

11 Property, plant and equipment

	Land and buildings £m	Vehicles, plant and equipment £m	Assets in the course of construction £m	Total £m
Consolidated 2009				
Cost				
At 1 April 2008	195.8	307.0	22.3	525.1
Classification adjustment (see Note 13)	–	(0.4)	(4.5)	(4.9)
Additions	7.1	25.8	4.6	37.5
Acquisition of business	–	–	–	–
Disposals	(2.2)	(15.4)	(15.9)	(33.5)
Disposal of business	(7.4)	(22.2)	–	(29.6)
Transfers and reclassifications	0.7	(2.3)	1.6	–
Exchange	1.7	4.7	–	6.4
At 31 March 2009	195.7	297.2	8.1	501.0
Accumulated depreciation				
At 1 April 2008	50.0	147.8	–	197.8
Charge for the year	6.9	33.1	–	40.0
Asset impairments and write-downs	0.7	8.3	–	9.0
Disposals	(1.2)	(15.6)	–	(16.8)
Disposal of business	(4.0)	(21.2)	–	(25.2)
Transfers and reclassifications	–	–	–	–
Exchange	1.0	3.1	–	4.1
At 31 March 2009	53.4	155.5	–	208.9
Net book amount at 31 March 2009	142.3	141.7	8.1	292.1
Net book amount at 31 March 2008	145.8	159.2	22.3	327.3
Consolidated 2008				
Cost				
At 1 April 2007	189.6	292.0	16.2	497.8
Additions	1.6	16.8	18.4	36.8
Acquisition of business	–	–	0.4	0.4
Fair value adjustment on prior year acquisition of businesses	(1.3)	–	–	(1.3)
Disposals	(1.5)	(12.7)	–	(14.2)
Disposal of business	–	–	–	–
Transfers and reclassifications	5.7	7.1	(12.8)	–
Exchange	1.7	3.8	0.1	5.6
At 31 March 2008	195.8	307.0	22.3	525.1
Accumulated depreciation				
At 1 April 2007	43.2	125.2	–	168.4
Charge for the year	7.0	32.5	–	39.5
Asset impairments and write-downs	–	1.7	–	1.7
Fair value adjustment on prior year acquisition of businesses	(2.7)	–	–	(2.7)
Disposals	(0.7)	(12.3)	–	(13.0)
Disposal of business	–	–	–	–
Transfers and reclassifications	2.0	(2.0)	–	–
Exchange	1.2	2.7	–	3.9
At 31 March 2008	50.0	147.8	–	197.8
Net book amount at 31 March 2008	145.8	159.2	22.3	327.3
Net book amount at 31 March 2007	146.4	166.8	16.2	329.4

Asset impairments comprise £5.6 million in relation to plant and equipment at Wexford, £3.2 million in relation to property, plant and equipment at the closed Dairy sites at Totnes and Nottingham and £0.2 million in relation to other plant and equipment. Further details are provided in Note 4.

74 Notes to the financial statements continued

11 Property, plant and equipment (continued)**2009**

Following the decision to close the Nottingham dairy and restructure the Dairies distribution network, certain assets which were unable to be used in the wider business were written down to their fair value less costs to sell. This resulted in an impairment of £1.7 million to property, plant and equipment.

Following the closure of the Totnes dairy in the year ended 31 March 2008, planning delays and a weakening UK property market have resulted in a reduced fair value less costs to sell at 31 March 2009 compared to March 2008. This resulted in a further impairment of £1.5 million to property, plant and equipment.

2008

Following the decision to close the site at Totnes, certain assets which were unable to be used in the wider business were written down to their fair value less costs to sell. This resulted in an impairment of £1.7 million to property, plant and equipment.

Capitalised leases included in vehicles, plant and equipment comprise:	2009 £m	2008 £m
Cost	36.5	39.6
Accumulated depreciation	(21.4)	(23.0)
Net book amount	15.1	16.6

Leased assets are pledged as security for the related finance lease liability (see Note 28).

