5%). The CPI inflation assumption is determined by reference to adjusted RPI rather than by reference to CPI-linked investments where the market is small and illiquid. The principal differences between RPI and CPI are (i) the formula effect due to RPI using arithmetic means and CPI geometric means, and (ii) the bundles of goods considered – CPI excludes mortgage payments and other housing costs. The assumption used at 31 March 2014 is that CPI inflation will track 1.0% points below RPI inflation in the long term (2013: 1.0%) and is therefore set at 2.6% (2013: 2.5%). Pension increase assumptions are based on RPI with an adjustment to reflect caps within the Fund rules.

20 Retirement benefit obligations continued

The annuity contracts purchased in 2008 and 2009 provide increases on post-88 GMP in line with RPI inflation up to 3% per annum. However, since 2011 the post-88 GMP paid to members only need to increase with CPI inflation up to 3% per annum which is expected to be less than RPI. It is therefore expected that the annuity contracts are expected to pay out slightly more than will be paid out to members so the asset valuation for the annuity contracts are £2.0 million higher than the corresponding liabilities.

Mortality assumptions were updated in the year ended 31 March 2014 based on analysis of the membership data performed as part of the March 2013 full actuarial valuation. The result was an increase in life expectancy assumptions of approximately 0.9 years. Details of the changes to mortality assumptions are detailed later in this note.

The key assumptions used for IAS 19 are discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows:

	Expected Expense for 14/15			
	Service Cost	Net Interest	Total P&L Charge	March 2014 Deficit
Current Figures	1.0	1.8	2.8	(47.6)
Effect of a 0.1% decrease in the discount rate	–	0.6	0.6	(15.4)
Recalculated value	1.0	2.4	3.4	(63.0)
Effect of a 0.1% increase in the inflation assumption	–	0.4	0.4	(10.0)
Recalculated value	1.0	2.2	3.2	(57.6)
Effect of a 1 year increase in life expectancy	–	1.1	1.1	(25.4)
Recalculated value	1.0	2.9	3.9	(73.0)

The above sensitivities assume that the Fund's assets remain unchanged but in practice changes in interest and inflation rates will also affect the value of the Fund's assets. The Company and Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset/liability matching policy which aims to reduce the volatility of the funding level of the Fund by investing in assets which perform in line with the liabilities of the Fund. In December 2008 and June 2009, certain obligations relating to retired members were fully hedged by the purchase of annuity contracts. The Fund's other investments include matching assets which protect against changes in bond yields and against inflation risk: the respective interest rate and inflation hedge ratios for these assets as at 31 March 2014 were 25.8% and 23.3% of those obligations not covered by annuity contracts.

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create an increased deficit. The Fund holds a significant proportion in a range of return-seeking assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to return-seeking assets is monitored to ensure it remains appropriate given the Fund's long term objectives.

A decrease in corporate bond yields will increase the value placed on the Fund's liabilities for accounting purposes, although this will be partially offset by an expected increase in the value of the Fund's bond holdings.

A significant proportion of the Fund's benefit obligations are linked to inflation, and higher expected future inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in expected future inflation will also increase the deficit.

The majority of the Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pension ('GMP'). The UK Government intends to implement legislation which could result in higher benefits for some members. This would increase the defined benefit obligation of the Fund. At this stage, it is not possible to quantify the impact of this change.

20 Retirement benefit obligations continued

	Dairy Crest Group Pension Fund	
Movement in the present value of the defined benefit obligations are as follows:	**2014 £m**	2013 £m
Opening defined benefit obligation	**(925.7)**	(845.9)
Interest cost	**(41.8)**	(41.5)
Actuarial losses	**(77.2)**	(72.0)
Benefits paid	**33.0**	33.7
Closing defined benefit obligation	**(1,011.7)**	(925.7)

Movement in the fair value of plan assets are as follows:		
Opening fair value of scheme assets	**869.4**	766.1
Interest income on fund assets	**41.5**	38.0
Remeasurement gains on fund assets	**26.8**	79.7
Contributions by employer	**60.4**	20.2
Administration costs incurred	**(1.0)**	(0.9)
Benefits paid out	**(33.0)**	(33.7)
Closing fair value of plan assets	**964.1**	869.4

The principal assumptions used in determining retirement benefit obligations for the Dairy Crest Group Pension Fund are shown below:

	2014 %	2013 %	2012 %
Key assumptions:			
Price inflation (RPI)	**3.6**	3.5	3.4
Price inflation (CPI)	**2.6**	2.5	2.4
Pension increases (Pre 1993 – RPI to 7%/annum)	**3.6**	3.5	3.4
Pension increases (1993 to 2006 – RPI to 5%/annum)	**3.4**	3.3	3.2
Pension increases (Post 2006 – RPI to 4% pa)	**3.1**	3.0	3.0
Life expectancy at 65 for a male currently aged 50 (years)	**23.8**	22.6	22.5
Average expected remaining life of a 65 year old retired male (years)	**22.3**	21.7	21.6
Life expectancy at 65 for a female currently aged 50 (years)	**26.7**	25.3	25.2
Average expected remaining life of a 65 year old retired female (years)	**24.5**	24.1	24.0
Discount rate	**4.3**	4.6	5.0

The financial assumptions reflect the nature and term of the Fund's liabilities.

The mortality assumptions are based on analysis of the Fund members, and allow for expected future improvements in mortality rates.

It has been assumed that members exchange 25% of their pension for a cash lump sum at retirement.

The results of the latest funding valuation at 31 March 2013 have been adjusted to the balance sheet date taking account of experience over the period since 31 March 2013, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined obligation and the related current service cost were measured using the Projected Unit Credit Method.

20 Retirement benefit obligations continued

The Fund's assets are invested in the following asset classes (all assets have a quoted market value in an active market with the exception of property, annuity policy and cash).

Assets	2014 £m	2013 £m	2012 £m
Equities:			
United Kingdom	**50.6**	137.3	115.9
North America	**62.8**	89.3	69.0
Europe (ex UK)	**29.1**	35.8	27.7
Japan	**15.8**	34.4	29.8
Asia (ex Japan)	**8.2**	16.0	12.6
Emerging Markets	**21.0**	37.8	34.4
Global Small Cap	**13.7**	12.2	9.7
Cash/LIBOR Synthetic Equity	**(152.4)**	(235.5)	(164.8)
Emerging Market Debt [i]	**61.2**	38.4	33.8
High Yield Bonds	**–**	22.7	20.0
Multi Asset Credit [ii]	**60.0**	–	–
Insurance Linked Securities [iii]	**24.7**	–	–
Absolute Return Bonds [iv]	**30.4**	–	–
Bonds:			
Government Index Linked Gilts	**–**	111.4	59.4
Network Rail Index Linked Gilts	**–**	60.5	55.0
Corporate Bonds	**98.0**	131.8	117.1
Liability Driven Investments [v]	**170.0**	–	–
Annuity Policy	**299.4**	286.3	279.6
Property	**67.6**	62.5	58.8
Cash	**104.0**	28.5	8.1
Total	**964.1**	869.4	766.1

31/3/2014 equities are a combination of physical equities of £45.5 million, a positive synthetic equity exposure of £155.7 million and a negative LIBOR exposure of £152.4 million. The Group does not use any of the pension fund assets.

i This is debt issued by emerging market countries denominated in the emerging market's domestic currency. The debt is almost entirely issued by governments and not by corporations. Investors benefit from higher yields on the bonds due to the additional risks of investing in emerging market countries, compared to developed countries and it is also expected that the emerging market currencies will appreciate over time relative to developed countries.

