



12 November 2009

Dairy Crest Group plc ("Dairy Crest")

INTERIM RESULTS ANNOUNCEMENT

Dairy Crest, the UK's leading dairy company, today announces its unaudited results for the six months ended 30 September 2009:

	<u>Half year ended 30 September</u>		
<u>Financial Highlights:</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue:	£803.7m	£808.2m	-1%
Profit before tax:	£34.0m	£28.4m	+20%
Adjusted profit before tax *:	£38.1m	£35.1m	+9%
Basic earnings per share:	18.6p	4.7p	+296%
Adjusted basic earnings per share *:	20.1p	19.7p	+2%
Operating cash flow **	£58.6m	£13.3m	+341%
Half year net debt:	£380.4m	£490.6m	-22%
Interim dividend:	5.3p	7.1p	-25%

* before exceptional items, amortisation of acquired intangibles and pension interest.

**cash generated from operations less capital expenditure

Strong first half performance

- **Strong cash generation**
 - Operating cash flow improved by £45 million
 - Half year net debt lowest for three years
- **Continued brand growth**
 - 10% increase in sales of five key brands
 - Cathedral City annual retail sales exceed £200 million for the first time
- **Good growth in other added value markets**
 - 50% growth in retailer own-label fresh flavoured milk sales
- **Continued focus on cost reduction and efficiency improvements**
 - Further rationalisation of glass bottling capacity planned, building on decisive action taken last year
- **Reduced risk**
 - Defined benefit pension scheme closing to future accrual



Mark Allen, Chief Executive, said:

"Dairy Crest has had a strong six months. At this time last year we set out our strategy to invest in our brands, control our costs and focus on cash generation to lower our debt. The results we are announcing today confirm that we have delivered against this strategy. We are encouraged by the good progress we have made, which has delivered a 9% improvement in adjusted pre-tax profit, a £45 million improvement in operating cash flow and has allowed us to reduce our net debt by over £110 million since September 2008."

Our second half focus will remain on cash management, cost reduction and the development of our key brands. We remain convinced that this strategy is appropriate given the challenging economic environment in which we continue to operate."

For further information:

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There will be a presentation for analysts at 09.30 am today (12th November 2009) at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED.



Overview

We have performed ahead of our expectations over the first six months of the year.

The Group achieved half-year revenue of £803.7 million, down 1% on £808.2 million in the comparable period last year. Strong sales of our five key brands have been offset by lower sales of dairy commodities, doorstep milk and non-key brands. The UK cheese market has been particularly challenging in the period.

Adjusted profit before tax (before exceptional items, amortisation of acquired intangibles and pension interest) was up 9% to £38.1 million from £35.1 million in the comparable period last year. Last year's profits included a contribution of £2.9 million from our 49% stake in Yoplait Dairy Crest which we sold in March 2009. Reported profit before tax was up 20% to £34.0 million from £28.4 million.

Half year net debt fell by 22% to £380.4 million (compared to 30 September 2008) and is the lowest for three years.

The Group's five key brands (Cathedral City, Country Life, St Hubert Omega 3, Clover and FRijj) have continued to perform strongly. Together they have grown sales by 10% in the first half compared to the first half of last year.

Progress has been made in other added value areas, such as milk sales to our major retail customers and the number of doorstep customers using our new internet proposition, milk&more.

We continue to make operational cost reductions in order to finance increased marketing expenditure and to grow profits and have recently started consultation on the closure of the glass bottling operation at our Fenstanton dairy. In addition the decisive actions we took last year to reduce our cost base have contributed to our strong first half performance.

Operating Review

Strategy

Dairy Crest is a broadly based dairy business. During the period we have continued to deliver against the strategy we developed last year to deal with the worsening economic environment. This was to invest in our brands, using a combination of television advertising, innovation and promotions, control our costs and focus on cash generation to lower debt. We have also continued to reduce risk in our business.



Branded Growth

Our five key brands have all demonstrated continued strong growth in the first half, underpinned by strong television advertising and a powerful promotional programme aimed at providing value to consumers. We anticipate that this programme will continue in 2010. Details are as follows:

Brand (market)	Dairy Crest Growth (1)	Market Growth (2)	Highlights
Country Life (UK retail butter, spreads and margarine)	+4%	-2%	Country Life Spreadable is the fastest growing spreadable brand with sales up 10% (1)
Cathedral City (UK retail cheese)	+8%	+4%	Annual retail sales over £200m for first time
St Hubert Omega 3 (French retail non-butter spreads)	+14%	-4%	Increased share of French spreads market
Clover (UK retail butter, spreads and margarine)	+13%	-2%	Strongest ever 6 month sales for Clover
FRijj (UK retail fresh flavoured milk)	+21%	+19%	Over 50% share of fresh flavoured milk

(1) Dairy Crest (value) sales 6 months to 30 September 2009 compared to 6 months to 30 September 2008.

(2) AC Nielsen, IRI and TNS data for 24 weeks to 4 October 2009 v 24 weeks to 5 October 2008.

