

86 Notes to the financial statements continued

22 Trade and other payables

	Consolidated		Parent Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade payables	99.6	92.1	–	–
Other tax and social security	5.9	6.8	–	–
Other creditors	22.9	25.6	–	–
Accruals	101.0	100.3	8.7	8.3
	229.4	224.8	8.7	8.3

23 Deferred income

	2009 £m	2008 £m
Current		
Grants	0.6	0.6
Other	0.1	0.1
	0.7	0.7
Non-current		
Grants	8.4	9.0
Other	0.2	0.3
	8.6	9.3

The Group has met all applicable conditions attaching to grants at 31 March 2009. Certain of the conditions attaching to grants are applicable until 2009 at which point the grants become unconditional. The conditions that apply until that date are within the control of the Group.

24 Provisions

	YDC pension liabilities £m	OFT provision (including legal fees) £m	Onerous contract £m	Total £m
At 1 April 2007	–	–	–	–
Charged in the year as exceptional (see Note 4)	–	10.0	4.4	14.4
Utilised	–	(0.4)	(1.5)	(1.9)
Discount unwind	–	–	0.1	0.1
At 31 March 2008 – Current	–	9.6	3.0	12.6
Charged in the year as exceptional (see Note 4)	3.5	–	0.9	4.4
Utilised	(3.5)	–	(3.6)	(7.1)
Discount unwind	–	–	0.2	0.2
At 31 March 2009 – Current	–	9.6	0.5	10.1

Office of Fair Trading ('OFT')

An exceptional provision has been charged in relation to the settlement of the OFT investigation into milk price initiatives (including legal costs). The amount of the fine provided is £9.4 million and reflects the early resolution agreement that was reached with the OFT in December 2007. This fine represents a significant reduction to the amount that could have been imposed by the OFT and is dependent upon the Group's continued full co-operation with the OFT until the conclusion of its investigation. The possibility of the imposition of a higher fine by the OFT is considered remote given the Group's continuing co-operation in this matter. Settlement is expected to be reached in the year ending 31 March 2010 and the related provision has been classified as current.

Onerous contract

The Group has one milk supply contract with a middle ground customer which, due to unprecedented increases in milk costs in 2007/08 and a subsequent weakening of cream prices, become onerous. An exceptional provision of £4.4 million was charged in the year ended 31 March 2008, being the best estimate at the time of the present value of future cash outflows resulting from the contractual obligations in the contract (see Note 4). In that year, £1.5 million was charged against this provision. In the year ended 31 March 2009, there were further milk cost increases and contract negotiations took longer than anticipated. This onerous contract is now expected to be renegotiated in the first half of 2009/10 and a further provision of £0.9 million has been charged for expected cash outflows under this contract until its expected renegotiation date. In calculating the amount of cash outflows to the end of this contract, estimates have been made regarding future pricing and volumes.

24 Provisions (continued)

YDC pension liabilities

As part of the disposal of YDC, future service accruals immediately ceased in the YDC defined benefit scheme and the Group contracted to extinguish any remaining funding liability by purchasing an insurance buy-out. On completion of the disposal, £3.5 million was charged as a provision for the cost of the insurance and funds were deposited in escrow for the benefit of the YDC scheme trustee. This amount was the best estimate at the date of disposal of the cost of buying out the scheme liabilities. This has been accounted for as a provision under IAS 37 and not under IAS 19 as there ceased to be a defined benefit scheme on completion of the disposal.

Inevitably, the final cost of insurance is dependent upon bond yields and other factors. Management's best view, based on current financial market conditions, is that the final cost could be below £3.5 million and that the Group might recover some of the funds placed into escrow. This contingent asset has not been recognised since receipt is not virtually certain and therefore does not meet the recognition criteria under IAS 37.

25 Share capital

Authorised	2009 Thousands	2008 Thousands
Ordinary shares of 25 pence each	240,000	240,000
Issued and fully paid		
	Thousands	£m
At 31 March 2007	132,348	33.1
Issued for cash on exercise of share options	706	0.2
At 31 March 2008	133,054	33.3
Issued for cash on exercise of share options	210	–
At 31 March 2009	133,264	33.3

During the year ended 31 March 2009 209,231 shares were issued at a premium of £0.5 million for an aggregate consideration of £0.5 million (2008: 706,182 shares were issued at a premium of £3.5 million for an aggregate consideration of £3.7 million). See Note 26.