ii Multi Asset Credit strategies invest globally in a wide range of credit-based asset classes which include bank loans, high yield bonds, securitised debt, emerging market debt and distressed debt of non-investment grade. The investment strategies will also allocate amounts in investment grade credit, sovereign bonds and cash for defensive reasons. The strategies are opportunistic and allocate dynamically to the best opportunities within the credit market from an asset allocation and individual security selection perspective.

iii Insurance linked securities are event-linked investments which allow investors outside the insurance industry to access insurance premiums for assuming various forms and degrees of insurance risk. The underlying risk premium is a type of invent risk where the event is linked to natural or man-made catastrophes. The premium paid to the investor represents compensation for the "expected loss" due to the uncertainty around the size and timing of the insured event.

iv Absolute Return Bond strategies are designed to deliver a positive return in all market environments and will take advantage of numerous alpha opportunities within the fixed income universe. The objective of the strategy is to capture returns from active management in a number of areas within fixed income including interest rates, currencies, asset allocation and security selection. The strategy will have long and short positions and employ a degree of leverage. The strategies tend to have low sensitivity to the direction of interest rates and credit.

v Insight have been appointed to manage the Liability Driven Investment ('LDI') portfolio for the Fund. The objective is to hedge a proportion of the Fund's liabilities against changes in interest rates and inflation expectations by investing in assets that are similarly sensitive to changes in interest rates and inflation expectations. The current hedging target for the LDI portfolio is to hedge approximately 36% of the fixed and inflation linked liabilities of the Fund. Currently the LDI portfolio hedges c20.7% and c23.3% of the fixed and inflation linked liabilities respectively. Insight will seek to add interest and inflation exposure to the LDI portfolio over time in line with parameters that have been set by the Trustee. Insight are permitted to use a range of swaps and gilt based derivative instruments as well as physical bonds to structure the liability hedge for the Fund. In addition, Insight are responsible for monitoring market yields against a number of pre-set yield triggers and will increase the level of hedging as and when the triggers are met.

20 Retirement benefit obligations continued

History of experience gains and losses:	2010 £m	2011 £m	2012 £m	2013 £m	**2014 £m**
Fair value of Fund assets	680.1	718.6	766.1	869.4	**964.1**
Present value of defined benefit obligation	(822.5)	(778.7)	(845.9)	(936.6)	**(1,021.8)**
Net deficit	(142.4)	(60.1)	(79.8)	(67.2)	**(57.7)**
Experience adjustments arising on Fund liabilities*	7.4	16.4	(6.5)	0.8	**4.3**
Adjustments arising from changes in underlying assumptions	(258.9)	21.7	(61.6)	(72.8)	**(81.5)**
Experience adjustments arising on Fund assets	143.1	31.5	32.9	79.7	**26.8**
Recognition of liability for unrecoverable notional surplus	–	–	–	(10.9)	**0.8**
Net actuarial (loss)/gain	(108.4)	69.6	(35.2)	(3.2)	**(49.6)**

* This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

These figures have been restated as if the accounts had been prepared under IAS 19R.

The Company recognises no liabilities on its balance sheet, or charges or credits in its income statement or statement of recognised income and expense in relation to the Group pension plans. The legal sponsor of the Dairy Crest Group Pension Fund is Dairy Crest Limited.

The Group has charged £7.0 million in respect of the Dairy Crest Group defined contribution scheme in the year ended 31 March 2014 (2013: £7.1 million). The Company has made no charge in respect of the Dairy Crest Group defined contribution scheme in the year ended 31 March 2014 (2013: nil).

21 Trade and other payables

	Consolidated		**Parent Company**	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Trade payables*	**131.2**	109.9	**–**	–
Other tax and social security	**4.2**	4.7	**–**	–
Other creditors*	**15.8**	13.6	**–**	–
Accruals*	**67.1**	93.6	**3.8**	16.9
	218.3	221.8	**3.8**	16.9

* Financial liabilities at amortised cost.

22 Deferred income

Current	**2014 £m**	2013 £m
Grants	**1.7**	1.6

Non-current		
Grants	**7.8**	9.6

In 2010/11 two new biomass boilers were installed at the Davidstow cheese manufacturing site. Capital expenditure amounted to £3.9 million and we received cash grants of £0.8 million during the year ended 31 March 2011 and £0.2 million during the year ended 31 March 2012 from the South West of England Regional Development Agency. This grant is conditional upon certain conditions principally regarding continued use and ownership of the boilers until 29 November 2014. In the year ended 31 March 2013, £0.4 million of this grant was voluntarily repaid in order to receive annual renewable heat incentives. The conditions concerning the remaining outstanding grant are unchanged.

In 2012/13 the Group announced that it was consolidating its spreads manufacturing in a single site at Kirkby, Liverpool. During the year the Group received a grant of £5.3 million under the Regional Growth Fund from the Department of Business, Innovation and Skills in relation to this project. This grant is conditional upon certain conditions over a five year term, principally the project being completed and creating or safeguarding the agreed number of jobs.

A grant of £0.3 million in relation to the Crudgington site was written off to exceptional items in the year ended 31 March 2013 following the write down of property, plant and equipment at that site following the announced closure plans. All conditions on this grant had been met and no repayment was required.

With the exception of the grants relating to the biomass boiler at Davidstow and the Kirkby job creation, the Group has met all applicable conditions attaching to grants at 31 March 2014 and all previously received grants were unconditional at that date.

23 Provisions

	Onerous contracts £m
At 31 March 2012 – current	2.3
Utilised	(0.8)
Discount unwind	0.2
At 31 March 2013 – current	1.7
Utilised	(0.2)
Discount unwind	0.2
At 31 March 2014 – current	**1.7**

Onerous contract

In June 2010, the Group disposed of 50% of the share capital of Wexford Creamery Limited ('WCL'). As part of the disposal, the Group entered into an agreement to purchase guaranteed minimum volumes of cheese from WCL for a period of five years from the date of disposal. The price paid by the Group for that cheese is determined by reference to cost plus margin. Realisations for commodity cheese fluctuate and at the date of disposal a provision of £3.6 million was charged in order to provide for the cost of the cheese purchase arrangements. At 31 March 2014 the provision amounted to £1.7 million (2013: £1.7 million).

24 Share capital

Authorised	**2014 Thousands**	2013 Thousands
Ordinary shares of 25 pence each	**240,000**	240,000

Issued and fully paid	**Thousands**	**£m**
At 31 March 2012	133,351	33.3
Issued for cash on exercise of share options	3,245	0.8
At 31 March 2013	136,596	34.1
Issued for cash on exercise of share options	113	0.1
At 31 March 2014	**136,709**	**34.2**

During the year ended 31 March 2014 113,558 shares were issued at a premium of £0.1 million for an aggregate consideration of £0.2 million (2013: 3,244,954 shares at a premium of £6.6 million for an aggregate consideration of £7.4 million). Exercises of LTISP options and vesting of deferred bonus shares are fulfilled by the issue of existing shares from the Dairy Crest Employees' Share Ownership Plan ('ESOP') - see Note 25.

25 Notes to statement of changes in equity

Consolidated

The shares held by the ESOP are available to satisfy awards under LTISP (see Note 26)

At 31 March 2014 the ESOP held 129,024 shares (2013: 127,939 shares) in the Company at a cost of £0.6 million (2013: £0.6 million). The ESOP was established in August 1996 to purchase shares in the Company in order to hedge certain future obligations of the Group including shares awarded under the LTISP, ESOS and the deferred bonus plan. During the year the Trustee of the ESOP issued 1,085 (2013: nil) shares following exercises of LTISP options and deferred bonuses.