We have created new television adverts for four of our five key brands this year and intend to continue to advertise and promote our key brands strongly. All five are currently being advertised on television.



Other Added Value Markets

Sales of milk to major retail customers are up 10% compared to last year. New customers for conventional milk, organic milk and fresh flavoured milk and growth in sales of conventional milk to our key retail customers have contributed to this performance. Our sales of retailer own-label fresh flavoured milk are up by over 50% in the period.

We are also seeing growing momentum behind the roll out of our doorstep delivery internet proposition milk&more. Since completion of the national rollout in September 2009, milk&more has been available to all 1.3 million of our household customers and over 125,000 customers are currently registered with us. We have a target of 250,000 milk&more registered customers by 31 March 2010.

Innovation

We are continually innovating to add value to our products. Key areas of focus are health and the environment, where packaging initiatives are key.

We have increased our sales of milk in bags (Jugit) to retailers and on the doorstep and have introduced polybottles made of recycled material. Cathedral City, Clover and Country Life all have reduced fat variants and together sales of these variants increased by 41% in the period compared to same period last year.

In France we have launched an organic variant of our St Hubert spread and continue to work on recipes that will further improve our French brands' health credentials.

In addition our recently acquired subsidiary, Fayrefield FoodTec Limited, has launched a range of stress reducing products with Boots under the Equilibrium brand and a range of gluten-free bakery products, suitable for coeliacs, which are being distributed by Delice de France.

Cutting Costs

We continue to implement further cost reduction measures with a view to driving efficiency. For example we have contracted out milk collection for our Davidstow creamery, have changed our media buying agency and have recently started consultation on the closure of the glass bottling operation at our Fenstanton dairy.

Furthermore, throughout the first half, we have benefited from decisive action taken last year to reduce our cost base.



Reducing Risk

In the first half we have processed less milk into our Ingredients business, reducing the risk of adverse commodity price movements and associated losses.

We have also completed consultation over the closure of our defined benefit pension scheme to future accrual from 1 April 2010. From that date all permanent employees will be given the opportunity to join our defined contribution pension scheme.

Divisional Performance

We have adopted IFRS 8 'Operating Segments' this year and now provide greater disclosure by separately reporting Spreads and Cheese results within what used to be our 'Foods' segment. The following divisional analysis is consistent with segment revenue and results presented in Note 4 of the Financial Statements. All profit references are to profit on operations before amortisation of acquired intangibles and exceptional items, this being the key performance measure used within the Group.

Dairies

The Dairies division achieved a profit of £14.3 million (2008: £2.7 million) on revenue of £528.7 million (2008: £540.4 million) giving an operating margin of 2.7% (2008: 0.5%).

This reflects the progress made by our retail milk business, where sales of milk to our major customers were up 10% compared to last year, strong performance by FRijj, lower raw milk costs, improved operating efficiencies and lower milk balancing costs.

Doorstep sales have fallen in the period and the underlying annual decline in doorstep milk volumes is currently running at around 8.5% (2008: 10%). As noted above, we are focussing on the rollout of milk&more in an effort to reverse this decline and sell more non-milk products to our doorstep customers.

Spreads

Revenue in our Spreads business, which includes UK Spreads and St Hubert, was up to £137.9 million (2008: £135.1 million). Profit also increased to £27.0 million (2008: £25.3 million) giving an operating margin of 19.6% (2008: 18.7%). The result benefited from favourable currency translation due to weaker sterling/euro exchange rates against the comparable period last year.



Strong sales of our three key brands in this business (Clover, Country Life and St Hubert Omega 3) have been offset by lower sales of non-branded products and other brands, which have not been advertised and promoted so heavily.

Cheese

Our Cheese business had a tough half-year, facing higher costs of cheese following the increase in milk prices seen in 2007 and 2008. The UK cheese market remains highly competitive, with increased import penetration, high promotional sales and, towards the end of the period, retail price deflation.

Profit fell to £7.9 million (2008: £18.4 million) on revenue up slightly to £131.8 million (2008: £127.1 million). This resulted in an operating margin of 6% (2008: 14.5%), a solid result given the tough market conditions.

Notwithstanding this we intend to continue to strongly advertise and promote Cathedral City in the second half. This will help to maintain its lead in branded cheddar. Since the end of the half year we have relaunched this brand with new packaging and a new television advertisement. We have also completed the investment in our new packing operation for Cathedral City at Nuneaton. This will give us scope to further increase sales in the future. Next year the cheese business will benefit from lower costs of sales as milk price reductions made earlier this year start to come through.

Yoplait Dairy Crest

As previously reported we sold our 49% stake in Yoplait Dairy Crest in March 2009. In the six months to 30 September 2008 our share of the profit of this business was £2.9 million. Since the disposal of our stake in Yoplait Dairy Crest we have continued to distribute Yoplait's products in Great Britain. This arrangement will end on 25 March 2010. We intend to replace this volume with business from other third parties.

