NOTES TO THE FINANCIAL STATEMENTS

1 Segmental analysis

IFRS 8 'Operating Segments' 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's primary focus for review and resource allocation is the Group as a whole. All revenue streams for the business are managed centrally by functional teams (e.g. 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. Management has judged that the Group comprises one operating segment under IFRS 8. As such, disclosures required under IFRS 8 for the financial statements are 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 historical 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.

Share of associate's net profit 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 2015 and for the year ended 31 March 2014 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	**2015 £m**	2014 £m
External revenue			
Cheese		**274.4**	264.6
Spreads		**170.0**	177.4
Dairies		**881.6**	944.8
Other		**3.8**	4.2
Total product group external revenue		**1,329.8**	1,391.0
Product group profit*			
Cheese		**33.1**	39.3
Spreads		**33.8**	16.8
Dairies		**1.8**	18.8
Share of associate's net profit	14	**–**	0.3
Total product group profit*		**68.7**	75.2
Finance costs	5	**(8.1)**	(9.9)
Adjusted profit before tax**		**60.6**	65.3
Acquired intangible amortisation	2	**(0.4)**	(0.4)
Exceptional items	4	**(36.3)**	(10.4)
Other finance expense – pensions	20	**(1.8)**	(0.3)
Group profit before tax		**22.1**	54.2
Total assets			
Cheese		**292.4**	266.2
Spreads		**158.5**	156.7
Dairies		**229.8**	268.5
Investments and share of associate		**0.5**	2.5
Other		**42.7**	37.4
Total product group		**723.9**	731.3
Unallocated assets		**65.3**	74.7
Total assets		**789.2**	806.0

* Profit on operations before exceptional items and amortisation of acquired intangibles.
** Before exceptional items, amortisation of acquired intangibles and pension interest.

The numbers

1 Segmental analysis continued

	Note	Year ended 31 March 2015 £m	2014 £m
Inter-product group revenue			
Cheese		**8.8**	11.2
Spreads		**3.5**	3.1
Elimination		**(12.3)**	(14.3)
Total		**–**	–
Product group depreciation and amortisation (excluding amortisation of acquired intangible assets)			
Cheese		**7.0**	7.0
Spreads		**2.6**	2.5
Dairies		**13.9**	15.4
Other		**7.1**	7.0
Total		**30.6**	31.9
Product group additions to non-current assets			
Cheese		**55.7**	12.4
Spreads		**6.0**	21.0
Dairies		**16.1**	25.9
Other		**4.9**	4.6
Total		**82.7**	63.9
Product group exceptional items			
Cheese		**(3.4)**	–
Spreads		**(16.7)**	(3.8)
Dairies		**(12.2)**	(2.0)
Share of Associate		**0.6**	–
Unsegmented		**(4.6)**	(4.4)
Total exceptional operating costs	4	**(36.3)**	(10.2)

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 (2014: £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	**2015 £m**	2014 £m
UK	**1,257.5**	1,330.9
Rest of world	**72.3**	60.1
Total revenue (excluding joint ventures)	**1,329.8**	1,391.0
Non-current assets* based on location		
UK	**428.4**	390.8
Rest of world	**0.5**	1.1
Total	**428.9**	391.9

* 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 2015 (2014: two) with each customer accounting for £145.5 million and £177.3 million (2014: £152.1 million and £174.8 million) of revenue from continuing operations being 11.0% and 13.4% (2014: 10.9% and 12.6%).

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 £55.6 million (2014: £66.3 million).

2 Operating costs – continuing operations

	Year ended 31 March 2015			Year ended 31 March 2014		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Cost of sales	**1,022.3**	**32.0**	**1,054.3**	1,040.4	5.8	1,046.2
Distribution costs	**183.9**	**–**	**183.9**	207.8	–	207.8
Administrative expenses	**72.9**	**4.3**	**77.2**	86.5	4.4	90.9
	1,279.1	**36.3**	**1,315.4**	1,334.7	10.2	1,344.9

Profit from continuing operations is stated after (charging)/crediting	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Release of grants	**1.7**	1.7
Depreciation	**(27.4)**	(28.6)
Amortisation of intangibles – acquired	**(0.4)**	(0.4)
Amortisation of intangibles – internally generated	**(3.2)**	(3.3)
Realised exchange loss on early loan note repayment and translation of foreign currency balances	**(0.8)**	(0.8)
Operating lease rentals	**(26.5)**	(27.0)
Research and development expenditure	**(3.3)**	(3.8)
Cost of inventories recognised as an expense	**(1,022.3)**	(1,040.4)
Including: Write-down of inventories recognised as an expense	**(0.3)**	(0.6)

Remuneration paid to auditors	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £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
Other services relating to corporate finance transactions	**0.5**	–
	1.0	0.5

* £10,000 (2014: £10,000) of this relates to the Company.

Non-audit services carried out in the year include, acting as Reporting Accountant in relation to the disposal of the Group's Dairies operations and tax advisory services.

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 2015			Year ended 31 March 2014		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Profit on disposal of depots	**17.6**	**–**	**17.6**	18.2	–	18.2

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. These one-off projects can span a number of accounting periods.

Operating costs	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Spreads restructuring costs	**(16.7)**	(3.8)
Rationalisation of operating sites	**(11.8)**	(2.0)
Costs associated with the separation and proposed sale of the Dairies operations	**(4.3)**	–
Demineralised whey powder and GOS projects	**(3.4)**	–
Business reorganisation	**(0.3)**	(4.4)
Disposal of the business and assets of FoodTec UK Limited	**(0.4)**	–
Disposal of remaining interest in Wexford Creamery Limited	**0.6**	–
	(36.3)	(10.2)
Finance costs		
Repayment of loan notes and associated costs (Note 5)	**–**	(0.2)
	(36.3)	(10.4)
Tax relief on exceptional items	**6.6**	2.1
Deferred tax adjustment for change in UK corporation tax rate	**–**	1.9
	(29.7)	(6.4)
Discontinued operations (Note 29)	**–**	1.4
	(29.7)	(5.0)

Spreads restructuring costs

During the year, the Group completed the consolidation of its spreads production operations into one site in Kirkby, Liverpool. As a result of this consolidation, the site at Crudgington, Shropshire ceased production in December 2014. The exceptional costs incurred in the year were £16.7 million (2014: £3.8 million), including duplicate running, commissioning and redundancy costs. The tax credit on this exceptional charge for the year was £3.2 million (2014: £0.8 million).

Rationalisation of operating sites

In September 2014, the Group announced it was starting consultation with employees and their representatives regarding the closure of its glass bottling dairy in Hanworth, West London and its specialist cream potting facility in Chard, Somerset. The Hanworth site is expected to remain operational until 2016. An exceptional charge of £2.5 million has been incurred in the period, primarily comprising accelerated depreciation of assets following an assessment of their useful economic lives as well as other associated closure costs. The Chard site is to be closed on economic grounds in the second half of 2015. As a result a £7.8 million impairment charge has been recognised to write the assets down to nil being their net realisable value after selling costs which is lower than their value in use and a charge of £1.5 million in relation to redundancy and closure costs has also been recognised. The tax credit on these exceptional costs in the year was £2.1 million.

The exceptional charge for the year ended 31 March 2014 related to the January 2014 closure of the Proper Welsh Milk dairy (£0.6 million) and the impairment of the plant and equipment and working capital of FoodTec UK Limited, a subsidiary whose business and assets were sold on 29 July 2014 (£1.4 million). The tax credit on this exceptional charge in the year ended 31 March 2014 was £0.3 million.