The market value of the shares held by the ESOP, which are listed on the London Stock Exchange was £0.6 million at 31 March 2014 (2013: £0.5 million).

Other reserves – Consolidated	Merger reserve £m	Hedging reserve £m	Translation reserve £m	**Other reserves £m**
At 31 March 2013	55.9	(3.0)	(1.5)	51.4
Total recognised in other comprehensive income	–	0.9	–	0.9
At 31 March 2014	**55.9**	**(2.1)**	**(1.5)**	**52.3**
At 31 March 2012	55.9	(3.3)	(3.6)	49.0
Total recognised in other comprehensive income	–	0.3	2.1	2.4
At 31 March 2013	55.9	(3.0)	(1.5)	51.4

The merger reserve includes the premium on shares issued to satisfy the purchase of Dairy Crest Limited in 1996. The cumulative amount of goodwill charged against the merger reserve is £86.8 million (2013: £86.8 million). The reserve is not distributable.

The hedging reserve records the gains and losses on hedging instruments, to the extent that they are effective cash flow hedges. Any gains and losses previously recorded in the hedging reserve are reclassified in profit and loss when the underlying hedged item affects profit and loss.

The translation reserve records exchange differences arising from the translation of the accounts of foreign currency denominated subsidiaries offset by the movements on loans and derivatives designated to hedge the net investment in foreign subsidiaries.

Parent Company

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The profit for the year dealt with in the accounts of the Company is £24.7 million (2013: £44.4 million) including dividends received from subsidiary companies of £25.3 million (2013: £51.5 million). Dividends paid amounted to £28.5 million (2013: £27.4 million) which, along with a credit for share based payments of £0.3 million (2013: £0.5 million) resulted in a £3.5 million decrease in retained earnings (2013: £17.5 million increase).

In 1996 the Company acquired the entire issued share capital of Dairy Crest Limited. Consideration was in the form of cash and the issue of 109.8 million ordinary shares of 25 pence each. The fair value of the shares issued was estimated as £170.2 million. The capital reserve of £142.7 million, shown in the statement of changes in equity, represents the difference between the fair value of shares issued and their nominal value of £27.5 million.

26 Share based payment plans

Group

The Group has four share option schemes in operation.

The Dairy Crest Long Term Incentive Share Plan ('LTISP')

This is a long-term incentive scheme under which awards are made to directors and senior managers consisting of the right to acquire shares for a nominal price subject to the achievement of financial targets based on (i) total shareholder returns ('TSR') over a three year period versus comparator companies and (ii) growth in adjusted basic earnings per share. From 2009, the TSR element was increased from 50% to 60% of the awards granted. The vesting period for grants made under this scheme is 3 years with an exercise period of 7 years. In July 2013, a total of nil options was granted under the LTISP scheme (July 2012: 1,094,734). There are no cash settlement alternatives.

Dairy Crest Sharesave Scheme

All employees are eligible to join the Dairy Crest Sharesave Scheme, which allows employees to use regular monthly savings to purchase shares. Options are granted at a discount of up to 20% of the market value of the shares. No financial performance criteria are attached to these options and they vest three years from the date of grant with an exercise period of six months. In December 2013, nil options were granted under the Dairy Crest Sharesave Scheme (December 2012: 2,390,456 options at a grant price of 281 pence). There are no cash settlement alternatives.

Deferred Bonus Scheme ('DBS')

From 2005/06, bonuses earned that are in excess of 50% of basic salary are deferred in shares (and from 2011 in share options) with a vesting period of three years. The only vesting condition is continuing employment. The cost of these shares is charged over four years (being the year the bonus was earned and the three-year vesting period) and is based on the number of shares issued (or from 2011 over which nil cost options are granted) and the share price at the date of issue. No deferred shares were awarded or issued in relation to the year ended 31 March 2014 (2013:£nil).

The Dairy Crest Long Term Alignment Plan ('LTAP')

The LTAP replaced the LTISP in the year ended 31 March 2014. This is a long-term incentive scheme under which awards are made to directors and senior managers consisting of the right to acquire shares for a nominal price. The vesting period for grants made under this scheme is 50% of the award after 4 years and 50% after 5 years. Pre-grant performance criteria determine the amount of any initial grant after which there are no significant performance conditions prior to vesting. As such, these options are fair valued at 100% of the price at the date of the grant.

The number of share options and weighted average exercise price for each of the principal schemes is set out as follows:

	LTAP	LTISP*	Sharesave Scheme	
	number	number	number	weighted average exercise price (pence)
Options outstanding at 1 April 2013	–	2,000,800	3,526,048	275.4
Options granted during the year	333,953	–	–	–
Reinvested dividends	3,642	94,469	–	–
Options exercised during the year	–	(57,573)	(68,369)	264.4
Options forfeited during the year	–	(1,052,498)	(462,902)	273.1
Options outstanding at 31 March 2014	**337,595**	**985,198**	**2,994,777**	**276.0**
Exercisable at 31 March 2014	**–**	**177,231**	**–**	**–**
Options outstanding at 1 April 2012	–	1,860,408	4,768,410	238.4
Options granted during the year	–	1,094,734	2,390,456	281.0
Reinvested dividends	–	154,244	–	–
Options exercised during the year	–	–	(3,244,954)	227.2
Options forfeited during the year	–	(1,108,586)	(387,864)	259.3
Options outstanding at 31 March 2013	–	2,000,800	3,526,048	275.4
Exercisable at 31 March 2013	–	24,978	34,459	227.0

* The weighted average exercise price for LTISP options is nil.

Sharesave scheme options are exercisable up to September 2016 at prices ranging from 265p to 281p (March 2013: exercisable up to September 2016 at prices ranging from 227p to 281p). LTISP options are exercisable at varying dates up to July 2022 (March 2013: July 2022). LTAP options are exercisable at varying dates up to August 2023.

The remaining weighted average contractual life of options outstanding at March 2014 is 8.1 years for the LTISP, 9.4 years for the LTAP and 2.1 years for the Sharesave Scheme (2013: 8.7 years for the LTISP and 3.1 years for the Sharesave Scheme). The weighted average share price on exercise of Sharesave options was £2.76 (2013: £3.53).

26 Share based payment plans continued

The fair value factor of the Sharesave Scheme options issued in December 2012 was 20.7% giving a fair value of £0.81 per option granted. This has been computed using a Black-Scholes option pricing model. The key assumptions used in the valuation model for the December 2012 grant were: Expected share price volatility 22% risk free rate of interest 0.5% and dividend yield 5.22%. The volatility assumption is based on the historical volatility of the Dairy Crest Group plc share price over a period commensurate with the expected option life, ending on the grant date of option.

The LTISP has market and non-market based performance conditions. The fair value of the market performance element of the LTISP awards is calculated using a Monte Carlo option pricing model. The fair value factor for the award in July 2012 was 65% for the TSR element and 100% for the EPS element giving a fair value of £2.75 per option granted. The share price on granting 2012 awards was £3.34. The non-market performance element of the LTISP is based on EPS and the charge for this is the value of shares expected to vest calculated by reference to the share price at the date of grant. Volatility assumptions are made for Dairy Crest Group plc and comparator companies based on historical volatility of share prices over a period commensurate with the option life.