Milk Prices and Dairy Commodity Markets

For most of the half dairy commodity prices have been depressed as world supply has exceeded demand. UK milk prices have been less affected than those in other European countries, reflecting a stable retail environment and the weakness of sterling. The prices we pay our direct suppliers have fallen on average by around 10% from their peak in 2008. Towards the end of the period there has been an upward move in dairy commodity prices. This has allowed us to put a floor under the milk price we offer our suppliers through to February 2010, while still allowing us to react if the upward momentum in commodity markets is sustained.



Financial Review

The Group achieved half-year revenue of £803.7 million, down 1% on £808.2 million in the comparable period last year. Strong sales of our five key brands have been offset by lower sales of dairy commodities, doorstep milk and non-key brands.

Profit on operations (before exceptional items) was up 6% to £44.5 million (2008: £41.8 million). Exceptional costs included in profit on operations amounted to £0.5 million and represent duplicate running costs at our new cheese packing operation (£1.5 million) partially offset by a profit on the sale of our Nottingham dairy (£1.0 million), which was closed last year. Reported profit on operations was up 21% at £44.0 million.

Finance costs of £11.2 million were down 22% on the comparable period in 2008. This reflects lower borrowing levels and reduced interest rates compared to last year. Other finance expense from the Group's pension schemes under IAS19 was £0.2 million (2008: £3.4 million income) reflecting the position of the schemes and financial assumptions at the beginning of the financial year.

The Group's share of joint ventures' profit after taxation was £0.1 million (2008: £3.0 million), down £2.9 million following the sale of the 49% stake in Yoplait Dairy Crest (YDC) in March 2009. A gain on disposal of £50.4 million was reported last year. A lower than expected buy-out cost of the YDC pension scheme partially offset by additional disposal costs has resulted in a further £1.3 million exceptional gain in the half in relation to this transaction.

After deducting amortisation of acquired intangibles of £4.7 million (2008: £4.6 million), Group adjusted profit before tax (before exceptional items, amortisation of acquired intangibles and pension interest) was £38.1 million (2008: £35.1 million).

The pre-exceptional income tax expense of £9.5 million represents an effective tax rate of 28.6%. This is an increase compared to the 2008/09 full year effective rate of 26.8% and results mainly from the higher proportion of French pre-tax profits subject to a higher rate of corporation tax. The tax credit on exceptional duplicate running costs amounts to £0.4 million. No tax is payable on the exceptional profit on disposal of property or the adjustment to the profit on disposal of our stake in YDC.

Basic earnings per share were up 296% at 18.6 pence (2008: 4.7 pence), due principally to the one-off exceptional deferred tax charge incurred last year due to the cessation of Industrial Buildings Allowances. Adjusted earnings per share were up 2% at 20.1 pence compared to 19.7 pence last year.



The directors have declared an interim dividend of 5.3 pence per share (2008: 7.1 pence per share). This is in line with the decision, announced in May 2009 to rebase the final and future dividends. The dividend will be paid on 28 January 2010 to shareholders on the register as at 8 January 2010.

Group net debt amounted to £380.4 million as at 30 September 2009, a decrease of £35.4 million from March 2009 and £110.2 million from September 2008. Cash generated from operations totalled £70.5 million (2008: £39.6 million) with the improvement driven by a working capital inflow of £13.1 million (2008: £16.8 million outflow). We are pleased with this result because working capital has historically risen in the first half of the year as increased seasonal milk supply flows into cheese stocks. Capital expenditure of £11.9 million is £14.4 million below the comparable period last year when there was significant investment in our cheese prepack facility at Nuneaton. Taken together this results in an operating cash flow of £58.6 million (2008: £13.3 million). We expect capital expenditure to increase in the second half of the year.

The reported pension scheme deficit under IAS19 has increased by £114.7 million in the six months to September 2009 to £178.0 million. This increase is due to significant declines in corporate bond yields, the benchmark used to discount scheme liabilities. The increase in scheme liabilities has been partially offset by strong equity returns and the purchase of a second insurance contract in June 2009 resulting in substantially all retired members' liabilities now being fully hedged.

Further to the purchase of the second insurance contract, which was funded through the sale of equity investments, the scheme's exposure to equities was maintained through the purchase of total equity return swaps. These financial instruments generate a return linked to equity performance and incur a cost based on LIBOR. Since 30 September 2009 the scheme's exposure to equities has been reduced after strong returns during the second quarter.

We are closing the UK defined benefit scheme to future accrual with effect from April 2010. This will significantly reduce future scheme liabilities and further reduces pension scheme risks for the Group. As a result there will be a significant exceptional curtailment credit in the second half.

Other Information

The principal risks and uncertainties affecting the Group are set out below the statement of directors' responsibilities and further details are disclosed on pages 45-47 of the 2009 Annual Report and Accounts. Related party disclosures are given in note 13 to the consolidated financial information.