Costs associated with the separation and proposed sale of the Dairies operations

On 5 November 2014, the Group entered into an agreement to dispose of its Dairies operations to Müller which is subject to clearance from the relevant competition authorities. Following this announcement, the Group has started the process of separating its Dairies operations into a standalone operating unit to support the potential sale and increase focus in the challenging Dairies market. During the year, £2.7 million of costs were incurred in relation to the potential sale of the Dairies operation, which primarily comprised transaction related professional fees and £1.6 million in relation to the creation of a standalone Dairies operation including one-off business systems and other costs. The tax credit on this exceptional charge in the year was £0.5 million.

Demineralised whey powder and GOS projects

The Group has initiated projects to significantly invest in its cheese creamery at Davidstow, Cornwall to enable the Group to commence the manufacture of demineralised whey powder, a base ingredient of infant formula, and GOS, widely used in infant formula. The Group is investing £65 million on new manufacturing assets at Davidstow over financial years ending 31 March 2015 and 31 March 2016. During the year, £3.4 million of exceptional costs were incurred relating to project initiation and set up. The tax credit on this exceptional charge in the year was £0.7 million.

4 Exceptional items continued

Business reorganisation

In February 2013 the Group announced plans to reorganise the business into a single management and operational structure from 1 April 2013. This reorganisation has resulted in exceptional redundancy costs in the year of £0.3 million. In the year ended 31 March 2014 a £4.4 million exceptional charge was taken comprising redundancy costs and the write-down of an intangible asset. The tax credit in the year on this exceptional charge was £0.1 million. (2014: £0.8 million).

Disposal of business and assets of FoodTec UK Limited

On 29 July 2014, the Group completed the sale of the business and assets of FoodTec UK Limited for consideration of £1.2 million, realising a loss on disposal of £0.4 million (see Note 29).

Disposal of remaining interest in Wexford Creamery Limited

On 16 May 2014 the Group completed the sale of its 30% shareholding in Wexford Creamery Limited for €3.4 million (£2.8 million) realising a gain on disposal of £0.6 million (see Note 29).

Exceptional items in the year ended 31 March 2014 only:
Repayment of loan notes and associated costs
Exceptional costs of £0.2 million relating to bank charges and professional fees were incurred in the year ended 31 March 2014 as a result of the early repayment of private placement loan notes in April 2013. The tax effect of this exceptional charge was nil.

Deferred tax adjustment for change in UK corporation tax rate
With effect from 1 April 2015, the corporation tax rate (which was enacted on 2 July 2013) was reduced to 20%. (see Note 6). The deferred tax calculations based on the lower rate resulted 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 was classified as an exceptional deferred tax credit in the year.

5 Finance costs and other finance income

Finance costs	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Bank loans and overdrafts (at amortised cost)	**(8.1)**	(9.7)
Unwind of discount on provisions (Note 23)	**–**	(0.2)
Finance charges on finance leases	**(0.1)**	(0.2)
Pre-exceptional finance costs – continuing operations	**(8.2)**	(10.1)
Finance income on cash balances (financial assets not at fair value through profit and loss)	**0.1**	0.2
Pre-exceptional net finance costs – continuing operations	**(8.1)**	(9.9)
Exceptional cost of repayment of loan notes (Note 4)	**–**	(0.2)
Total net finance costs – continuing operations	**(8.1)**	(10.1)

Interest payable on bank loans and overdrafts is stated after capitalising £2.4 million (2014: £1.6 million) of interest on expenditure on capital projects at the Group's average cost of borrowing.

6 Tax expense

The major components of income tax expense for the years ended 31 March 2015 and 2014 are:

Consolidated income statement	2015 £m	2014 £m
Current income tax		
Adjustments in respect of previous years – current tax	–	0.2
– transfer from deferred tax	–	–
	–	0.2
Deferred income tax		
Relating to origination and reversal of temporary differences	2.1	8.0
Effect of change in tax rate	–	(1.9)
Adjustments in respect of previous years – deferred tax	(0.5)	(0.9)
– transfer to current tax	–	–
	1.6	5.4
Analysed: Before exceptional items	8.2	9.4
Exceptional items	(6.6)	(4.0)
	1.6	5.4

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

	2015 £m	2014 £m
Profit/(loss) before tax	22.1	54.2
Tax at UK statutory corporation tax rate of 21% (2014: 23%)	4.6	12.5
Adjustments in respect of previous years	(0.5)	(0.7)
Adjustment in respect of associate's profits	–	(0.1)
Adjustment for change in UK corporation tax rate*	(0.2)	(1.9)
Non-deductible expenses	1.9	1.2
Profits offset by available tax relief	(4.2)	(5.6)
	1.6	5.4

The effective pre-exceptional rate of tax on Group profit before tax is 14.0% (2014: 14.6%). 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 proportion of property profits this year has reduced the effective rate of tax but we expect the effective tax rate to increase next year.

* UK corporation tax rate reduced to 21% from April 2014. A further 1% reduction has been enacted, taking the rate to 20% from April 2015. Owing to the availability of brought forward trading tax losses, the Group did not expect any taxable profits to arise before 1 April 2015, accordingly deferred tax was provided on all temporary differences in the prior year, as well as the current year, at 20%.

Consolidated other comprehensive income	2015 £m	2014 £m
Deferred income tax related to items charged to other comprehensive income		
Pension deferred tax movement taken directly to reserves	(1.7)	(8.7)
Valuation of financial instruments	(0.2)	0.3
Tax credit	(1.9)	(8.4)

There were no income tax or deferred tax amounts charged to changes in equity in the year ended 31 March 2015 (2014: nil).

6 Tax expense continued

Deferred income tax

Deferred income tax at 31 March 2015 and 2014 relates to the following:

Deferred tax liability	2015 £m	2014 £m
Accelerated depreciation for tax purposes	**(29.5)**	(28.0)
Financial instruments valuation	**–**	(0.1)
Goodwill and intangible assets	**(8.5)**	(8.0)
	(38.0)	(36.1)

Deferred tax asset	2015 £m	2014 £m
Government grants	**1.6**	1.9
Share-based payments	**0.1**	0.1
Pensions	**16.0**	17.9
Financial instruments valuation	**0.1**	–
Other	**9.1**	4.8
	26.9	24.7
Net deferred tax liability	**(11.1)**	(11.4)

The Company has a deferred tax asset of £0.2 million at 31 March 2015 (2014: £0.2 million asset). This relates to temporary differences in respect of financial instruments valuations.

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

	2015 £m	2014 £m
Opening net deferred tax liability	**(11.4)**	(14.6)
Charge to income statement	**(1.6)**	(5.2)
Credit to other comprehensive income	**1.9**	8.4
Closing net deferred tax liability	**(11.1)**	(11.4)

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 2014	(8.0)	17.9	(28.0)	6.7	(11.4)
(Charge)/credit to income statement: continuing operations	(0.5)	(3.6)	(1.5)	4.0	(1.6)
Credit to other comprehensive income	–	1.7	–	0.2	1.9
Balances at 31 March 2015	**(8.5)**	**16.0**	**(29.5)**	**10.9**	**(11.1)**
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)

The Group has capital losses which arose in the UK of £34.0 million (2014: £137.5 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 £39.2 million (2014: £27.6 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	2015 £m	2014 £m
Equity dividends on ordinary shares:		
Final dividend for 2014: 15.4 pence (2013: 15.0 pence)	**21.0**	20.5
Interim dividend for 2015: 6.0 pence (2014: 5.9 pence)	**8.2**	8.0
	29.2	28.5

Proposed for approval at AGM (not recognised as a liability at 31 March)		
Equity dividends on ordinary shares:		
Final dividend for 2015: 15.7 pence (2014: 15.4 pence)	**21.6**	21.0