The input assumptions for the LTISP grant in the year ended 31 March 2013 were as follows:

Term	3 years
Volatility	23%
Risk free rate	0.4%
Average volatility of comparator TSR	36%
TSR correlation (Dairy Crest vs comparators)	22%

The expected life of the LTISP options is assumed to be equal to the vesting period, being three years.

The Group expense arising from share option plans for the year ended 31 March 2014 is £1.5 million (2013: £1.9 million) (see Note 9).

Company

The number of share options and weighted average exercise price for each of the schemes for employees of the Company is set out as follows:

	LTAP	LTISP	Sharesave Scheme	
	number	number	number	weighted average exercise price (pence)
Options outstanding at 1 April 2013	–	777,916	12,808	281.0
Options granted during the year	177,919	–	–	–
Reinvested dividends	1,938	34,221	–	–
Adjustment for change of director during the year	–	(165,222)	(3,202)	–
Options exercised during the year	–	–	–	–
Options forfeited during the year	–	(240,158)	–	–
Options outstanding at 31 March 2014	**179,857**	**406,757**	**9,606**	**281.0**
Exercisable at 31 March 2014	**–**	**73,609**	**–**	**–**
Options outstanding at 1 April 2012	–	683,272	15,988	227.0
Options granted during the year	–	393,540	12,808	281.0
Reinvested dividends	–	59,351	–	–
Options exercised during the year	–	–	(15,988)	227.0
Options forfeited during the year	–	(358,247)	–	–
Options outstanding at 31 March 2013	–	777,916	12,808	281.0
Exercisable at 31 March 2013	–	–	–	–

Sharesave Scheme options are exercisable up to September 2016 at a price of 281p (March 2013: up to September 2016 at a price of 281p). LTISP options are exercisable at varying dates up to July 2022 (2013: July 2022). The remaining average weighted average contractual life of options outstanding at 31 March 2014 is 8.1 years for the LTISP, 9.4 years for the LTAP and 2.4 years for the Sharesave Scheme (2013: LTISP 8.8 years and Sharesave Scheme 3.4 years). There were no exercises of LTISP options in the year ended 31 March 2014 (2013: nil).

The Company expense arising from share option plans for the year ended 31 March 2014 was £0.3 million (2013: £0.5 million).

27 Commitments and contingencies

The Group has entered into commercial leases on certain land and buildings, vehicles and equipment. There are no material renewal options, escalation clauses or purchase options included in the lease contracts. There are no contingent rentals or operating leases or material sub-leases. There are no significant restrictions placed upon the lessee by entering into these leases. Excluding land and buildings, these leases have an average life of between three and seven years.

During the year ended 31 March 2014, certain assets at the Severnside facility were sold for cash consideration of £7.4 million. This equipment has been leased back under an operating lease with a six year term. There are no purchase option clauses or any contingent lease rentals.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2014 £m	2013 £m
Within one year	**21.0**	23.6
After one year but not more than five years	**33.0**	43.8
More than five years	**13.9**	14.5

Finance leases

The Group finance leases principally comprise certain items of plant and equipment at the Davidstow site. The initial lease term is for 10 years with a further renewal term of 7 years. There are no purchase options and escalation clauses and there is no sub-leasing of the assets or contingent rentals. Future minimum payments under finance leases together with the present value of the net minimum lease payments are as follows:

		2014		2013
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year	**1.9**	**1.8**	2.5	2.4
After one year but not more than two years	**–**	**–**	3.2	3.1
After two years but not more than five years	**–**	**–**	–	–
After more than five years	**–**	**–**	–	–
Total minimum lease payments	**1.9**	**1.8**	5.7	5.5
Less: amounts representing finance charges	**(0.1)**	**–**	(0.2)	–
Present value of minimum lease payments	**1.8**	**1.8**	5.5	5.5

Trading guarantees

The Group has provided guarantees and counter-indemnities which totalled £4.0 million at 31 March 2014 (2013: £4.1 million). These guarantees are made principally by Philpot Dairy Products Limited, a subsidiary company, to customers as performance bonds and to the Rural Payment Agency in relation to EU subsidies claimed.

28 Related party transactions

In June 2010, the Group disposed of its controlling interest in Wexford Creamery Limited ('WCL'). WCL has been treated as an equity accounted associate from June 2010 to 31 March 2014. On disposal, the Group contracted to purchase guaranteed minimum volumes of cheese from WCL for a period of five years from the date of disposal. In the year ended 31 March 2014 the cost of cheese purchased was £6.4 million (2013: £7.5 million).

Compensation of key management personnel of the Group and Company	2014 £m	2013 £m
Short-term employee benefits	**3.4**	2.8
Share-based payments	**0.3**	0.5
Total compensation paid to key management personnel*	**3.7**	3.3

Key management personnel comprise Executive and Non-executive Board members of Dairy Crest Group plc. The senior management team is small and all key decisions are made by either the three Executive directors in the Executive Management Committee or by the Group Board which meets regularly.

Further details relating to compensation of key management personnel are set out in the Directors' Remuneration Report. This includes a description of pension arrangements and any cash supplements paid.

Dairy Crest Limited, a subsidiary company, incurred costs of £3.4 million (2013: £2.8 million) from the Company for the provision of management and administrative services carried out on its behalf. Dairy Crest Limited received £3.2 million (2013: £2.1 million) for the remuneration of the Company's employees which had been paid by Dairy Crest Limited.

Interest charges of £2.9 million (2013: £0.2 million) were incurred by the Company from Dairy Crest Limited loans reflecting an interest rate of LIBOR+100 basis points. Interest income of £11.3 million (2013: £12.1 million) was received by the Company from Dairy Crest Limited on loans reflecting an interest rate of 5.3% (2013: 5.3%) and a further £0.3 million was received by the Company from Dairy Crest Limited on floating rate loans paying LIBOR plus margin (2013: £0.3 million). The Company paid no interest (2013: £0 million) to Dairy Crest Limited on cross-currency swaps paying LIBOR and receiving EURIBOR.

29 Business combinations and disposals

Year ended 31 March 2014

Disposal of Northern Depots

As part of the ongoing rationalisation of the depot network, on 27 July 2013, the Group completed the disposal of seven depots located in the north-west of England for a cash consideration of £1.2 million. The carrying value of assets sold was £0.8 million including net working capital and fees of £0.1 million resulting in a profit on disposal of £0.3 million. The gain on disposal of these depots has been included in other income – property in the consolidated income statement.

Disposal of Discontinued Operation

£1.4 million of the original tax provision resulting from the trading of St Hubert SAS ('St Hubert') up to its disposal in August 2012 has now been released back to the income statement as discontinued operations. The provision for taxes crystallising as a result of the disposal are unchanged – see below.

Year ended 31 March 2013

Disposal of Discontinued Operation

Following a strategic review of the Group's overseas operations in the light of the inability to undertake synergistic acquisitions, on 28 August 2012 the Group completed the disposal of St Hubert SAS ('St Hubert') for a cash consideration of £341.1 million (€430.5 million). St Hubert formed part of the Spreads reportable segment. Cash held in the disposed business at that date amounted to £4.1 million, resulting in a net cash inflow to the Group of £337.0 million. This amount has been reduced by fees of £6.2 million. The disposal resulted in a post-tax profit of £47.7 million which can be analysed as follows:

29 Business combinations and disposals continued

	£m	£m
Sales proceeds – cash consideration		341.1
Book value of assets disposed of:		
Property, plant and equipment	10.3	
Goodwill	176.4	
Intangible assets	131.5	
Inventories	3.3	
Trade and other receivables	14.9	
Cash and short-term deposits	4.1	
Trade and other payables	(18.4)	
Current tax	(5.5)	
Deferred tax	(44.5)	(272.1)
Gain on disposal before fees and recycling of exchange differences		69.0
Fees		(6.2)
Amounts reclassified to profit and loss		(11.4)
Pre-tax gain on disposal		51.4
Expected tax charge		(3.7)
Post-tax gain on disposal of Discontinued Operation		47.7

The expected tax charge principally comprises capital gains taxes resulting from the disposal as well as expected taxation on €74 million of dividends paid in the period up to the date of disposal. These taxes were crystallised as a result of the divestment and as a consequence the breaking of the St Hubert tax group. An estimate has been made of the likely tax costs resulting from these transactions however the final assessment has yet to be agreed with the French tax authorities which may result in a change to the level of tax provisioning.