**Outlook**

We are encouraged by the good progress we have made in the first half of the year. Our second half focus will remain on cash management, cost reduction and the development of our key brands. We remain convinced that this strategy is appropriate given the challenging economic environment in which we continue to operate.

Mark Allen

Chief Executive

12 November 2009

Consolidated income statement

(unaudited)

Year ended 31 March 2009	£m	Note	Half year ended 30 September 2009			Half year ended 30 September 2008		
			Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
			£m	£m	£m	£m	£m	£m
1,647.6	Group revenue	4	803.7	-	803.7	808.2	-	808.2
(1,583.8)	Operating costs		(761.5)	(1.5)	(763.0)	(769.6)	(5.5)	(775.1)
4.3	Other income		2.3	1.0	3.3	3.2	-	3.2
68.1	Profit on operations		44.5	(0.5)	44.0	41.8	(5.5)	36.3
(29.5)	Finance costs		(11.2)	-	(11.2)	(14.3)	-	(14.3)
6.9	Other finance (expense) / income - pensions		(0.2)	-	(0.2)	3.4	-	3.4
7.3	Share of joint ventures' net profit		0.1	-	0.1	3.0	-	3.0
50.4	Profit on disposal of joint venture		-	1.3	1.3	-	-	-
103.2	Profit before tax	4	33.2	0.8	34.0	33.9	(5.5)	28.4
(28.9)	Tax expense	6	(9.5)	0.4	(9.1)	(8.1)	(13.8)	(21.9)
74.3	Profit for the period		23.7	1.2	24.9	25.8	(19.3)	6.5
75.4	Profit attributable to equity shareholders		23.5	1.2	24.7	25.6	(19.3)	6.3
(1.1)	Profit attributable to minority interests		0.2	-	0.2	0.2	-	0.2
74.3	Profit for the period		23.7	1.2	24.9	25.8	(19.3)	6.5

The consolidated income statement relates entirely to continuing operations.

Year ended 31 March 2009	Earnings per share (Note 8)	Half year ended 30 September 2009	Half year ended 30 September 2008 (Restated) *
56.8	Basic earnings per share (pence)	18.6	4.7
56.3	Diluted earnings per share (pence)	18.3	4.7
45.0	Adjusted basic earnings per share (pence) *	20.1	19.7
44.6	Adjusted diluted earnings per share (pence) *	19.8	19.6

* Adjusted earnings per share calculations are based on continuing operations and exclude exceptional items, amortisation of acquired intangibles and the pension interest in relation to the defined benefit pension schemes. In the six months to September 2008, adjusted earnings per share calculations did not exclude pension interest, however this number is dependent upon the pension valuation at 31 March each year and assumptions based on financial market conditions on that date and therefore excluding it gives a better indication of the underlying operational performance of the Group. Comparative numbers have been restated accordingly (see Note 8).

A final dividend of £17.3 million (13.0 pence per share) was paid in the period to 30 September 2009 (2008: £22.9 million; 17.3 pence per share). A dividend of £7.1 million (5.3 pence per share) was approved by the Board on 11 November 2009 for payment on 28 January 2010 (2008: £9.4 million; 7.1 pence per share). See Note 7.

Consolidated statement of comprehensive Income

(Unaudited)

Year ended 31 March 2009	£m	Note	2009 £m	Half year ended 30 September 2008 (Restated)
74.3	Profit for the period		24.9	6.5
	Net investment hedges:			
53.1	Exchange differences on foreign currency net investments		(4.3)	(3.9)
(36.8)	Exchange differences on foreign currency borrowings designated as net investment hedge		1.8	3.7
16.3			(2.5)	(0.2)
(118.1)	Actuarial losses	11	(122.6)	(73.4)
(48.6)	Cash flow hedges - reclassification adjustment for gains/losses in income statement		17.7	(13.5)
40.3	Cash flow hedges - (losses) / gains recognised in other comprehensive income		(18.2)	10.2
1.7	Share of joint ventures' (expense) / income recognised in equity		-	(2.3)
34.9	Tax relating to components of other comprehensive income - as reported **		34.5	21.2
0.4	Reclassification of tax on share based payments **		-	0.2
(73.1)	Other comprehensive loss for the period, net of tax		(91.1)	(57.8)
1.2	Total comprehensive (loss) / income for the period, net of tax		(66.2)	(51.3)
1.6	Attributable to equity shareholders of the parent		(66.4)	(51.5)
(0.4)	Attributable to minority interests		0.2	0.2

** Tax on share based payments is now reported in the Consolidated statement of changes in equity. Prior period amounts have been reclassified accordingly. The tax on share based payments taken to equity in the six months to 30 September 2009 was nil.