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 basic 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 2015			Year ended 31 March 2014		
	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	**20.5**	**136.7**	**15.0**	48.8	136.5	35.8
Effect of dilutive securities:						
Share options	**–**	**0.9**	**(0.1)**	–	1.6	(0.5)
Diluted EPS from continuing operations	**20.5**	**137.6**	**14.9**	48.8	138.1	35.3
Adjusted EPS from continuing operations						
Profit from continuing operations	**20.5**	**136.7**	**15.0**	48.8	136.5	35.8
Exceptional items (net of tax)	**29.7**	**–**	**21.7**	6.4	–	4.7
Amortisation of acquired intangible assets (net of tax)	**0.3**	**–**	**0.2**	0.3	–	0.2
Pension interest expense (net of tax)	**1.4**	**–**	**1.1**	0.2	–	0.1
Adjusted basic EPS from continuing operations	**51.9**	**136.7**	**38.0**	55.7	136.5	40.8
Effect of dilutive securities:						
Share options	**–**	**0.9**	**(0.3)**	–	1.6	(0.5)
Adjusted diluted EPS from continuing operations	**51.9**	**137.6**	**37.7**	55.7	138.1	40.3
Basic EPS from discontinued operations	**–**	**136.7**	**–**	1.4	136.5	1.0
Effect of dilutive securities:						
Share options	**–**	**0.9**		–	1.6	–
Diluted EPS from discontinued operations	**–**	**137.6**	**–**	1.4	138.1	1.0
Basic EPS on profit for the year	**20.5**	**136.7**	**15.0**	50.2	136.5	36.8
Effect of dilutive securities:						
Share options	**–**	**0.9**	**(0.1)**	–	1.6	(0.4)
Diluted EPS on profit for the year	**20.5**	**137.6**	**14.9**	50.2	138.1	36.4

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.

9 Remuneration of employees and key management personnel

Number of employees (continuing operations) – Group	Year ended 31 March 2015 number	Year ended 31 March 2014 number
Average number of employees:		
Production	**1,819**	1,859
Sales, distribution and administration	**2,391**	2,686
Total employees	**4,210**	4,545

Remuneration of employees, including key management personnel (continuing operations)	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Wages and salaries	**144.0**	157.0
Social security costs	**14.2**	15.2
Equity settled share-based payments expense (Note 26)	**1.7**	1.5
Pension costs (Note 20)	**6.6**	7.0
	166.5	180.7

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 2015 £000	Year ended 31 March 2014 £000
Salaries and benefits	**1,424**	1,374
Bonuses	**198**	833
Fees and benefits to Non-Executive Directors	**388**	327
Emoluments	**2,010**	2,534
Severance payments	**219**	557
Employer payments to defined contribution pension scheme	**20**	39

In addition, the Executive Directors exercised options during the year. Aggregate gains made by the Directors on the exercise of these share options were £189,374 (2014: £nil). The amount of the gain relating to highest paid director was £106,048 (2014: £nil).

Highest paid director		
Salary and benefits	**666**	656
Bonus	**97**	423
Emoluments	**763**	1,079
Employer payments to defined contribution pension scheme	**–**	9

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 2015	Land and buildings £m	Vehicles, plant and equipment £m	Assets in the course of construction £m	Total £m
Cost				
At 1 April 2014	174.0	287.3	69.5	530.8
Additions	2.6	3.9	74.9	81.4
Disposals	(6.5)	(45.9)	–	(52.4)
Disposal of FoodTec UK Limited (Note 4)	(0.3)	(2.9)	–	(3.2)
Transfers and reclassifications	1.9	67.6	(69.5)	–
At 31 March 2015	**171.7**	**310.0**	**74.9**	**556.6**
Accumulated depreciation				
At 1 April 2014	63.7	178.5	–	242.2
Charge for the year	5.0	22.4	–	27.4
Asset impairments	3.5	5.7	–	9.2
Disposals	(3.3)	(44.2)	–	(47.5)
Disposal of FoodTec UK Limited (Note 4)	(0.3)	(2.9)	–	(3.2)
At 31 March 2015	**68.6**	**159.5**	**–**	**228.1**
Net book amount at 31 March 2015	**103.1**	**150.5**	**74.9**	**328.5**

Consolidated 2014				
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

2014/15

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 the challenging market conditions in 2014/15, 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, consideration was taken of the future cash flows on an on-going basis and also the impact of the potential disposal of the Dairies operations to create a risk weighted value in use calculation of the CGU. The discount rate applied to the value in use calculation was 7.8% (2014: 9.3%). The key input assumptions in performing the impairment test were the profits expected from property sales, the allocation of corporate costs, the projected profit margin growth and the timing and cash consideration of any potential Dairies operations disposal. The impairment review has not indicated any required write down of carrying value of property, plant and equipment in the year ended 31 March 2015. The value in use calculations resulted in a low level of headroom compared to the carrying value and any movement in the input assumptions above could lead to an impairment.

During the year £9.2 million of assets were impaired. The Chard site is to be closed on economic grounds in the second half of 2015, a £7.8 million impairment charge has been recognised to write the assets down to nil being their net realisable value after selling costs which is lower than their value in use. In addition, £1.4 million of exceptional accelerated depreciation has been charged in relation to Hanworth (see Note 4).

2013/14

In 2013/14, the Group impaired £1.8 million of property, plant and equipment relating to the strategic review of FoodTec UK Limited (£0.3 million), the closure of Proper Welsh Milk dairy (£0.5 million) and the consolidation to a single UK spreads production site (£1.0 million). For further information see Note 4.

10 Property, plant and equipment continued

Capitalised leases included in vehicles, plant and equipment comprise:	2015 £m	2014 £m
Cost	**29.0**	31.7
Accumulated depreciation	**(22.7)**	(24.0)
Net book amount	**6.3**	7.7

11 Goodwill

	£m
Cost	
At 31 March 2013 and 31 March 2014	147.3
Disposal of FoodTec UK Limited (Note 4)	(1.7)
At 31 March 2015	**145.6**
Accumulated impairment	
At 31 March 2013 and 31 March 2014	(73.0)
Disposal of FoodTec UK Limited (Note 4)	1.7
At 31 March 2015	**(71.3)**
Net book amount at 31 March 2015	**74.3**
Net book amount at 31 March 2014	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 2015 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 8.8% for Spreads (2014: 9.8%) and 8.9% for MH Foods and Cheese (2014: 9.4%).

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, Cheese and Spreads is nil (2014: 2% Cheese and MH Foods, nil Spreads).

The carrying amount of goodwill allocated to groups of CGUs at 31 March 2015 is:

MH Foods	£6.7 million	(2014: £6.7 million)
Spreads	£65.5 million	(2014: £65.5 million)
Cheese	£2.1 million	(2014: £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.

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.

2014/15 and 2013/14

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 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
Additions	1.3	–	–	1.3
Disposal	–	–	–	–
Transfers and reclassifications	(6.4)	6.4	–	–
At 31 March 2015	**1.4**	**35.6**	**8.7**	**45.7**
Accumulated amortisation				
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
Disposal	–	–	–	–
Amortisation for the year	–	3.2	0.4	3.6
At 31 March 2015	**–**	**16.2**	**3.9**	**20.1**
Net book amount at 31 March 2015	**1.4**	**19.4**	**4.8**	**25.6**
Net book amount at 31 March 2014	6.5	16.2	5.2	27.9

Assets in the course of construction comprise enterprise resource planning costs and integrated business systems costs in respect of projects that are not completed as at 31 March 2015.

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, with 11 years remaining. The carrying value of the Frylight brand at 31 March 2015 is £4.5 million (2014: £4.9 million).

13 Investments

Consolidated

During the year ended 31 March 2015, the Group acquired a further 3.5% of the share capital of HIECO Limited for a consideration of £0.1 million. At 31 March 2015, the Group held 10.5% of the share capital of HIECO Limited. In addition, the Group acquired 50% of the share capital of Promovita Ingredients Limited for a consideration of £0.1 million.

