

92 Notes to the financial statements continued

29 Related party transactions

Yoplait Dairy Crest Limited, a joint venture of Dairy Crest Group plc up until 26 March 2009, incurred costs of £6.4 million (2008: £7.5 million) from the Group for sales and distribution activities carried out on its behalf. Details of amounts owed by joint ventures are shown in Note 17. Ashton Associates, a partnership between Mr and Mrs S M D Oliver received £21,725 (2008: £25,527) for administration and secretarial services covering the operations of the Chairman's office. There is no balance in relation to these fees outstanding at 31 March 2009 (2008: nil).

Compensation of key management personnel of the Group and Company	2009 £m	2008 £m
Short-term employee benefits	2.0	2.6
Compensation for loss of office	0.2	0.2
Post-employment benefits	-	0.1
Share-based payments	(0.1)	1.1
Total compensation paid to key management personnel	2.1	4.0

Dairy Crest Limited, a subsidiary company, incurred costs of £2.8 million (2008: £3.1 million) from the Company for the provision of management and administrative services carried out on its behalf. Dairy Crest Limited received £2.7 million (2008: £3.0 million) for the remuneration of the Company's employees which had been paid by Dairy Crest Limited. Interest charges of £1.9 million (2008: £2.7 million) were paid by the Company to Dairy Crest Limited on a loan reflecting an interest rate of LIBOR+100 basis points. Interest income of £9.1 million (2008: £8.0 million) was received by the Company from Dairy Crest Limited on a loan reflecting an interest rate of 5.3% (2008: 5.3%). The Company was charged net interest of £1.3 million (2008: £5.4 million) by Dairy Crest Limited on a cross-currency swap paying LIBOR and receiving EURIBOR and £nil (2008: £1.8 million) to Dairy Crest (Services) Limited on a cross-currency swap Paying LIBOR and receiving EURIBOR. See Note 32.

During the year, the Company sold its receivable under a convertible loan to a subsidiary undertaking at fair value for cash consideration. See Note 32. Additionally, the Company subscribed for 228.9 million ordinary shares of £1 each in Dairy Crest UK Limited, a subsidiary, for cash consideration. See Note 14.

30 Business combinations**2009**

During the year, the Group acquired the goodwill of a number of bottled milk buyers for cash consideration of £0.3 million resulting in goodwill of £0.3 million.

In April 2008, final consideration was paid for the assets and goodwill of the dairy business of the East of England Co-operative Society amounting to £1.0 million.

In August 2008, the Group completed the sale of its Stilton and speciality cheese business to Long Clawson Dairy Limited. The loss on disposal is analysed in Note 4.

On 26 March 2009, the Group completed the sale of its 49% share in Yoplait Dairy Crest Limited to Yoplait SAS. The profit on disposal is analysed in Note 4.

2008

On 17 February 2008, the Group acquired the assets and goodwill of the dairy business of the East of England Co-operative Society for an initial consideration of £4 million. The provisional fair value of the identifiable assets and liabilities of the business at the date of acquisition was as follows:

	Fair value to Group £m	Book value £m
Property, plant and equipment	0.4	0.5
Intangible assets	2.0	-
Deferred tax	(0.7)	-
Inventories	0.2	0.2
Receivables	0.9	0.9
Payables	(0.1)	(0.1)
Net assets	2.7	1.5
Goodwill	2.6	
Consideration	5.3	
Comprising: Cash consideration	4.0	
Deferred working capital consideration adjustment	1.0	
Professional fees	0.3	

30 Business combinations (continued)

Provisional fair values for the assets and liabilities of these depots were used to calculate goodwill due to the proximity of the acquisition to 31 March 2008. Final valuation took place during the period to 17 February 2009 and did not result in any further fair value adjustments. Fair value adjustments principally comprise the recognition of two supply contracts as intangible assets along with the related deferred tax liabilities.

During 2008, the Group acquired the goodwill of a number of bottled milk buyers for cash consideration of £1.6 million resulting in goodwill of £1.6 million.

Included in goodwill for the above acquisitions are certain intangible assets that cannot be separately identified and measured due to their nature. These include acquired milk rounds lists and assembled workforces. Management believes that goodwill represents value to the Group for which the recognition of a discrete intangible asset is not permitted. The majority of the value was assessed to comprise synergy benefits expected to be achieved by merging the businesses acquired into the Group's existing operations.

The trade and assets acquired as a result of the above acquisitions were absorbed into the wider Dairies business within Dairy Crest Limited. As a result, disclosure of the profit for the year to 31 March is impracticable. Similarly, it is impracticable to disclose what Group profit and revenue from continuing operations would have been if the acquisition had occurred on 1 April 2007.

Certain fair value adjustments were made in relation to St Hubert in the period to December 2007. These comprised adjustments to property, plant and equipment, intangible assets and deferred tax and resulted in additional goodwill of £0.6 million being recognised.

31 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 interest rate swaps, 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 2009 and 2008, 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 objective is to ensure that forecast net borrowings, plus a reasonable operating headroom, are covered by committed facilities which mature at least 12 months after the year end. The maturity analysis of Group borrowings is set out in Note 20. At 31 March 2009 the Group's total credit facilities amounted to £669 million (2008: £632 million) excluding finance leases of £14 million (2008: £16 million) and the impact of cross-currency swaps on \$US and € loan notes of £32.1 million (2008: £(15.8) million). The facilities consist of:

2009

- a £85 million plus €175 million multi-currency revolving credit facility repayable at maturity in July 2013;
- a £100 million multi-currency revolving credit facility repayable at maturity in November 2011;
- Loan notes totalling £321 million repayable between April 2013 and April 2017.

2008

- a term loan of £25 million repayable in semi-annual instalments in June 2008 (£20 million) and December 2008 (£5 million);
- a £250 million multi-currency revolving credit facility repayable at maturity in June 2009;
- a £100 million multi-currency revolving credit facility repayable at maturity in November 2011;
- Loan notes totalling £257 million repayable between April 2013 and April 2017.

Undrawn revolving credit facilities at 31 March 2009 amounted to £127 million (2008: £150 million). This can be analysed as follows (see also Note 20):