As a result of the disposal the St Hubert business has been classified as discontinued operations. The post-tax profit of discontinued operations can be analysed as follows:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Revenue	**–**	41.7
Operating costs before amortisation of acquired intangibles	**–**	(27.5)
Trading profit	**–**	14.2
Amortisation of acquired intangibles	**–**	(3.0)
Profit on operations	**–**	11.2
Finance income	**–**	0.1
Profit before tax	**–**	11.3
Tax credit/(expense)	**1.4**	(4.5)
Profit for the year from Discontinued Operation	**1.4**	6.8

The cash flows of the St Hubert business in the period to the date of disposal can be analysed as follows:

Cash flow from operating activities	**–**	0.3
Cash used in investing activities	**–**	(0.6)
Cash generated from financing activities	**–**	0.1
Net movement in cash and cash equivalents	**–**	(0.2)

Acquisitions

On 1 March 2013, the Group acquired the business and certain assets of Proper Welsh Milk Company Limited from the administrators BDO LLP for £0.3 million. The fair value of the net assets acquired was £0.3 million, comprising property, plant and equipment of £0.5 million less statutory and other liabilities taken over of £0.2 million, resulting in goodwill on acquisition of nil.

During the year ended 31 March 2013, the Group acquired 7% of the share capital of HIECO Limited for a consideration of £0.3 million.

30 Financial risk management objectives and policies

The objective of the treasury function, which is accountable to the Board, is to manage the Group's and Company's financial risk, secure cost-effective funding for the Group's operations and to minimise the effects of fluctuations in interest rates and exchange rates on the value of the Group's and Company's financial assets and liabilities, on reported profitability and on cash flows.

The Group's principal financial instruments comprise bank loans and overdrafts, loan notes, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions; principally cross currency swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout 2013 and 2014, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk, price risk and credit risk. Information on how these risks arise is set out below, as are the objectives, policies and processes agreed by the Board for their management and the methods used to measure each risk. Derivative instruments are used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies. The Group's accounting policies in relation to derivatives are set out in the Accounting Policies note.

Liquidity risk

The Group's objectives are:

- to ensure that forecast peak net borrowings, plus a prudent operating headroom are covered by committed facilities which mature after at least 12 months;
- to ensure that prudent headroom versus bank and loan note covenant ratios are forecast for the next three years;
- to maintain flexibility of funding by employing diverse sources of funds (eg: use of non-bank markets such as private placements); and
- to avoid a concentration of facility maturities in any particular year.

The maturity analysis of Group borrowings is set out in Note 19. At 31 March 2014 the Group's total credit facilities amounted to £414.0 million (2013: £627.3 million) excluding finance leases of £1.8 million (2013: £5.5 million) and the impact of cross-currency swaps on US Dollar and Euro loan notes of £2.1 million (2013: £17.8 million). The facilities at 31 March 2014 and 2013 consisted of:

March 2014

- £170 million plus €90 million multi-currency revolving credit facility repayable at maturity in October 2016; and
- loan notes totalling £169.5 million repayable between April 2014 and November 2021.

March 2013

- £170 million plus €150 million multi-currency revolving credit facility repayable at maturity in October 2016; and
- loan notes totalling £330.4 million repayable between April 2013 and November 2021.

Undrawn revolving credit facilities at 31 March 2014 amounted to £208 million (2013: £297 million). Effective headroom including cash and short term deposits amounted to £275.7 million (2013: £573.1 million).

The Group aims to mitigate liquidity risk by closely managing cash generation by its operating businesses and by monitoring performance to budgets and forecasts. Capital investment is carefully controlled, with detailed authorisation limits in place up to Executive level and cash payback criteria considered as part of the investment appraisal process. Short-term and long-term cash and debt forecasts are constantly reviewed and there are regular treasury updates to the Executive highlighting facility headroom and net debt performance.

Day-to-day cash management utilises undrawn revolving credit facilities, overdraft facilities and occasionally short-term money market deposits if there is excess cash.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relate primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's long-term strategy is to keep between one third and three quarters of its borrowings at fixed rates of interest in the medium term. To manage this mix in a cost-efficient manner, the Group has issued fixed coupon loan notes and also enters into interest rate swaps from time to time on a portion of its floating bank borrowings, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt interest cash flow obligations. In the short-term the proportion of fixed and floating rate borrowings can go outside the long-term range.

At 31 March 2014, 83% of the Group's borrowings were at a fixed rate of interest (2013: 100%). Following the maturity and repayment of loan notes in April 2013 the amounts drawn under revolving credit facilities have increased in 2013/14 and the fixed rate percentage of borrowings has fallen. In the medium term we expect the fixed proportion of borrowings to be in the target range.

The Group's borrowing facilities require minimum interest cover of 3.0 times.

The Group's exposure to interest rate risk is shown (by way of a sensitivity analysis) in Note 31.

Foreign currency risk

Following the sale of St Hubert SAS, the Group has no significant operations outside the UK. However it buys and sells a small amount of goods in currencies other than Sterling. As a result the value of the Group's non-Sterling revenues, purchases, assets, liabilities and cash flows can be affected by movements in exchange rates – predominantly Euro/Sterling.

The majority of the Group's transactions are carried out in the relevant entity's functional currency and therefore transaction exposures are limited. It can be seen in Note 16 that the only significant non-Sterling debtors are in Dollars. The Group trades skimmed milk products and bulk butter mainly to customers in Europe and Central and South America. The Group also exports its own skimmed milk products, bulk butter and other branded products. The Group's policy requires foreign currency sales and purchases through Philpot Dairy Products Limited, a subsidiary company, to be hedged by foreign exchange contracts once the transaction is committed so that the margin on the transaction can be fixed.

Currency exposures on other transactions, such as certain capital expenditure denominated in a foreign currency, are hedged following approval of the project using forward foreign exchange contracts.

In 2006 , 2007 and 2011 the Group issued loan notes denominated either in $US, € or £. Cross-currency swaps were implemented as required to hedge the interest and principal repayment cash flows. These have the effect of fixing the liability and coupon in Sterling. The principal amount and interest and principal payment dates on these swaps match those on the loan notes exactly and all swaps are with counterparties with strong credit ratings. There is no profit and loss exposure in relation to $US or € note debts as any retranslation impact on the profit and loss account is offset by reclassification of amounts from other comprehensive income into profit and loss.

Price risk

The Group is exposed to price risk related to certain commodities and their by-products used by the Group's businesses. The principal non-milk commodities that affect input prices for the Group are vegetable oils, gas, electricity, diesel, heavy fuel oil and crude oil by-products (used in packaging).

The Group monitors prices on an ongoing basis in order to assess the impact that movements have on profitability and to assess whether the amount of forward cover is appropriate. This includes vegetable oil contracts and energy, which is generally contracted one season in advance for both Summer and Winter energy but with some requirement contracted at more regular intervals.