Company	Share grants awarded in subsidiaries £m	Shares in subsidiary undertakings £m	Total £m
Cost			
At 1 April 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
Share based payment charge in subsidiary companies	0.7	–	0.7
At 31 March 2015	**14.7**	**468.1**	**482.8**

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 2015 the principal subsidiary undertakings 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%
Morehands Limited	Manufacture of cooking oils	100%

The principal place of operation and country of incorporation of all subsidiary undertakings is England and Wales.

14 Investment in associates

During the year, the Group sold the remaining investment in Wexford Creamery Limited (see Note 4 and Note 29).

The share of the assets, liabilities, income and expenses of the associate at 31 March 2014 and for the year then ended, which was equity accounted for in the consolidated financial statements, were as follows:

	2015 £m	2014 £m
Current assets	**–**	2.2
Current liabilities	**–**	(1.4)
Share of net assets	**–**	0.8
Revenue	**–**	13.5
Operating costs	**–**	(13.2)
Result before tax	**–**	0.3
Tax expense	**–**	–
Share of net result	**–**	0.3

15 Inventories

	Consolidated	
	2015 £m	2014 £m
Raw materials and consumables	**30.6**	33.4
Finished goods	**169.1**	186.2
	199.7	219.6

Cheese inventories at 31 March 2015 totalled £149.2 million (2014: £167.2 million).

During the year ended 31 March 2015, £0.4 million of engineering and packaging inventories were written off following the ongoing consolidation of Clover manufacture into one site.

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables	**74.8**	104.8	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**–**	9.9
Other receivables	**13.5**	8.4	**0.4**	0.6
Prepayments and accrued income	**7.0**	5.2	**–**	–
	95.3	118.4	**0.4**	10.5

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

Trade receivables are denominated in the following currencies:

	Consolidated	
	2015 £m	2014 £m
Sterling	**71.5**	96.5
Euro	**1.3**	2.0
US Dollar	**1.9**	6.2
Swiss Franc	**0.1**	0.1
	74.8	104.8

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 2015, trade receivables at nominal value of £7.7 million (2014: £7.7 million) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	Consolidated	
	2015 £m	2014 £m
At 1 April	**7.7**	7.0
Net charge for the year – operating	**–**	0.8
Amounts written off	**–**	(0.1)
At 31 March	**7.7**	7.7

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 2015 or 2014.

16 Trade and other receivables continued

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

	Total £m	Neither past due nor impaired £m	Past due, not impaired: 30 – 60 days £m	60 – 90 days £m	> 90 days £m
31 March 2015	**74.8**	**60.8**	**11.8**	**1.3**	**0.9**
31 March 2014	104.8	89.5	12.3	2.6	0.4

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.

17 Financial assets

(i) Derivative financial instruments

Consolidated	Note	**2015 £m**	2014 £m
Current			
Cross currency swaps (cash flow hedges)		**–**	–
Forward currency contracts (cash flow hedges)	31	**–**	0.4
		–	0.4
Non-current			
Option to sell 20% holding in Wexford Creamery Limited	31	**–**	1.6
Cross currency swaps (cash flow hedges)	31	**14.7**	5.4
		14.7	7.0

Company		**2015 £m**	2014 £m
Current			
Cross currency swaps (cash flow hedges)	31	**–**	–
Non-current			
Cross currency swaps (cash flow hedges)	31	**14.7**	5.4

All derivative financial instruments are fair valued at each balance sheet date and all, with the exception in the prior year 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).

WCL was sold during the year and there was no material movement in the fair value of the WCL options between recognition in June 2010 and the date of disposal on 16 May 2014 (see Note 4).

18 Cash and short-term deposits

	Consolidated		Parent Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cash and short-term deposits	**50.6**	67.3	**0.2**	–

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

Counterparty risk and the Group's policy for managing deposits are described in Note 30.

19 Financial liabilities

Consolidated	Note	2015 £m	2014 £m
Current			
Obligations under finance leases	31	–	1.8
Loan notes (at amortised cost)	31	–	25.3
Debt issuance costs		–	(0.6)
Financial liabilities – Borrowings		–	26.5
Cross currency swaps (cash flow hedges)		–	2.0
Forward currency contracts (at fair value: cash flow hedge)	31	**0.2**	–
Financial liabilities – Derivative financial instruments		**0.2**	2.0
Current financial liabilities		**0.2**	28.5
Non-current			
Obligations under finance leases	31	–	–
Loan notes (at amortised cost)	31	**158.2**	144.2
Bank loans (at amortised cost)	31	**105.0**	36.0
Debt issuance costs		**(0.2)**	(0.5)
Financial liabilities – Borrowings		**263.0**	179.7
Cross currency swaps (cash flow hedges)		**1.9**	6.2
Financial liabilities – Derivative financial instruments		**1.9**	6.2
Non-current financial liabilities		**264.9**	185.9

On 4 April 2014 there was a natural maturity of loan notes of €30.6 million (£27.4 million).

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	2015 £m	Effective Interest rate at March 2015	2014 £m	Effective Interest rate at March 2014
Current						
Loan notes:	Euro swapped into £	April 2014	–	–	25.3	4.97%
Finance leases			–	–	1.8	5.18%
Debt issuance costs			–		(0.6)	
			–		26.5	
Non-current						
Multi-currency revolving credit facilities:						
	Sterling floating	October 2016	**105.0**	**LIBOR + 115bps**	36.0	LIBOR + 115bps
Loan notes:	US$ swapped into £	April 2016	**82.9**	**5.31%**	73.8	5.31%
	Sterling	April 2016	**10.0**	**5.27%**	10.0	5.27%
	Euro swapped into £	April 2017	**7.7**	**5.53%**	8.8	5.53%
	Sterling	April 2017	**2.8**	**5.84%**	2.8	5.84%
	US$ swapped into £	November 2018	**16.8**	**3.87%**	15.0	3.87%
	US$ swapped into £	November 2021	**38.0**	**4.52%**	33.8	4.52%
Debt issuance costs			**(0.2)**		(0.5)	
			263.0		179.7	

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 2015 (2014: 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	2015 £m	2014 £m
Current		
Loan notes (at amortised cost)	–	25.3
Financial liabilities – Borrowings	–	25.3
Cross currency swaps (cash flow hedges)	–	2.0
Financial liabilities – Derivative financial instruments	–	2.0
Current financial liabilities	–	27.3
Non-current		
Loan notes (at amortised cost)	**158.2**	144.2
Bank loans (at amortised cost)	–	–
Financial liabilities – Borrowings	**158.2**	144.2
Cross currency swaps (cash flow hedges)	**1.9**	6.2
Financial liabilities – Derivative financial instruments	**1.9**	6.2
Non-current financial liabilities	**160.1**	150.4

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	2015 £m	Effective Interest rate at March 2015	2014 £m	Effective Interest rate at March 2014
Current						
Loan notes:	Euro swapped into £	April 2014	–	–	25.3	4.97%
			–		25.3	
Non-current						
Loan notes:	US$ swapped into £	April 2016	**82.9**	**5.31%**	73.8	5.31%
	Sterling	April 2016	**10.0**	**5.27%**	10.0	5.27%
	Euro swapped into £	April 2017	**7.7**	**5.53%**	8.8	5.53%
	Sterling	April 2017	**2.8**	**5.84%**	2.8	5.84%
	US$ swapped into £	November 2018	**16.8**	**3.87%**	15.0	3.87%
	US$ swapped into £	November 2021	**38.0**	**4.52%**	33.8	4.52%
			158.2		144.2	

20 Retirement benefit obligations

The Group has a defined benefit pension scheme (Dairy Crest Group Pension Fund), which is closed to future service accrual and a defined contribution scheme (Dairy Crest Group defined contribution scheme).

Defined Benefit Pension Scheme

The Dairy Crest Group Pension Fund ('the Fund') is a final salary defined benefit pension scheme, which was closed to future service accrual from 1 April 2010 and had been closed to new joiners from 30 June 2006. This pension scheme is a final salary scheme.