Consolidated balance sheet

(Unaudited)

31 March 2009 £m	Note	30 September 2008 £m	2008 £m
Assets			
Non-current assets			
292.1	Property, plant and equipment		276.5
342.7	Goodwill		341.8
199.4	Intangible assets		194.4
2.9	Investment in joint ventures using equity method		-
0.4	Deferred tax asset		0.4
39.5	Financial assets - Derivative financial instruments		21.7
877.0			834.8
Current assets			
197.8	Inventories		195.8
137.8	Trade and other receivables		153.8
1.3	Financial assets - Derivative financial instruments		0.6
107.5	Cash and short-term deposits	10	23.5
444.4			373.7
1,321.4	Total assets		1,208.5
Equity and liabilities			
Non-current liabilities			
(553.4)	Financial liabilities - Long-term borrowings	10	(416.0)
(4.1)	- Derivative financial instruments		(4.0)
(63.3)	Retirement benefit obligations	11	(178.0)
(91.2)	Deferred tax liability		(58.8)
(8.6)	Deferred income		(8.1)
(720.6)			(664.9)
Current liabilities			
(229.4)	Trade and other payables		(252.9)
(2.0)	Financial liabilities - Short-term borrowings	10	(2.1)
(0.4)	- Derivative financial instruments		(0.1)
(1.2)	Current tax liability		(3.7)
(0.7)	Deferred income		(0.8)
(10.1)	Provisions		(9.5)
(243.8)			(269.1)
(964.4)	Total liabilities		(934.0)
Shareholders' equity			
(33.3)	Ordinary shares		(33.3)
(70.7)	Share premium		(70.7)
1.9	Interest in ESOP		1.0
(77.4)	Other reserves		(74.5)
(172.8)	Retained earnings		(92.1)
(352.3)	Total shareholders' equity		(269.6)
(4.7)	Minority interests		(4.9)
(357.0)	Total equity		(274.5)
(1,321.4)	Total equity and liabilities		(1,208.5)

The interim results were approved by the Board of Directors on 11 November 2009.

Consolidated statement of changes in equity
(Unaudited)

	Attributable to equity shareholders of the parent						Minority interest	Total Equity
	Ordinary shares	Share premium	Interest in ESOP	Other reserves	Retained earnings	Total		
Half year ended 30 September 2009	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2009	33.3	70.7	(1.9)	77.4	172.8	352.3	4.7	357.0
Profit for the period	-	-	-	-	24.7	24.7	0.2	24.9
Other comprehensive loss	-	-	-	(2.9)	(88.2)	(91.1)	-	(91.1)
Total comprehensive loss	-	-	-	(2.9)	(63.5)	(66.4)	0.2	(66.2)
Exercise of options	-	-	0.9	-	(0.9)	-	-	-
Share based payments	-	-	-	-	1.0	1.0	-	1.0
Tax on share based payments	-	-	-	-	-	-	-	-
Equity dividends	-	-	-	-	(17.3)	(17.3)	-	(17.3)
At 30 September 2009	33.3	70.7	(1.0)	74.5	92.1	269.6	4.9	274.5
Half year ended 30 September 2008								
At 31 March 2008	33.3	70.2	(3.7)	67.0	215.8	382.6	5.1	387.7
Profit for the period	-	-	-	-	6.3	6.3	0.2	6.5
Other comprehensive loss	-	-	-	(2.4)	(55.4)	(57.8)	-	(57.8)
Total comprehensive loss	-	-	-	(2.4)	(49.1)	(51.5)	0.2	(51.3)
Exercise of options	-	-	2.0	-	(2.0)	-	-	-
Share based payments	-	-	-	-	0.8	0.8	-	0.8
Tax on share based payments *	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Equity dividends	-	-	-	-	(22.9)	(22.9)	-	(22.9)
At 30 September 2008	33.3	70.2	(1.7)	64.6	142.4	308.8	5.3	314.1
Year ended 31 March 2009								
At 31 March 2008	33.3	70.2	(3.7)	67.0	215.8	382.6	5.1	387.7
Profit for the period	-	-	-	-	75.4	75.4	(1.1)	74.3
Other comprehensive loss	-	-	-	10.4	(84.2)	(73.8)	0.7	(73.1)
Total comprehensive loss	-	-	-	10.4	(8.8)	1.6	(0.4)	1.2
Issue of share capital	-	0.5	(0.5)	-	-	-	-	-
Exercise of options	-	-	2.3	-	(2.3)	-	-	-
Share based payments	-	-	-	-	0.8	0.8	-	0.8
Tax on share based payments *	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Equity dividends	-	-	-	-	(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

* Tax on share based payments is now reported in the Statement of Changes in Equity. Previously these amounts were recorded in the Statement of Recognised Income and Expense. Prior period amounts have been reclassified accordingly. The tax on share based payments taken to equity in the six months to 30 September 2009 was nil.