The Group regularly reviews relevant commodity markets and levels of future cover. Fixed price contracts are only entered into with the approval of the Commodity Risk Committee comprising senior operational and finance management and external advisers.

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group only offers these terms to recognised, creditworthy third parties. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's history of bad debt losses is not significant.

The Dairies' doorstep business trades with individuals and receives cash payments on a weekly basis. Cash and debt management is a crucial part of this business and cash collection and balances due are closely monitored to ensure write-downs are minimised.

Debtor days outstanding are closely monitored throughout the year and action is taken promptly when payment terms are breached.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, trade and other debtors (excludes prepayments) and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The maximum exposure for the Group is equal to the carrying amount of these financial assets of £189.3 million (2013: £395.5 million). Following the sale of St Hubert the Group had significant cash deposits and until those funds were utilised to repay loan notes and provide one-off funding to the pension scheme in April 2013, no one financial institution had deposits in excess of £60 million and all institutions holding deposits were required to be rated A or above.

All revolving credit facility borrowings are through banks with long-term credit ratings of A or above. Funds temporarily surplus to business requirements are invested overnight through deposit accounts with mainstream UK commercial banks with a credit rating of A or better. The Group currently has no requirement to place deposits for a longer period, accordingly counterparty risk is considered to be acceptable. Derivative financial instruments are contracted with a range of banks with long-term credit ratings of A or above to avoid excessive concentration of financial instruments with one counterparty.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate level of gearing in order to support its business and maximise shareholder value. In addition, the Group monitors its forecast net debt to EBITDA ratios in order that they are comfortably within its banking covenant requirements. The maximum net debt to EBITDA ratio for the purposes of bank covenants is 3.5 times. At 31 March 2014 the ratio of net debt to EBITDA was 1.3 times (March 2013: 0.6 times).

The Group monitors its capital structure and makes adjustments to it in the light of changes in economic conditions or changes in Group structure. Possible mechanisms for changing capital structure include adjusting the level of dividends, issuance of new shares or returning capital to shareholders. No significant changes in capital structure have been implemented in the year ended 31 March 2014 or 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by shareholders' funds. The analysis of net debt is included in Note 33. The gearing ratio at March 2014 and 2013 can be analysed as follows:

30 Financial risk management objectives and policies continued

	2014 £m	2013 £m
Net debt	**142.2**	59.7
Shareholders' funds	**289.4**	307.4
Gearing ratio	**49%**	19%

Dividends

Details of dividends paid and proposed during the year are given in Note 7. The dividend policy following the sale of St Hubert is to maintain a progressive dividend whilst seeking to maintain a level of dividend cover between 1.5 and 2.5 times. The final proposed dividend for 2013/14 is 15.4 pence up 0.4 pence from last year (2013: 15.0 pence). Total dividends paid and proposed in respect of the year ended 31 March 2014 amount to 21.3 pence (2013: 20.7 pence).

31 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of Treasury policies in Note 30.

Consolidated

Interest rate maturity profile of financial assets and liabilities

The following table sets out the carrying amount, by maturity of the Group's financial assets and liabilities that are exposed to interest rate risk. No other financial assets and liabilities, other than those shown below, are exposed directly to interest rate risk.

	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	Total £m
At 31 March 2014							
Fixed rate							
Loan notes*	(25.3)	–	(83.8)	(11.6)	(15.0)	(33.8)	**(169.5)**
Finance leases	(1.8)	–	–	–	–	–	**(1.8)**
Forward currency contracts	0.4	–	–	–	–	–	**0.4**
Deferred consideration	–	1.4	–	–	–	–	**1.4**
Cross currency swaps	(2.0)	–	5.4	(0.3)	(1.4)	(4.5)	**(2.8)**
Floating rate							
Bank loans	–	–	(36.0)	–	–	–	**(36.0)**
Option to sell 20% holding in WCL	–	–	–	–	1.6	–	**1.6**
Cash at bank and in hand	67.3	–	–	–	–	–	**67.3**
At 31 March 2013							
Fixed rate							
Loan notes*	(165.7)	(26.0)	–	(91.0)	(11.8)	(53.6)	(348.1)
Finance leases	(2.4)	(3.1)	–	–	–	–	(5.5)
Forward currency contracts	(0.1)	–	–	–	–	–	(0.1)
Deferred consideration	–	–	1.4	–	–	–	1.4
Cross currency swaps	7.4	–	–	12.9	–	(3.9)	16.4
Floating rate							
Option to sell 20% holding in WCL	–	–	–	–	–	1.6	1.6
Cash at bank and in hand	276.1	–	–	–	–	–	276.1

* Classified as fixed rate after taking into account the effect of interest rate swaps.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings. There is no material impact on the Group's equity resulting from movements in interest rates other than in relation to the $US/GBP and EUR/GBP cross-currency swaps used as a cash flow hedge on $US and EUR loan notes. The impact on equity is nil over the life of the instruments as these swaps comprise an effective hedge. At 31 March 2014 83% of Group borrowings were at fixed rates of interest (2013: 100%) (see Note 30).

31 Financial instruments continued

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes non-derivative floating rate financial instruments except those where interest rate swaps have been used as cash flow hedges. This is due to the fact that gains and losses on the hedging instrument offset losses and gains on the non-derivative floating rate financial instrument which are subject to the hedge and are matched in both profit and loss and cash terms. No non-derivative fixed rate financial instruments have profit and loss exposure due to floating rates as a result of interest rate swaps.

The 2014 analysis below reflects lower reasonably possible changes in interest rates to 2013 – upside LIBOR expectations assumed last year were not realised and the assumption is that base rates will increase less than anticipated at March 2013.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2014			
Sterling	+ 100	0.4	–
Sterling	- 50	(0.2)	–
2013			
Sterling	+ 50	–	–
Dollar	+ 50	–	–
Sterling	- 50	–	–
Dollar	- 50	–	–

Equity price risk

The Group holds no listed equity investments and is not subject to equity price risk other than through the pension scheme (Note 20).

Credit risk

There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date (see Note 30).

Liquidity risk

The Group's policy on managing its liquidity risk is set out in Note 30. The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2014 and 2013 based on contractual undiscounted payments of interest and principal.

	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
At 31 March 2014							
Loan Notes	(32.6)	(7.3)	(86.2)	(13.4)	(16.7)	(37.3)	**(193.5)**
Cross-currency swaps (on loan notes):							
payment leg	(33.3)	(6.5)	(73.0)	(11.4)	(18.1)	(40.4)	**(182.7)**
receipt leg	31.9	6.6	76.1	10.6	16.7	37.3	**179.2**
Bank loans	–	–	(36.0)	–	–	–	**(36.0)**
Finance leases	(1.8)	–	–	–	–	–	**(1.8)**
At 31 March 2013							
Loan Notes	(174.7)	(33.8)	(7.9)	(93.6)	(13.8)	(59.4)	(383.2)
Cross-currency swaps (on loan notes):							–
payment leg	(106.6)	(33.3)	(6.0)	(72.6)	(2.3)	(60.5)	(281.3)
receipt leg	114.2	32.7	6.7	83.0	2.0	59.4	298.0
Finance leases	(2.5)	(3.2)	–	–	–	–	(5.7)

Forward currency contracts, and short-term payables all mature within one year.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