The 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 Company and Trustee have agreed a long term strategy for reducing investment risk as and where appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets which perfrom in line with the liabilities of the plan so as to protect against inflation being higher than expected. In December 2008 and June 2009, certain obligations relating to retired members were hedged by the purchase of annuity contracts.

During the financial year the Fund has introduced a Pension Increase Exchange ('PIE') at retirement, an offer which enables members to exchange pension increases on their pensions accrued before April 1997, excluding Guaranteed Minimum Pensions ('GMP') for a higher non-increasing pension.

UK legislation requires that pension schemes are funded prudently. The most recent full actuarial valuation of the 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 IAS19 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.

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, which was signed in March 2014, the level of contributions will reduce to £13.0 million per annum for 2014/15 and 2015/16, increasing to £16.0 million per annum in 2016/17 and £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 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 principal risks associated with the Group's defined benefit pension arrangements are as follows:

Asset Volatility

The liabilities are calculated using the discount rate set with reference to corporate bond yields; if assets underperfom this yield, this will create a 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 terms objectives.

Changes in Bond Yields

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 increase in the value of the fund's bond holdings.

Inflation Risk

A significant portion 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.

Longevity Risk

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 liabilities.

A contingent liability exists in relation to the equalisation of 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

The following tables summarise the components recognised in the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income.

Defined benefit obligation		2015 £m	2014 £m
Fair value of scheme assets:	– Equities	**53.1**	45.5
	– Bonds and cash	**592.6**	523.6
	– Equity return swaps valuation*	**10.7**	3.3
	– Property and other	**106.0**	92.3
	– Insured retirement obligations	**306.8**	299.4
		1,069.2	964.1
Defined benefit obligation:	– Uninsured retirement obligations**	**(790.4)**	(714.3)
	– Insured retirement obligations	**(303.3)**	(297.4)
Total defined benefit obligation		**(1,093.7)**	(1,011.7)
Recognition of liability for unrecoverable notional surplus		**(16.9)**	(10.1)
		(1,110.6)	(1,021.8)
Net liability recognised in the balance sheet		**(41.4)**	(57.7)
Related deferred tax asset		**16.0**	17.9
Net pension liability		**(25.4)**	(39.8)

* Comprises a positive synthetic equity exposure of £155.3 million (2014: £155.7 million) and a negative LIBOR exposure of £144.6 million (2014: £152.4 million).

** Includes obligations to deferred members of £551.6 million (2014: £498.6 million) and non-insured members of £238.8 million (2014: £215.7 million).

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 2015 and the IAS 19 valuation at that date of £24.5 million, £16.9 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.

Amounts recognised in consolidated income statement	2015 £m	2014 £m
Administration expenses	**(0.8)**	(1.0)
Past service cost	**1.8**	–
Other finance costs – pensions	**(1.8)**	(0.3)
Loss before tax	**(0.8)**	(1.3)
Deferred tax	**0.2**	0.3
Loss for the period	**(0.6)**	(1.0)

Amounts recognised in other comprehensive income	2015 £m	2014 £m
Return on plan assets (excluding amounts included in net interest)	**89.3**	26.8
Experience gains arising on scheme liabilities	**10.1**	4.3
Actuarial losses due to changes in the demographic assumptions	**–**	(18.0)
Actuarial losses due to changes in the financial assumptions	**(88.3)**	(63.5)
Net actuarial gain/(loss)	**11.1**	(50.4)
Movement in liability for unrecoverable notional surplus	**(6.8)**	0.8
Recognised in other comprehensive income	**4.3**	(49.6)
Related tax	**1.7**	8.7
Net actuarial gain/(loss) recognised in other comprehensive income	**6.0**	(40.9)

Actual returns on plan assets were £130.2 million (2014: £68.3 million).

20 Retirement benefit obligations continued

Movement in the present value of the defined benefit obligations are as follows:	2015 £m	2014 £m
Opening defined benefit obligation	**(1,011.7)**	(925.7)
Interest cost	**(42.7)**	(41.8)
Actuarial losses	**(78.2)**	(77.2)
Past service cost	**1.8**	–
Benefits paid	**37.1**	33.0
Closing defined benefit obligation	**(1,093.7)**	(1,011.7)

Movement in the fair value of plan assets are as follows:		
Opening fair value of scheme assets	**964.1**	869.4
Interest income on fund assets	**40.9**	41.5
Remeasurement gains on fund assets	**89.3**	26.8
Contributions by employer	**12.8**	60.4
Administration costs incurred	**(0.8)**	(1.0)
Benefits paid out	**(37.1)**	(33.0)
Closing fair value of plan assets	**1,069.2**	964.1

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	2015 £m	2014 £m	2013 £m
Equities:			
United Kingdom	**49.9**	50.6	137.3
North America	**65.9**	62.8	89.3
Europe (ex UK)	**26.4**	29.1	35.8
Japan	**17.1**	15.8	34.4
Asia (ex Japan)	**9.2**	8.2	16.0
Emerging Markets	**23.7**	21.0	37.8
Global Small Cap	**16.2**	13.7	12.2
Cash/LIBOR Synthetic Equity	**(144.6)**	(152.4)	(235.5)
Emerging Market Debt[i]	**54.0**	61.2	38.4
High Yield Bonds	**–**	–	22.7
Multi Asset Credit[ii]	**62.5**	60.0	–
Insurance Linked Securities[iii]	**29.4**	24.7	–
Absolute Return Bonds[iv]	**33.1**	30.4	–
Bonds:			
Government Index Linked Gilts	**–**	–	111.4
Network Rail Index Linked Gilts	**–**	–	60.5
Corporate Bonds	**118.1**	98.0	131.8
Liability Driven Investments[v]	**224.6**	170.0	–
Annuity Policy	**306.8**	299.4	286.3
Property	**76.6**	67.6	62.5
Cash	**100.3**	104.0	28.5
Total	**1,069.2**	964.1	869.4

20 Retirement benefit obligations continued

Equities are a combination of physical equities of £53.1 million (2014: £45.5 million), a positive synthetic equity exposure of £155.3 million (2014: £155.7 million) and a negative LIBOR exposure of £144.6 million (2014: £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 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 investment 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. 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.

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

	2015 %	2014 %	2013 %
Key assumptions:			
Price inflation (RPI)	**3.1**	3.6	3.5
Price inflation (CPI)	**2.0**	2.6	2.5
Pension increases (Pre 1993 – RPI to 7%/annum)	**3.1**	3.6	3.5
Pension increases (1993 to 2006 – RPI to 5%/annum)	**3.0**	3.4	3.3
Pension increases (Post 2006 – RPI to 4%/annum)	**2.8**	3.1	3.0
Life expectancy at 65 for a male currently aged 50 (years)	**23.9**	23.8	22.6
Average expected remaining life of a 65 year old retired male (years)	**22.4**	22.3	21.7
Life expectancy at 65 for a female currently aged 50 (years)	**26.8**	26.7	25.3
Average expected remaining life of a 65 year old retired female (years)	**24.6**	24.5	24.1
Discount rate	**3.4**	4.3	4.6

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 and 30% of deferred members take the PIE option at retirement.

Sensitivity to changes in assumptions

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 (excluding unrecoverable notional surplus) to these assumptions is as follows:

	Expected Expense for 15/16			
	Service Cost £m	Net Interest £m	Total P&L Charge £m	March 2015 Deficit £m
Current Figures (excluding unrecoverable notional surplus)	0.8	0.6	1.4	(24.5)
Effect of a 0.1% decrease in the discount rate	–	0.5	0.5	(16.0)
Recalculated value	0.8	1.1	1.9	(40.5)
Effect of a 0.1% increase in the inflation assumption	–	0.4	0.4	(12.0)
Recalculated value	0.8	1.0	1.8	(36.5)
Effect of a 1 year increase in life expectancy	–	1.0	1.0	(30.0)
Recalculated value	0.8	1.6	2.4	(54.5)

20 Retirement benefit obligations continued

The above sensitivities assume that, with the exception of the annuity contracts, the Fund's assets remain unchanged due to changes in assumptions, but in practice changes in market 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 2015 were both 26% of those obligations not covered by annuity contracts.

