

Notes to the financial statements

11 Property, plant and equipment

	Group Land and buildings £m	Group Fixtures and equipment £m	Group Total £m	Company restated ¹ Land and buildings £m
Cost				
At 23 March 2008	7,068	4,677	11,745	117
Additions	626	455	1,081	–
Acquisition of subsidiaries	4	–	4	–
Disposals	(225)	(233)	(458)	(72)
Transfer to assets held for resale	(19)	(2)	(21)	–
At 21 March 2009	7,454	4,897	12,351	45
Accumulated depreciation and impairment				
At 23 March 2008	1,123	3,198	4,321	8
Depreciation expense for the year	113	340	453	1
Disposals	(28)	(212)	(240)	(6)
Transfer to assets held for resale	(2)	(2)	(4)	–
At 21 March 2009	1,206	3,324	4,530	3
Net book value at 21 March 2009	6,248	1,573	7,821	42
Capital work-in-progress included above	428	121	549	–
Cost				
At 25 March 2007	6,719	4,480	11,199	118
Additions	628	365	993	–
Acquisition of subsidiary	3	–	3	–
Disposals	(182)	(153)	(335)	(1)
Transfer to assets held for sale	(100)	(15)	(115)	–
At 22 March 2008	7,068	4,677	11,745	117
Accumulated depreciation and impairment				
At 25 March 2007	1,060	2,963	4,023	7
Depreciation expense for the year	89	374	463	1
Disposals	(19)	(133)	(152)	–
Part disposal of Sainsbury's Bank	(7)	(6)	(13)	–
At 22 March 2008	1,123	3,198	4,321	8
Net book value at 22 March 2008	5,945	1,479	7,424	109
Capital work-in-progress included above	398	63	461	–
The net book value of land and buildings comprised:				
Freehold land and building	4,777	4,502	42	64
Long leasehold	951	938	–	45
Short leasehold	520	505	–	–
	6,248	5,945	42	109

¹ The restatement of certain comparative amounts is explained in note 2 on page 52.

Impairment of property, plant and equipment

In accordance with IAS 36 'Impairment of Assets', the Group has determined that for the purposes of impairment testing, each store is a cash-generating unit ("CGU"). CGUs are tested for impairment at each reporting date if there are indications of impairment.

The recoverable amounts for the CGUs are based on value in use which is calculated on the cash flows expected to be generated by the units using the latest budget and forecast data, the results of which are reviewed by the Board. The key assumptions in the value in use calculation are the discount rate, growth rates and expected changes in margin. Changes in income and expenditure are based on past experience and expectations of future changes in the market. The forecasts are extrapolated beyond five years based on estimated long-term growth rates of three per cent to four per cent. The discount rate is based on the Group's pre-tax weighted average cost of capital of ten per cent (2008: ten per cent).

Notes to the financial statements continued

Interest capitalised

Interest capitalised included in additions amounted to £15 million (2008: £8 million) for the Group and £nil (2008: £nil) for the Company. Accumulated interest capitalised included in the cost total above net of disposals amounted to £255 million (2008: £255 million) for the Group and £nil (2008: £nil) for the Company. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6.5 per cent (2008: 5.7 per cent).

Security

Property, plant and equipment of 128 (2008: 127) supermarket properties, with a net book value of £2,330 million (2008: £2,336 million) has been pledged as security for the long-term financing (note 20).

In addition, property, plant and equipment of a further six supermarket properties, with a net book value of £71 million (2008: £73 million) has been pledged as security to underpin the residual value guarantee given by the Group with regards to 16 supermarket properties sold in March 2000 and ten supermarket properties sold in July 2000.

Analysis of assets held under finance leases – Group

	2009 £m	2008 £m
Land and buildings		
Cost	50	51
Accumulated depreciation and impairment	(21)	(21)
Net book value	29	30