The numbers

31 Financial instruments continued

Fair values

	Carrying amount		Fair value	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Financial assets				
Current				
Cash and cash equivalents (Note 18)	**67.3**	276.1	**67.3**	276.1
Forward currency contracts (Note 17)	**0.4**	–	**0.4**	–
Cross currency swaps (Note 17)	**–**	9.6	**–**	9.6
Non-current				
Deferred consideration	**1.4**	1.4	**1.4**	1.4
Wexford Creamery Limited option (Note 17)	**1.6**	1.6	**1.6**	1.6
Cross currency swaps (Note 17)	**5.4**	12.9	**5.4**	12.9
Financial liabilities				
Current				
Current obligations under finance leases (Note 19)	**(1.8)**	(2.4)	**(1.8)**	(2.4)
Loan notes (Note 19)	**(25.3)**	(165.7)	**(25.3)**	(165.7)
Forward currency contracts (Note 19)	**–**	(0.1)	**–**	(0.1)
Cross currency swaps (Note 19)	**(2.0)**	(2.2)	**(2.0)**	(2.2)
Non-current				
Non-current obligations under finance leases (Note 19)	**–**	(3.1)	**–**	(3.1)
Non-current instalments due on bank loans (Note 19)	**(36.0)**	–	**(36.0)**	–
Loan notes (Note 19)	**(144.2)**	(182.4)	**(142.9)**	(189.5)
Cross currency swaps (Note 19)	**(6.2)**	(3.9)	**(6.2)**	(3.9)

The above table excludes trade and other receivables and payables as their fair value approximates carrying value. The fair value of interest rate swaps and forward currency contracts has been determined by the third party financial institution with whom the Group holds the instrument, in line with the market value of similar instruments. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

Cross currency swaps

The notional principal amount of the outstanding USD/GBP cross currency swap contracts at 31 March 2014 was $204.4 million (£122.4 million) (2013: $308.7 million, £181.9 million). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2014 the fixed interest rates varied from 3.863% to 5.305% (2013: 3.863% to 5.315%). Any gains/losses arising from fair value adjustments deferred in equity will reverse in the income statement (finance costs) during the next one to eight years (being the life of the swaps).

The notional principal amount of the outstanding EUR/GBP cross currency swap contracts at 31 March 2014 was €41.3 million (£36.5 million) (2013: €75.0 million; £67.0 million). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2014 the fixed interest rates varied from 4.955% to 5.600% (2013: 4.955% to 5.180%). The loss deferred in equity will reverse in the income statement (finance costs) during the next year (being the life of the swaps).

Forward currency contracts

The Group has entered into certain forward currency contracts in order to hedge the Sterling cost of currency-denominated future purchases and receipts. These forward currency purchases have been designated cash flow hedges and meet the criteria for hedge accounting. They all have a duration of less than one year and any gains or losses deferred will then be reclassified to the income statement (operating costs).

Borrowing facilities

The Group has undrawn committed long-term borrowing facilities available at 31 March 2014 of £208 million (2013: £297 million) in respect of which all conditions precedent had been met at that date. In April 2013, £51 million of the facilities were cancelled. Undrawn facilities expire in October 2016.

31 Financial instruments continued

Company

Interest rate maturity profile of financial assets and liabilities

The following table sets out the carrying amount, by maturity of the Company's financial assets and liabilities that are exposed to interest rate risk. No other financial assets and liabilities, other than those shown below, are exposed directly to interest rate risk.

At 31 March 2014	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
Fixed rate							
Loan notes*	(25.3)	–	(83.8)	(11.6)	(15.0)	(33.8)	**(169.5)**
Intercompany receivables	168.8	–	–	–	–	–	**168.8**
Cross currency swaps	(2.0)	–	5.4	(0.3)	(1.4)	(4.5)	**(2.8)**
Floating rate							
Intercompany payables	(159.0)	–	–	–	–	–	**(159.0)**
At 31 March 2013							
Fixed rate							
Loan notes*	(165.7)	(26.0)	–	(91.0)	(11.8)	(53.6)	(348.1)
Intercompany receivables	218.7	–	–	–	–	–	218.7
Cross currency swaps	7.4	–	–	12.9	–	(3.9)	16.4
Floating rate							
Cash at bank and in hand	14.8	–	–	–	–	–	14.8
Intercompany payables	(49.4)	–	–	–	–	–	(49.4)

* These have been classified as fixed rate after taking into account the effect of interest rate swaps.

31 Financial instruments continued

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax through the impact on floating rate borrowings. There is no impact on the Company's equity resulting from movements in interest rates other than in relation to the $US/GBP and EUR/GBP cross-currency swaps used as a cash flow hedge on $US and EUR loan notes. The impact on equity is nil over the life of the instruments as these swaps comprise an effective hedge.

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes non-derivative floating rate financial instruments except those where interest rate swaps have been used as cash flow hedges. This is due to the fact that gains and losses on the hedging instrument offset losses and gains on the non-derivative floating rate financial instrument which are subject to the hedge are matched in both profit and loss and cash terms. No non-derivative fixed rate financial instruments have profit and loss exposure due to floating rates as a result of interest rate swaps.

The 2014 analysis below reflects lower reasonably possible changes in interest rates to 2013 – upside LIBOR expectations assumed last year were not realised and the assumption is that base rates will increase less than anticipated at March 2013.

	Increases/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2014			
Sterling	+ 100	–	–
Sterling	- 50	–	–
2013			
Sterling	+ 50	–	–
Dollar	+ 50	–	–
Sterling	- 50	–	–
Dollar	- 50	–	–

Equity price risk

The Company holds no listed equity investments and is not subject to equity price risk.

Credit risk

The maximum exposure to credit risk is the carrying amount of financial assets.

Liquidity risk

The Company's policy on managing its liquidity risk is set out in Note 30. The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2014 and 2013 based on contractual undiscounted payments of interest and principal.

At 31 March 2014	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
Loan Notes	(32.6)	(7.3)	(86.2)	(13.4)	(16.7)	(37.3)	**(193.5)**
Cross-currency swaps (on loan notes):							
payment leg	(33.3)	(6.5)	(73.0)	(11.4)	(18.1)	(40.4)	**(182.7)**
receipt leg	31.9	6.6	76.1	10.6	16.7	37.3	**179.2**
At 31 March 2013							
Loan Notes	(174.7)	(33.8)	(7.9)	(93.6)	(13.8)	(59.4)	(383.2)
Cross-currency swaps (on loan notes):							
payment leg	(106.6)	(33.3)	(6.0)	(72.6)	(2.3)	(60.5)	(281.3)
receipt leg	114.2	32.7	6.7	83.0	2.0	59.4	298.0

Forward currency contracts, and short-term payables and accruals all mature within one year.

31 Financial instruments continued

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Financial assets				
Current				
Cash and cash equivalents (Note 18)	**–**	14.8	**–**	14.8
Other receivables (Note 16)	**9.9**	169.3	**9.9**	169.3
External cross currency swaps (Note 17)	**–**	9.6	**–**	9.6
Non-current				
External cross currency swaps (Note 17)	**5.4**	12.9	**5.4**	12.9
Financial liabilities				
Current				
Loan notes (Note 19)	**(25.3)**	(165.7)	**(25.3)**	(165.7)
External cross currency swaps (Note 19)	**(2.0)**	(2.2)	**(2.0)**	(2.2)
Non-current				
Loan notes (Note 19)	**(144.2)**	(182.4)	**(142.0)**	(189.5)
External cross currency swaps (Note 19)	**(6.2)**	(3.9)	**(6.2)**	(3.9)

No other financial assets and liabilities are exposed directly to interest rate risk.