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 Fund. The legal sponsor of the Fund is Dairy Crest Limited.

Defined Contribution Pension Scheme

The Group has charged £6.6 million in respect of the Dairy Crest Group defined contribution scheme in the year ended 31 March 2015 (2014: £7.0 million). The Company has made no charge in respect of the Dairy Crest Group defined contribution scheme in the year ended 31 March 2015 (2014: nil).

21 Trade and other payables

	Consolidated		Parent Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade payables*	**100.3**	131.2	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**36.9**	–
Other tax and social security	**3.6**	4.2	**–**	–
Other creditors*	**9.7**	15.8	**–**	–
Accruals*	**54.5**	67.1	**3.1**	3.8
	168.1	218.3	**40.0**	3.8

* Financial liabilities at amortised cost.

22 Deferred income

Current	**2015 £m**	2014 £m
Grants	**1.6**	1.7

Non-current		
Grants	**6.2**	7.8

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 to a single site at Kirkby, Liverpool. During 2012/13 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.

23 Provisions

	Onerous contracts £m	Site restructuring and rationalisation £m	Total £m
At 31 March 2013 – current	1.7	–	1.7
Utilised	(0.2)	–	(0.2)
Discount unwind	0.2	–	0.2
At 31 March 2014 – current	1.7	–	1.7
Settled on disposal	(1.7)	–	(1.7)
Charged during the year	–	3.1	3.1
At 31 March 2015 – current	**–**	**3.1**	**3.1**

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. On 16 May 2014, following the sale of its remaining shareholding in WCL, the remaining onerous contract provision of £1.7 million was released.

Restructuring and rationalisation of operating sites

During the year, the Group provided through exceptional operating items, decommissioning and demolition costs associated with the Spreads restructuring project and redundancy costs in relation to the closure of the Chard site.

24 Share capital

Authorised	2015 Thousands	2014 Thousands
Ordinary shares of 25 pence each	**240,000**	240,000

Issued and fully paid	Thousands	£m
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
Issued for cash on exercise of share options	866	0.2
Issued for cash to ESOP at par	150	–
At 31 March 2015	**137,725**	**34.4**

During the year ended 31 March 2015 1,016,309 shares were issued at a premium of £2.2 million for an aggregate consideration of £2.4 million (2014: 113,558 shares at a premium of £0.1 million for an aggregate consideration of £0.2 million). Exercises of management share options are fulfilled by the transfer 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 the Company's management share option schemes (see Note 26).

At 31 March 2015 the ESOP held 90,768 shares (2014: 129,024 shares) in the Company at a cost of £0.1 million (2014: £0.6 million). The ESOP was established in August 1996 to acquire shares in the Company in order to hedge certain future obligations of the Group including shares awarded under the Company's management share option schemes. During the year the Trustee of the ESOP transferred 188,256 (2014: 1,085) shares following exercises of options and subscribed for 150,000 shares at 25 pence per share. The market value of the shares held by the ESOP, which are listed on the London Stock Exchange was £0.4 million at 31 March 2015 (2014: £0.6 million).

Other reserves – Consolidated	Merger reserve £m	Hedging reserve £m	Translation reserve £m	**Other reserves £m**
At 31 March 2014	55.9	(2.1)	(1.5)	52.3
Total recognised in other comprehensive income	–	(0.9)	–	(0.9)
At 31 March 2015	**55.9**	**(3.0)**	**(1.5)**	**51.4**
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

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 (2014: £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 £8.3 million (2014: £24.7 million) including dividends received from subsidiary companies of £8.5 million (2014: £25.3 million). Dividends paid amounted to £29.2 million (2014: £28.5 million) which, along with a debit for share-based payments of £0.4 million (2014: £0.3 million credit) resulted in a £21.3 million decrease in retained earnings (2014: £3.5 million decrease).

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 five 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. There were no awards granted in the year ended 31 March 2015 (2014: nil). 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 June 2014, 1,467,484 options were granted under the Dairy Crest Sharesave Scheme at a price of 376 pence (June 2013: nil). There are no cash settlement alternatives.

Deferred Bonus Plan ('DBP')

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 3 years. The only vesting condition is continuing employment. The cost of these shares is charged over 4 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. During the year ended 31 March 2015, 65,086 deferred shares were awarded in relation to the year ended 31 March 2014 (2014: nil).

26 Share based payment plans continued

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 Transformational Incentive Award ('TIA')

The TIA was granted, under the rules of the LTISP, in December 2014. The TIA is a nil price option to acquire ordinary shares subject to certain performance objectives being met in addition to continuing employment. The performance objectives relate to three categories detailed below:

1) managing the competition approval process relating to the proposed Dairies operation disposal;

2) appropriate reshaping of the Group, taking into account the competition approval process; and

3) establishing a successful future business, by reference to the development of the Group, including delivering value to shareholders.

The vesting period is three years from the date of grant. In December 2014, 236,843 shares were awarded under the TIA. There are no cash settlement alternatives.

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

	LTAP *	TIA *	DBP *	LTISP *	Sharesave Scheme	
	number	number	number	number	number	weighted average exercise price (pence)
Options outstanding at 1 April 2014	337,595	–	2,875	985,198	2,994,777	276.0
Options granted during the year	380,273	236,843	65,086	–	1,467,484	376.0
Reinvested dividends	20,395	3,780	973	57,931	–	–
Options exercised during the year	–	–	–	(169,241)	(866,309)	266.3
Options forfeited during the year	(21,326)	–	–	(677,151)	(476,509)	318.2
Options outstanding at 31 March 2015	**716,937**	**240,623**	**68,934**	**196,737**	**3,119,443**	**319.3**
Exercisable at 31 March 2015	**–**	**–**	**–**	**196,737**	**62,607**	**–**
Options outstanding at 1 April 2013	–	–	–	2,000,800	3,526,048	275.4
Options granted during the year	333,953	–	2,875	–	–	–
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	–	2,875	985,198	2,994,777	276.0
Exercisable at 31 March 2014	–	–	–	177,231	–	–

* The weighted average exercise price for LTAP, TIA, DBP and LTISP options is nil.

Sharesave scheme options are exercisable up to February 2018 at prices ranging from 265p to 376p (March 2014: exercisable up to September 2016 at prices ranging from 265p to 281p). LTISP options are exercisable at varying dates up to July 2022 (March 2014: July 2022). LTAP options are exercisable at varying dates up to December 2024 (March 2014: August 2023). DBP options are exercisable at varying dates up to December 2024 (March 2014: June 2023). TIA options are exercisable up to December 2024.

The remaining weighted average contractual life of options outstanding at March 2015 is 7.1 years for the LTISP, 9.1 years for the LTAP, 9.6 years for the DBP, 9.8 years for the TIA and 2.0 years for the Sharesave Scheme (2014: LTISP 8.1 years, LTAP 9.4 years, DBP 8.3 years and Sharesave Scheme 2.1 years). The weighted average share price on exercise of Sharesave options was £3.19 (2014: £2.76).

The fair value factor of the Sharesave Scheme options issued in June 2014 was 17.9% giving a fair value of £0.83 per option granted. This has been computed using a Black-Scholes option pricing model. The key assumptions used in the valuation model were expected share price volatility 22%, risk free rate of interest 1.55% and dividend yield 4.40%. 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 fair value of TIA options issued on 23 December 2014 was £4.91 per option granted. This has been computed using a Black-Scholes option pricing model. The key assumptions used in the valuation model were expected share price volatility 24% and a risk free rate of interest 0.85%. 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 Group expense arising from share option plans for the year ended 31 March 2015 was £1.7 million (2014: £1.5 million) (See Note 9).