Consolidated cash flow statement

(Unaudited)

Year ended 31 March 2009 £m	Note	2009 £m	Half year ended 30 Sept 2008 £m
Cash flow from operating activities			
103.2		34.0	28.4
22.6		11.4	10.9
(7.3)		(0.1)	(3.0)
(50.4)		(1.3)	-
68.1		44.0	36.3
40.0		18.7	19.8
10.9		6.0	5.0
11.2		(1.6)	3.6
(0.7)		(0.3)	(0.4)
0.8		1.0	0.8
(4.3)		(2.3)	(3.2)
(16.0)		(8.1)	(5.5)
19.1		13.1	(16.8)
129.1		70.5	39.6
2.9		0.1	2.9
(30.3)		(11.7)	(15.7)
(9.2)		(3.8)	(3.2)
92.5		55.1	23.6
Cash flow from investing activities			
(49.3)		(11.9)	(26.3)
22.4		8.1	5.3
(1.3)		(1.8)	(1.2)
3.2		1.2	2.0
59.9		0.3	-
34.9		(4.1)	(20.2)
Cash flow from financing activities			
(146.3)	10	-	(146.3)
(11.3)	10	(116.7)	10.7
132.9	10	-	132.9
(32.3)		(17.3)	(22.9)
(2.5)	10	(0.9)	(0.8)
(59.5)		(134.9)	(26.4)
67.9		(83.9)	(23.0)
38.9		107.5	38.9
0.7	10	(0.1)	-
107.5	10	23.5	15.9
(415.8)	10	(380.4)	(490.6)

Notes to the interim financial statements

(unaudited)

1 General information

Dairy Crest Group plc (the "Company") is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office and principal place of business is Claygate House, Littleworth Road, Esher, Surrey, KT10 9PN. The principal activity of the Company and its subsidiaries (the "Group") is the processing, manufacture and sale of fresh milk and branded dairy products in the UK and Europe as described in the Group's annual financial statements for the year ended 31 March 2009.

2 Significant accounting policies

Basis of preparation

This condensed interim financial information comprises the balance sheet as at 30 September 2009 and related income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and supporting notes (hereinafter referred to as "financial information").

The interim consolidated financial information is not audited and does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. Comparative figures for the year ended 31 March 2009 have been extracted from the Group's 2009 statutory accounts, on which the auditors gave an unqualified opinion, did not include an emphasis of matter reference and did not include a statement under section 237(2) or (3) of the Companies Act 1985. These sections address whether proper accounting records have been kept, whether the Company's financial statements are in agreement with those records and whether the auditors have obtained all the information and explanations necessary for the purposes of the audit. The Group Financial Statements for the year ended 31 March 2009 have been filed with the Registrar of Companies.

The interim consolidated financial information can be found on our corporate website, www.dairycrest.co.uk.

The financial information for the period ended 30 September 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The financial information for the period ended 30 September 2009 should be read in conjunction with the Group's financial statements for the year ended 31 March 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The results for operations for the half year are not necessarily indicative of the results expected for the full year.

This financial information was approved for issue on 11 November 2009.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be expected to be applicable to total annual earnings for the full year in each tax jurisdiction.

The following accounting standards and interpretations became effective for the current reporting period:

IAS 1 (Revised) – "Presentation of Financial Statements"

IFRS 2 – "Amendment – Vesting Conditions and Cancellations"

IFRS 8 – "Operating Segments"

IAS 23 (Revised) – "Borrowing Costs"

IFRS 1/IAS 27 – "Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate"

IFRIC 13 – "Customer Loyalty Programmes"

The application of IAS 1 (Revised) has resulted in the Group presenting a consolidated statement of changes in equity as a primary statement. The consolidated statement of changes in equity was previously presented as a note to the financial information and presents all changes in equity including those arising from transactions with the owners. The consolidated statement of comprehensive income was previously described as the Consolidated Statement of Recognised Income and Expense and presents all changes in financial position other than through transactions with owners. This presentation has been applied in this condensed consolidated interim financial information for the period ended 30 September 2009. Comparative information has been represented so that it is also in conformity with the revised standard.

The impact of the application of IFRS 8 is disclosed in note 4.

The application of the remaining standards and interpretations has not had a material effect on the net assets, result and disclosures of the Group.

3 Critical accounting estimates and judgements

The following are areas of particular significance to the Group's interim financial information and include the application of judgement, which is fundamental to the completion of a set of condensed consolidated interim financial information.

Post retirement benefits

The present value of the Group's pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the expected long-term rate of return on invested funds, the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members.

At each reporting date, and on a continuing basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IFRS. Each of the underlying assumptions is set out in more detail in Note 11.

Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. The recoverable amounts of cash-generating units are determined based on the higher of realisable value and value-in-use calculations. These calculations require the use of estimates of future cash flows and are sensitive to the discount rate used.

Acquired brands and similar assets are considered to have finite lives. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives is subject to estimates and judgement.

Exceptional items

Certain items are recorded separately in the Consolidated income statement as exceptional. Only items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance and are disclosed in this manner in order to give a better understanding of the underlying operational performance of the Group. The profits arising on disposal of closed sites, other than as a result of depot rationalisation, are reported within exceptional items. Exceptional items are not excluded from the basic earnings per share calculation but are excluded from the adjusted basic earnings per share calculation.

4 Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Company's Board members as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. Previously, segments were determined and presented in accordance with IAS 14, "Segment Reporting".

