

28 Commitments and contingencies

Operating lease commitments

The Group has entered into commercial leases on certain land and buildings, vehicles and equipment. Excluding land and buildings, these leases have an average life of between three and seven years with no renewal option, escalation clauses or purchase options included in the 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.

During the year certain assets at the new cheese packing facility in Nuneaton were sold for cash consideration of £15.4 million. This equipment has been leased back under an operating lease with a seven year term. The assets subject to the operating lease have an average useful economic life of 10 years. 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:

	2009 £m	2008 £m
Within one year	24.9	18.7
After one year but not more than five years	42.4	37.6
More than five years	23.1	15.5

Finance leases

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

	2009		2008	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	2.7	2.0	2.6	2.5
After one year but not more than two years	2.8	2.2	2.7	2.0
After two years but not more than five years	9.0	8.1	8.7	7.4
After more than five years	1.3	1.5	5.1	4.4
Total minimum lease payments	15.8	13.8	19.1	16.3
Less: amounts representing finance charges	(2.0)	–	(2.8)	–
Present value of minimum lease payments	13.8	13.8	16.3	16.3

Trading guarantees

The Group has provided guarantees and counter-indemnities which totalled £12.9 million at 31 March 2009 (2008: £10.4 million). This includes a guarantee for liabilities amounting to £12.8 million (2008: £10.3 million) (as defined in Section 5(c)(iii) of the Companies (Amendment) Act 1986, Republic of Ireland) of Wexford Creamery Limited and subsidiaries, which are Irish registered companies, for the financial year ended 31 March 2009. As a result Wexford Creamery Limited and subsidiaries are exempt from filing statutory accounts with the Registrar of Companies in Ireland, under provisions of Section 17 of the Irish Companies (Amendment) Act 1986. The remaining guarantees are made by Philpot Dairy Products Limited, a subsidiary company, to the Rural Payment Agency in relation to EU subsidies claimed.

The Company has provided guarantees to its bankers in respect of subsidiary borrowings amounting to £23.6 million at 31 March 2009 (2008: £65.7 million).

Capital commitments

	2009 £m	Group 2008 £m
Future capital expenditure contracted on property, plant and equipment	12.9	26.8

Contracted capital expenditure at 31 March 2008 predominantly represented the committed expenditure at Nuneaton in relation to the new cheese packing facility.