26 Share based payment plans continued

Company

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

	LTAP	TIA	DBP	LTISP	Sharesave Scheme	
	number	number	number	number	number	weighted average exercise price (pence)
Options outstanding at 1 April 2014	179,857	–	2,875	406,757	9,606	281.0
Options granted during the year	201,611	236,843	65,086	–	11,966	376.0
Reinvested dividends	10,845	3,780	973	22,199	–	–
Options exercised during the year	–	–	–	(76,626)	–	–
Options forfeited during the year	–	–	–	(278,975)	–	–
Options outstanding at 31 March 2015	**392,313**	**240,623**	**68,934**	**73,355**	**21,572**	**333.7**
Exercisable at 31 March 2015	**–**	**–**	**–**	**73,355**	**–**	**–**
Options outstanding at 1 April 2013	–	–	–	777,916	12,808	281.0
Options granted during the year	177,919	–	2,875	–	–	–
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	–	2,875	406,757	9,606	281.0
Exercisable at 31 March 2014	–	–	–	73,609	–	–

Sharesave Scheme options are exercisable up to February 2018 at a price of 376p (March 2014: up to September 2016 at a price of 281p). LTISP options are exercisable at varying dates up to July 2022 (2014: July 2022). LTAP options are exercisable at varying dates up to December 2024 (March 2014: August 2023). DBP options are exercisable at varying dates up to December 2024 (March 2014: June 2023). TIA options are exercisable up to December 2024.

The remaining weighted average contractual life of options outstanding at March 2015 is 7.3 years for the LTISP, 9.1 years for the LTAP, 9.6 years for the DBP, 9.8 years for the TIA and 2.3 years for the Sharesave Scheme (2014: LTISP 8.1 years, LTAP 9.4 years, DBP 8.3 years and Sharesave Scheme 2.4 years). 76,626 LTISP options were exercised during the year ended 31 March 2015 (2014: nil).

The Company expense arising from share option plans for the year ended 31 March 2015 was £0.5 million (2014: £0.3 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 2015, certain assets at the Severnside facility were sold for cash consideration of £1.4 million. This equipment has been leased back under an operating lease with a 5 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:

	2015 £m	2014 £m
Within one year	**20.0**	21.0
After one year but not more than five years	**25.8**	33.0
More than five years	**13.1**	13.9

Finance leases

The Group repaid all finance lease liabilities during the year ended 31 March 2015. In the prior year, the finance leases principally comprised certain items of plant and equipment at the Davidstow site.

	2015		2014	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year			1.9	1.8
After one year but not more than two years	**–**	**–**	–	–
After two years but not more than five years	**–**	**–**	–	–
After more than five years	**–**	**–**	–	–
Total minimum lease payments	**–**	**–**	1.9	1.8
Less: amounts representing finance charges		**–**	(0.1)	–
Present value of minimum lease payments	**–**	**–**	1.8	1.8

Trading guarantees

The Group has provided guarantees and counter-indemnities which totalled £1.7 million at 31 March 2015 (2014: £4.0 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.

Capital commitments

	Consolidated	
	2015 £m	2014 £m
Future capital expenditure contracted on property, plant and equipment	**21.6**	70.9

28 Related party transactions

The Group's only significant related party was its associate, Wexford Creamery Limited ('WCL'). During the period to the disposal on 16 May 2014, the Group purchased cheese at a cost of £0.5 million from WCL (2014: £6.4 million).

Compensation of key management personnel of the Group and Company	2015 £m	2014 £m
Short-term employee benefits	**2.1**	3.4
Share-based payments	**0.5**	0.3
Total compensation paid to key management personnel*	**2.6**	3.7

* 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.

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

Dairy Crest Limited, a subsidiary company, incurred costs of £2.1 million (2014: £3.4 million) from the Company for the provision of management and administrative services carried out on its behalf. Dairy Crest Limited received £2.0 million (2014: £3.2 million) for the remuneration of the Company's employees which had been paid by Dairy Crest Limited.

Interest charges of £3.7 million (2014: £2.9 million) were incurred by the Company from Dairy Crest Limited on loans reflecting an interest rate of LIBOR+100 basis points. Interest income of £11.0 million (2014: £11.3 million) was received by the Company from Dairy Crest Limited on loans reflecting an interest rate of 5.3% (2014: 5.3%) and a further £0.3 million was received by the Company from Dairy Crest UK Limited on floating rate loans paying LIBOR plus margin (2014: £0.3 million). The Company paid no interest (2014: £nil) to Dairy Crest Limited on cross-currency swaps paying LIBOR and receiving EURIBOR.

29 Business combinations and disposals

Year ended 31 March 2015

Disposal of business and assets of FoodTec UK Limited

On 29 July 2014, the Group completed the sale of the business and assets of FoodTec UK Limited for a cash consideration of £1.2 million, realising a loss on disposal of £0.4 million. The carrying value of the assets sold was £1.6 million representing net working capital (£1.5 million) and tangible fixed assets (£0.1 million).

Disposal of remaining interest in Wexford Creamery Limited

On 16 May 2014, the Group completed the sale of its 30% shareholding in Wexford Creamery Limited for €3.4 million (£2.8 million), realising a gain on disposal of £0.6 million. The net carrying value at disposal was £2.2 million, comprising investment (£1.1 million), share of associate's loss (£0.3 million) and deferred consideration (£1.4 million).

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 was released back to the income statement as discontinued operations. The provision for taxes crystallising as a result of the disposal is unchanged.

Acquisitions

During the year ended 31 March 2015, the Group acquired 3.5% of the share capital of HIECO Limited for a consideration of £0.1 million and acquired 50% of the share capital of Promovita Ingredients Limited for a consideration of £0.1 million (see Note 13).

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 2014 and 2015, 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 2015 the Group's total credit facilities amounted to £393.3 million (2014: £414.0 million) excluding finance leases of £nil (2014: £1.8 million) and the impact of cross-currency swaps on US Dollar and Euro loan notes of £13.9 million (2014: £2.1 million). The facilities at 31 March 2015 and 31 March 2014 consisted of:

- £170 million plus €90 million multi-currency revolving credit facility repayable at maturity in October 2016; and
- loan notes totalling £158.2 million repayable between April 2016 and November 2021.

Undrawn revolving credit facilities at 31 March 2015 amounted to £130.1 million (2014: £208.4 million). Effective headroom including cash and short term deposits amounted to £180.7 million (2014: £275.7 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 2015, 60% of the Group's borrowings were at a fixed rate of interest (2014: 83%). Following the maturity and repayment of loan notes in April 2014 and April 2013, the amounts drawn under revolving credit facilities have increased in 2014/15 and the fixed rate percentage of borrowings has fallen. In addition, there have been significant one-off cash flows in the year in relation to the Demineralised Whey and GOS and Spreads restructuring projects. 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

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 US Dollar (2015: £1.9 million) and Euro (2015: £1.3 million).

30 Financial risk management objectives and policies continued

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 £153.6 million (2014: £189.3 million).

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 2015 the ratio of net debt to EBITDA was 1.97 times (March 2014: 1.31 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 2015 or the prior year.