The CODM uses trading profit, as reviewed at monthly business review meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Trading profit is a consistent measure within the Group and the reporting of this measure at the monthly business review meetings, which are organised according to the product types, has been used to identify and determine the Group's operating segments. Trading profit is defined as profit on operations before exceptional items and amortisation of acquired intangible assets, but includes the Group share of post-tax profit of joint ventures.

Following the adoption of IFRS 8, the Group has revised its operating and reporting segments. The Group's operating segments are 'Cheese', 'UK Spreads', 'St Hubert', 'Liquid Products', 'Household', 'Share of Joint Ventures' and 'Other'. Certain of these operating segments have been aggregated and the Group reports on five continuing segments within the business: 'Cheese', 'Spreads', 'Dairies', 'Share of Joint Ventures' and 'Other'.

The 'Cheese' segment has not been aggregated with any other segment. This business manufactures predominantly branded cheese in the UK and Ireland and sells mainly to retail customers.

The 'UK Spreads' and 'St Hubert' segments have been aggregated into one reportable segment being 'Spreads'. Both of these segments operate within the European Union and manufacture branded dairy spreads, using similar production methods. Products are sold to similar customers through distribution to major retailers.

The 'Liquid Products' and 'Household' segments have been aggregated into one reportable segment being 'Dairies'. The 'Liquid Products' and 'Household' businesses both operate in the UK and predominantly sell fresh milk to a similar class of customer. The milk processing sites, included in the 'Liquid Products' segment, pack milk for both businesses.

'Share of Joint Ventures' forms a separate segment whose results are reviewed on a post-tax basis consistent with IFRS. The results of this segment are now insignificant following the group's disposal of its 49% share of Yoplait Dairy Crest Limited in March 2009.

The 'Other' segment comprises revenue earned from distributing product for third parties and certain central costs net of recharges to the operating segments. Generally, all central costs are recharged back into operating segments such that their result reflects the total cost base of the Group.

Comparative information has been restated to reflect these new reportable segments.

Previously the Group reported two segments under IAS 14. These comprised 'Foods' and 'Dairies'. The 'Dairies' segment was equivalent to the 'Dairies' segment under IFRS 8. The 'Foods' segment incorporated 'Cheese', 'Spreads' and 'Joint Ventures' as reported under IFRS 8 and for revenue also incorporated 'Other' revenue from third party distribution.

The segment results for the period to 30 September 2009 and 30 September 2008 and for the year ended 31 March 2009 and the reconciliation of segment measures to the respective statutory items included in the interim financial information are as follows:

Year ended 31 March 2009 £m		2009 £m	Half year ended 30 Sept 2008 £m
	Segment external revenue		
244.2	Cheese	131.8	127.1
284.2	Spreads	137.9	135.1
1,108.2	Dairies	528.7	540.4
70.3	Share of joint venture external revenue	1.2	37.3
11.0	Other	5.3	5.6
1,717.9	Total segment external revenue	804.9	845.5
(70.3)	Less: share of joint venture external revenue	(1.2)	(37.3)
1,647.6	Group revenue	803.7	808.2
	Segment profit		
34.3	Cheese	7.9	18.4
59.5	Spreads	27.0	25.3
7.9	Dairies	14.3	2.7
7.3	Share of joint venture net profit	0.1	3.0
109.0	Total segment profit	49.3	49.4
(29.5)	Finance costs	(11.2)	(14.3)
79.5	Adjusted profit before tax	38.1	35.1
(9.6)	Acquired intangible amortisation	(4.7)	(4.6)
26.4	Exceptional items (see Note 5)	0.8	(5.5)
6.9	Other finance (expense) / income - pensions	(0.2)	3.4
103.2	Group profit before tax	34.0	28.4
	Segment total assets		
243.9	Cheese	242.0	257.6
535.8	Spreads	521.4	483.2
356.8	Dairies	364.2	391.5
33.3	Other	34.7	47.9
1,169.8	Group	1,162.3	1,180.2
151.6	Unsegmented assets	46.2	33.1
1,321.4	Total assets	1,208.5	1,213.3

Inter-segment transactions principally comprise sales of cream from the Dairies segment to the Spreads segment for the manufacture of butters. Cream sold into Spreads is priced by reference to external commodity markets and is adjusted monthly so as to reflect the costs that the Spreads segment would incur if it were a stand alone entity. Revenue from inter-segment cream sales is not reported as revenue to the CODM but as an adjustment to the businesses input costs.

Segment assets comprise property, plant and equipment, goodwill, intangible assets, inventories and receivables and exclude cash and cash equivalents, derivative financial assets, investments in joint ventures and deferred tax assets.

Seasonality of results

Consumer demand for our products tends to be lower during the summer months as it is impacted by warm weather and school holidays. Certain cream and non-milk Household products experience increased sales in the run up to Christmas. Working capital normally increases in the first six months of the year as milk production is higher during the spring and summer, however this impact can be offset by other factors including levels of cheese sales volumes and promotional activity.