26 Reconciliation of movements in equity

Consolidated	Attributable to equity shareholders of the parent						Minority interests £m	Total equity £m
	Ordinary shares £m	Share premium £m	Interest in ESOP £m	Other reserves £m	Retained earnings £m	Total £m		
At 31 March 2008	33.3	70.2	(3.7)	67.0	215.8	382.6	5.1	387.7
Total recognised income and expense in the year	–	–	–	10.4	(9.2)	1.2	(0.4)	0.8
Issue of share capital	–	0.5	(0.5)	–	–	–	–	–
Exercise of options	–	–	2.3	–	(2.3)	–	–	–
Share based payments (Note 27)	–	–	–	–	0.8	0.8	–	0.8
Equity dividends (Note 7)	–	–	–	–	(32.3)	(32.3)	–	(32.3)
At 31 March 2009	33.3	70.7	(1.9)	77.4	172.8	352.3	4.7	357.0
At 31 March 2007	33.1	66.7	(1.2)	60.4	180.1	339.1	4.0	343.1
Total recognised income and expense in the year	–	–	–	6.6	64.0	70.6	1.1	71.7
Issue of share capital	0.2	3.5	(3.2)	–	–	0.5	–	0.5
Exercise of options	–	–	0.7	–	(0.7)	–	–	–
Share based payments (Note 27)	–	–	–	–	3.2	3.2	–	3.2
Equity dividends (Note 7)	–	–	–	–	(30.8)	(30.8)	–	(30.8)
At 31 March 2008	33.3	70.2	(3.7)	67.0	215.8	382.6	5.1	387.7

The shares held by the Dairy Crest Employees' Share Ownership Plan Trust ('ESOP') are available to satisfy awards under LTISP and ESOS (see Note 27).

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26 Reconciliation of movements in equity (continued)

At 31 March 2009 the ESOP held 483,723 shares (2008: 751,879 shares) in the Company at a cost of £1.9 million (2008: £3.7 million). The ESOP was established in August 1996 to purchase shares in the Company in order to hedge certain future obligations of the Group including shares awarded under the LTISP and the ESOS. During the year the Trustee of the ESOP issued 468,156 (2008: 249,794) shares following exercises of LTISP options. In addition, the Company issued 200,000 shares to the ESOP in March 2009 at the prevailing market price of £2.60 (March 2008, 600,000 shares at £5.40). The market value of the shares held by the ESOP, which are listed on the London Stock Exchange, was £1.3 million at 31 March 2009 (2008: £3.5 million).

Other reserves – Consolidated	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Other reserves £m
At 31 March 2008	55.9	9.1	2.0	67.0
Total recognised income and expense in the period	–	(5.9)	16.3	10.4
At 31 March 2009	55.9	3.2	18.3	77.4
At 31 March 2007	55.9	4.6	(0.1)	60.4
Total recognised income and expense in the period	–	4.5	2.1	6.6
At 31 March 2008	55.9	9.1	2.0	67.0

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 (2008: £86.8 million). The reserve is not distributable.

The hedging reserve records the movements on designated hedging items, offset by any movements recognised directly in equity on underlying hedging items.

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 used to hedge the net investment in foreign subsidiaries.

Parent Company	Ordinary shares £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Retained earnings (restated) £m	Total £m
At 31 March 2008	33.3	70.2	142.7	8.3	76.5	331.0
Total recognised income and expense in the period	–	–	–	(6.0)	11.7	5.7
Issue of share capital	–	0.5	–	–	–	0.5
Cash gift to ESOP	–	–	–	–	(0.5)	(0.5)
Share based payments	–	–	–	–	0.8	0.8
Equity dividends	–	–	–	–	(32.3)	(32.3)
At 31 March 2009	33.3	70.7	142.7	2.3	56.2	305.2
At 31 March 2007	33.1	66.7	142.7	4.5	85.3	332.3
Total recognised income and expense in the period	–	–	–	3.8	22.0	25.8
Issue of share capital	0.2	3.5	–	–	–	3.7
Cash gift to ESOP	–	–	–	–	(3.2)	(3.2)
Share based payments	–	–	–	–	3.2	3.2
Equity dividends	–	–	–	–	(30.8)	(30.8)
At 31 March 2008	33.3	70.2	142.7	8.3	76.5	331.0

As permitted by section 230 of the Companies Act 1985, 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 £11.7 million (2008: £22.0 million) including dividends received from subsidiary companies of £25.0 million (2008: £50.0 million). Dividends paid amounted to £32.3 million (2008: £30.8 million) which, along with a credit for share based payments of £0.8 million (2008: £3.2 million) and the cost of the cash gift to the ESOP of £0.5 million (2008: £3.2 million) resulted in a £20.3 million decrease in retained earnings (2008: £8.8 million).

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 represents the difference between the fair value of shares issued and their nominal value of £27.5 million.