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 31 March 2015 and 31 March 2014 can be analysed as follows:

	2015 £m	2014 £m
Net debt	**198.7**	142.2
Shareholders' funds	**289.8**	289.4
Gearing ratio	**69%**	49%

Dividends

Details of dividends paid and proposed during the year are given in Note 7. The dividend policy 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 2014/15 is 15.7 pence up 0.3 pence from last year (2014: 15.4 pence). Total dividends paid and proposed in respect of the year ended 31 March 2015 amount to 21.7 pence (2014: 21.3 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 2015							
Fixed rate							
Loan notes*	–	(92.9)	(10.5)	(16.8)	–	(38.0)	**(158.2)**
Forward currency contracts	(0.2)	–	–	–	–	–	**(0.2)**
Cross currency swaps	–	14.4	(1.5)	0.4	–	(0.5)	**12.8**
Floating rate							
Bank loans	–	(105.0)	–	–	–	–	**(105.0)**
Cash at bank and in hand	50.6	–	–	–	–	–	**50.6**
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

* 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 2015, 60% of Group borrowings were at fixed rates of interest (2014: 83%) (see Note 30).

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.

31 Financial instruments continued

The 2015 analysis below reflects lower reasonably possible changes in interest rates to 2014 – upside LIBOR expectations assumed last year were not realised and the assumption is that base rates will increase less than anticipated at March 2014.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2015			
Sterling	+100	1.1	–
Sterling	-50	(0.5)	–
2014			
Sterling	+100	0.4	–
Sterling	-50	(0.2)	–

Equity price risk

The Group holds no listed equity investments and is not subject to equity price risk other than through the pension scheme (see 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 2015 and 2014 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 2015							
Loan Notes	(8.0)	(95.5)	(12.6)	(18.7)	(1.5)	(40.4)	**(176.7)**
Cross-currency swaps (on loan notes):							
payment leg	(6.5)	(73.0)	(11.4)	(18.1)	(1.6)	(38.8)	**(149.4)**
receipt leg	7.3	85.3	9.8	18.7	1.5	40.4	**163.0**
Bank loans	–	(105.0)	–	–	–	–	**(105.0)**
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)

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

Fair values of financial assets and financial liabilities

The carrying amounts and the fair values of all of the Group's financial instruments that are carried in the financial statements are the same, with the exception of the loan notes. The carrying amount of the loan notes was £158.2 million and the fair value was £155.1 million. 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 $US/GBP cross currency swap contracts at 31 March 2015 was $204.4 million (£137.7 million) (2014: $204.4 million (£122.4 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 2015 the fixed interest rates varied from 3.863% to 5.305% (2014: 3.863% to 5.305%). 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 2015 was €10.7 million (£7.7 million) (2014: €41.3 million (£36.5 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 2015 the fixed interest rates varied from 5.470% to 5.600% (2014: 4.955% to 5.600%. The loss deferred in equity will reverse in the income statement (finance costs) during the next year (being the life of the swaps).

31 Financial instruments continued

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 2015 of £130.1 million (2014: £208.4 million) in respect of which all conditions precedent had been met at that date. Undrawn facilities expire in October 2016.

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 2015	< 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*	–	(92.9)	(10.5)	(16.8)	–	(38.0)	**(158.2)**
Intercompany receivables	179.8	–	–	–	–	–	**179.8**
Cross currency swaps	–	14.4	(1.5)	0.4	–	(0.5)	**12.8**
Floating rate							
Intercompany payables	(216.7)	–	–	–	–	–	**(216.7)**
At 31 March 2014							
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)

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

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.

31 Financial instruments continued

The 2015 analysis below reflects lower reasonably possible changes in interest rates to 2014 – upside LIBOR expectations assumed last year were not realised and the assumption is that base rates will increase less than anticipated at March 2014.

	Increases/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2015			
Sterling	+100	–	–
Sterling	-50	–	–
2014			
Sterling	+100	–	–
Sterling	-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 2015 and 2014 based on contractual undiscounted payments of interest and principal.

At 31 March 2015	< 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	(8.0)	(95.5)	(12.6)	(18.7)	(1.5)	(40.4)	**(176.7)**
Cross-currency swaps (on loan notes):							
payment leg	(6.3)	(73.0)	(11.4)	(18.1)	(1.6)	(38.8)	**(149.2)**
receipt leg	7.3	85.3	9.8	18.7	1.5	40.4	**163.0**
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

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

Fair values of financial assets and financial liabilities

The amounts and fair values of all of the Company's financial instruments that are carried in the financial statements are the same, with the exception of the loan notes. The carrying amount of the loan notes was £158.2 million and the fair value was £155.1 million.

Cross currency swaps

External

The notional principal amount of the outstanding $US/GBP cross currency swap contracts at 31 March 2015 was $204.4 million (£137.7 million) (2014: $204.4 million (£122.4 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% (2014: 3.863% to 5.305%). 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 2015 was €10.7 million (£7.7 million) (2014: €41.3 million (£36.5 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 5.470% to 5.600% (2014: 4.955% to 5.600%). 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 2015 of £130.1 million (2014: £208.4 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 2015 £m	Year ended 31 March 2014 £m
Profit before taxation – continuing operations	**22.1**	54.2
Finance costs and other finance income – continuing operations	**9.9**	10.4
Share of associate's net loss/(profit)	**–**	(0.3)
Profit on operations	**32.0**	64.3
Depreciation	**27.4**	28.6
Amortisation of internally generated intangible assets	**3.2**	3.3
Amortisation of acquired intangible assets	**0.4**	0.4
Exceptional items	**16.5**	(10.6)
Release of grants	**(1.7)**	(1.7)
Share based payments	**1.7**	1.5
Profit on disposal of depots	**(17.6)**	(18.2)
Difference between pension contributions paid and amounts recognised in the income statement	**(13.8)**	(59.4)
R&D tax credits	**(0.8)**	(0.2)
Realised exchange loss on early loan note repayment and translation of foreign currency balances	**0.8**	0.8
Decrease/(increase) in inventories	**15.4**	(12.0)
Decrease/(increase) in receivables	**22.8**	(20.8)
(Decrease)/increase in payables	**(51.0)**	10.2
Cash generated from/(used in) operations	**35.3**	(13.8)

No cash was generated from operations for the Company in the year ended 31 March 2015 (2014: nil).

33 Analysis of net debt

Consolidated

	At 1 April 2014 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 31 March 2015 £m**
Cash and cash equivalents	67.3	(15.9)	–	(0.8)	**50.6**
Borrowings (current)	(25.3)	25.3	–	–	**–**
Borrowings (non-current)	(180.2)	(69.0)	–	(14.0)	**(263.2)**
Finance leases	(1.8)	1.8	–	–	**–**
Debt issuance costs	1.1	–	(0.9)	–	**0.2**
	(138.9)	(57.8)	(0.9)	(14.8)	**(212.4)**
Debt issuance costs excluded	(1.1)	–	0.9	–	**(0.2)**
Impact of cross-currency swaps*	(2.2)	2.1	–	14.0	**13.9**
Net debt	(142.2)	(55.7)	–	(0.8)	**(198.7)**

	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)

* The Group has $204.4 million and €10.7 million of loan notes against which cross-currency swaps have been put in place to fix interest and principal repayments in Sterling (March 2014: $204.4 million and €41.3 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 £13.9 million adjustment included in the above (March 2014: £2.2 million) converts the Sterling equivalent of Dollar and Euro loan notes from year end exchange rates (£145.4 million (March 2014: £156.8 million)) to the fixed Sterling liability of £131.5 million (March 2014: £158.9 million).

On 4 April 2014 there was a natural maturity of loan notes of (€30.6 million) £27.4 million.

Company	At 1 April 2014 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 1 March 2015 £m**
Cash and cash equivalents	–	0.2	–	–	**0.2**
Borrowings (current)	(25.3)	25.3	–	–	**–**
Borrowings (non-current)	(144.2)	–	–	(14.0)	**(158.2)**
	(169.5)	25.5	–	(14.0)	**(158.0)**
Borrowings (non-current) – impact of cross-currency swaps	(2.2)	2.1	–	14.0	**13.9**
Net debt	(171.7)	27.6	–	–	**(144.1)**

	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)

34 Corporate information

The consolidated accounts of Dairy Crest Group plc for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the Directors on 20 May 2015 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.