Other receivables comprise the net of all intercompany balances with Dairy Crest Limited. All intercompany balances are repayable on demand and are subject to interest based on LIBOR plus a margin with the exception of one intercompany receivable from Dairy Crest Limited of £171.7 million (2013: £277.1 million) on which interest is receivable at 5.0% % (2013: 5.0%).

Cross currency swaps

External

The notional principal amount of the outstanding USD/GBP cross currency swap contracts at 31 March 2014 was $204.4 million (£122.4 million) (2013: $308.7 million, £181.9 million). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2014 the fixed interest rates varied from 3.863% to 5.305% (2013: 3.863% to 5.315%). Any gains/losses arising from fair value adjustments deferred in equity will reverse in the income statement (finance costs) during the next one to eight years (being the life of the swaps).

The notional principal amount of the outstanding EUR/GBP cross currency swap contracts at 31 March 2014 was €41.3 million (£36.5 million) (2013: €75.0 million; £67.0 million). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2014 the fixed interest rate varied from 4.955% to 5.600% (2013:4.955% to 5.180%). The loss deferred in equity will reverse in the income statement (finance costs) during the next year (being the life of the swaps).

Borrowing facilities

The Company has undrawn committed long-term borrowing facilities available at 31 March 2014 of £208 million (2013: £297 million) in respect of which all conditions precedent had been met at that date. These undrawn facilities expire in October 2016.

32 Cash flow from operating activities

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Profit/(loss) before taxation – continuing operations	**54.2**	(10.7)
Profit before taxation – discontinued operations	**–**	62.7
Remove pre-tax profit on disposal of business	**–**	(51.4)
Finance costs and other finance income – continuing operations	**10.4**	30.9
Finance costs and other finance income – discontinued operations	**–**	(0.1)
Share of associate's net profit	**(0.3)**	–
Profit on operations	**64.3**	31.4
Depreciation	**28.6**	29.0
Amortisation of internally generated intangible assets	**3.3**	3.4
Amortisation of acquired intangible assets	**0.4**	3.4
Exceptional items	**(10.6)**	17.9
Release of grants	**(1.7)**	(0.9)
Share based payments	**1.5**	1.9
Profit on disposal of depots	**(18.2)**	(7.7)
Difference between pension contributions paid and amounts recognised in the income statement	**(59.4)**	(19.3)
R&D tax credits	**(0.2)**	–
Realised exchange loss on early loan note repayment	**0.8**	–
Increase in inventories	**(12.0)**	(25.0)
(Increase)/decrease in receivables	**(20.8)**	18.7
Increase/(decrease) in payables	**10.2**	(33.7)
Cash (used in)/generated from operations	**(13.8)**	19.1

No cash was generated from operations for the Company in the year ended 31 March 2014 (2013: nil)

33 Analysis of net debt

Group

	At 1 April 2013 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 31 March 2014 £m**
Cash and cash equivalents	276.1	(208.8)	–	–	**67.3**
Borrowings (current)	(165.7)	159.4	(25.3)	6.3	**(25.3)**
Borrowings (non-current)	(182.4)	(36.0)	25.3	12.9	**(180.2)**
Finance leases	(5.5)	3.7	–	–	**(1.8)**
Debt issuance costs	1.8	–	(0.7)	–	**1.1**
	(75.7)	(81.7)	(0.7)	19.2	**(138.9)**
Debt issuance costs excluded	(1.8)	–	0.7	–	**(1.1)**
Impact of cross-currency swaps*	17.8	–	–	(20.0)	**(2.2)**
Net debt	(59.7)	(81.7)	–	(0.8)	**(142.2)**

	At 1 April 2012 £m	Cash flow £m	Non–cash movement £m	Exchange movement £m	At 31 March 2013 £m
Cash and cash equivalents	79.4	192.8	–	3.9	276.1
Borrowings (current)	–	–	(165.7)	–	(165.7)
Borrowings (non-current)	(417.2)	76.2	165.7	(7.1)	(182.4)
Finance leases	(7.2)	1.7	–	–	(5.5)
Debt issuance costs	2.7	–	(0.9)	–	1.8
	(342.3)	270.7	(0.9)	(3.2)	(75.7)
Debt issuance costs excluded	(2.7)	–	0.9	–	(1.8)
Impact of cross-currency swaps*	8.6	–	–	9.2	17.8
Net debt	(336.4)	270.7	–	6.0	(59.7)

* The Group has $204.4 million and €41.3 million of loan notes against which cross-currency swaps have been put in place to fix interest and principal repayments in Sterling (March 2013: $308.7 million and €75.0 million). Under IFRS, currency borrowings are retranslated into Sterling at year end exchange rates. The cross-currency swaps are recorded at fair value and incorporate movements in both market exchange rates and interest rates. The Group defines net debt so as to include the effective Sterling liability where cross-currency swaps have been used to convert foreign currency borrowings into Sterling. The £2.2 million adjustment included in the above (March 2013: £17.8 million) converts the Sterling equivalent of Dollar and Euro loan notes from year end exchange rates (£156.8 million (March 2013: £266.7 million) to the fixed Sterling liability of £158.9 million (March 2013: £248.9 million)).

On 18 April 2013 the Group repaid €106.9 million (£92.7 million) and £7.2 million of 2007 notes at a combined premium of £8.7 million. £69.2 million of these notes were due for repayment in April 2014 and £30.7 million were due for repayment in April 2017. In addition there was a natural maturity of £59.5 million ($104.3 million) of loan notes and a €60.0 million (£51.0 million) reduction in the revolving credit facility.

Company	At 1 April 2013 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 1 March 2014 £m**
Cash and cash equivalents	14.8	(14.8)	–	–	**–**
Borrowings (current)	(165.7)	159.4	(25.3)	6.3	**(25.3)**
Borrowings (non-current)	(182.4)	–	25.3	12.9	**(144.2)**
	(333.3)	144.6	–	19.2	**(169.5)**
Borrowings (non-current) – impact of cross-currency swaps	17.8	–	–	(20.0)	**(2.2)**
Net debt	(315.5)	144.6	–	(0.8)	**(171.7)**

	At 1 April 2012 £m	Cash flow £m	Non–cash movement £m	Exchange movement £m	At 1 March 2013 £m
Cash and cash equivalents	–	13.7	–	1.1	14.8
Borrowings (current)	–	(165.7)	–	–	(165.7)
Borrowings (non-current)	(407.2)	229.1	–	(4.3)	(182.4)
	(407.2)	77.1	–	(3.2)	(333.3)
Borrowings (non-current) – impact of cross-currency swaps	8.6	–	–	9.2	17.8
Net debt	(398.6)	77.1	–	6.0	(315.5)

34 Post balance sheet events

On 14 April 2014 the Group completed the sale of a depot in Surbiton, Surrey for proceeds of £5.4 million resulting in a profit on disposal of £4.9 million.

On 16 May 2014 the Group completed the sale of its 30% shareholding in Wexford Creamery Limited for 3.4 million Euros (£2.8 million). At 31 March 2014 the net carrying value totalled £2.1 million comprising share of associates, deferred consideration and valuation of options net of contract provisions.

35 Corporate information

The consolidated accounts of Dairy Crest Group plc for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the Directors on 21 May 2014 and the consolidated and Company balance sheets were signed on the Board's behalf by Mr M Allen and Mr T Atherton. Dairy Crest Group plc is a limited company incorporated in England and Wales and domiciled in the United Kingdom whose shares are publicly traded on the London Stock Exchange.