12 Goodwill

	£m
Cost	
At 31 March 2007	285.5
Additions (Note 30)	4.8
Exchange	25.8
At 31 March 2008	316.1
Additions (Note 30)	0.3
Exchange	28.6
At 31 March 2009	345.0
Accumulated impairment	
At 31 March 2007, 2008 and 2009	(2.3)
Net book amount at 31 March 2009	342.7
Net book amount at 31 March 2008	313.8

Impairment testing of goodwill

Acquired goodwill has been allocated for impairment testing purposes to five groups of cash generating units ('CGUs'): Dairies, UK Spreads, St Hubert, Cheese and Speciality Cheese. The Speciality Cheese CGU was disposed of in August 2008 (see Note 30). All CGUs are tested for impairment annually by comparing the carrying amount of that CGU with its recoverable amount. Recoverable amount is determined based on a value-in-use calculation using cash flow projections based on financial budgets and strategic plans approved by senior management covering a three-year period and appropriate growth rates beyond that. The discount rate applied to the projections is 9.5% for UK Spreads and Cheese (2008: 8.4%), 9.9% for St Hubert (2008: 9.1%) and 9.8% for Dairies (2008: 8.4%).

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. Discount rates have increased compared to March 2008 as a result of the global financial market uncertainty and resultant increase in the equity risk premium.

The growth rate used to extrapolate cash flows beyond the three-year period for UK Spreads, St Hubert and Cheese is 2.0% pa (being the estimated UK and Euro zone long-term growth rate adjusted for industry growth rates and extrapolation risks) (2008: 2.0%). The growth rate used to extrapolate cash flows beyond the three-year period for the Dairies CGU is 0% (2008: 0%). Management considers this a cautious assumption in the light of current opportunities in the enlarged Household business and ongoing improvements in the Dairy manufacturing and distribution networks but recognise the historical doorstep decline rates experienced in the doorstep milk business.

12 Goodwill (continued)

The carrying amount of goodwill allocated to groups of CGUs at 31 March 2009 is:

Dairies	£68.9 million	(2008: £68.6 million)
UK Spreads	£65.5 million	(2008: £65.5 million)
St Hubert	£206.2 million	(2008: £177.6 million)
Cheese	£2.1 million	(2008: £2.1 million)

The key assumptions used in value-in-use calculations:

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, new initiatives and anticipated 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 (WACC) for each CGU.

Raw materials prices – budgets are prepared using the most up to date price and forecast price data available. The key resources are milk, vegetable oils, fuel oil, diesel, gas and electricity and packaging costs.

Growth rate estimates – for periods beyond the length of the strategic plans, growth estimates are based upon published industry research adjusted downwards to reflect the risk of extrapolating growth beyond a three year time frame. For the Household business within Dairies, long-term rates of market decline as seen over recent years have been extrapolated forward.

The Directors consider the assumptions used to be consistent with the historical performance of each CGU and to be realistically achievable in the light of economic and industry measures and forecasts. In addition, the value in use calculation for the Group (comprising each CGUs value in use) is compared to the Group market capitalisation at the date of impairment testing and 31 March each year.

Sensitivity to changes in assumptions – With regard to the assessment of value-in-use of the Spreads, St Hubert and Cheese CGUs, management believes that no reasonably possible change in the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount with the exception, in the cases of St Hubert and Cheese, of the discount rate used in the value in use calculation which is outside management's control. Should the discount rate used for calculating the St Hubert value in use rise to 11.2% and the discount rate used for calculating the Cheese value in use rise to 12.3% due to external financial market uncertainties then the carrying value would exceed that unit's recoverable amount. The impairment headroom for the St Hubert and Cheese CGUs is €47 million and £63.1 million respectively.

For the Dairies CGU, there are possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount although management believes that the assumptions used in performing the impairment test for this business are cautious. The key assumption is future growth rates. Management has assumed no growth after year three in the value in use calculation. Should any decline in the Dairies CGU be greater than 3% per annum beyond year three then the value in use for this CGU could be reduced to a value approximately equal to its carrying amount. The impairment headroom for the Dairies CGU is £74.6 million.