5 Exceptional items

Exceptional items comprise those items that are material and one-off in nature that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance of the Group.

Year ended		Half year ended	
31 March		2009	2008
2009		2009	2008
£m		£m	£m
(3.6)	Impairment of property, plant and equipment and intangibles	-	(1.1)
(3.8)	Redundancy costs	-	-
-	Duplicate running costs	-	-
(1.8)	Other rationalisation costs	-	-
(9.2)	Restructuring costs (Dairies)	-	(1.1)
(3.7)	Duplicate running costs at National Distribution Centre (Cheese)	(1.5)	-
-	Profit on sale of closed Nottingham site (Dairies)	1.0	-
(1.0)	Provision for onerous contract (Dairies)	-	-
(4.5)	Loss on disposal of Stilton and speciality cheese business (Cheese)	-	(4.4)
(5.6)	Impairment of plant and equipment (Cheese)	-	-
(24.0)		(0.5)	(5.5)
3.9	Tax relief on exceptional items	0.4	0.5
50.4	Profit on disposal of investment in Yoplait Dairy Crest Limited joint venture	1.3	-
(14.3)	Deferred tax provision in relation to cessation of Industrial Buildings Allowances	-	(14.3)
16.0		1.2	(19.3)

Exceptional items in the six months ended 30 September 2009 comprise:

- The continuation of duplicate running costs in relation to the new cheese cutting and packing facility at our National Distribution Centre in Nuneaton. There was significant capital investment during 2008/09 and between January 2009 and July 2009, volume was transferred into the new facility from First Milk's facility at Maelor. During the ramp up period, cheese was being cut and packed at both Nuneaton and Maelor with resulting duplicate costs as both sites were operating at below normal capacity. These duplicate running costs ceased in the period to 30 September 2009 as substantially all cutting and packing has now transferred successfully to Nuneaton. The duplicate costs incurred in the period amounted to £1.5 million and no further exceptional costs are forecast for the remainder of the financial year.
- During the year ended 31 March 2009, we closed our Nottingham dairy processing plant and reduced the carrying value of the land and buildings to £1.5 million, being management's best view at that time of fair value less costs to sell. In August 2009, the site was sold to a third party for proceeds of £2.5 million resulting in an exceptional gain on disposal of £1.0 million.

- On 26 March 2009, the Group disposed of its 49% share in Yoplait Dairy Crest Limited ('YDC') for cash consideration of £63.5 million (see below). 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 26 March 2009, £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 that time of the cost of buying out the scheme liabilities. The final cost of the buy out was £1.9 million, £1.6 million less than was estimated. In the period to 30 September 2009, the Group received funds of £1.6 million from the escrow account reflecting the reduced cost of insurance. This credit has been classified as exceptional in a manner consistent with the original gain on disposal in 2008/09. Additionally, the Group incurred costs in relation to the disposal of this business in excess of amounts accrued at 31 March 2009. These costs, totalling £0.3 million, have been classified as exceptional.

Exceptional items in 2008/09 comprised:

- £9.2 million charge in relation to a large restructuring within Dairies. The closure of the Nottingham dairy processing plant and associated distribution network restructuring costs amounted to £7.2 million. Additionally, an impairment was charged against the carrying value of the previously closed Totnes site. This and associated costs amounted to a £2.0 million exceptional charge.
- £1.0 million charge in relation to an onerous long-term milk supply contract. This contract was renegotiated in the period to 30 September 2009 and the new supply agreement is not onerous. No further provision was required in the period in relation to the previous contract.
- £3.7 million charge in respect of duplicate running costs at the newly commissioned cheese cutting and packing facility at Nuneaton. During the ramp up period, cheese was cut and packed both at Nuneaton and by First Milk under a transitional agreement. This resulted in inefficiencies during the dual running period.

- £4.5 million loss on the disposal of the property, plant and equipment and the inventories of the Group's Stilton and speciality cheese business based in Hartington, Derbyshire to Long Clawson Dairy Limited. The loss on disposal comprised:

	£m
Sale proceeds - cash consideration	3.8
Book value of property, plant and equipment disposed	(4.4)
Book value of intangible assets disposed	(0.4)
Book value of inventories disposed	(3.3)
Other fees and costs	(0.7)
Loss on disposal	(5.0)
Associated pension curtailment gain	0.5
Exceptional charge (before tax)	(4.5)

- £5.6 million impairment charge against the carrying value of plant and equipment at the Group's cheese manufacturing plant in Wexford, Ireland. These assets were written down to their fair value less costs to sell based on management's best view as to their current market value.

- £50.4 million gain on sale of 49% share in YDC on 26 March 2009. The profit on disposal as reported at 31 March 2009 was as follows:

	£m
Sale proceeds - cash consideration	63.5
Group share of YDC net assets at date of disposal	(8.6)
Provision for cost of insuring YDC defined benefit pension scheme liabilities	(3.5)
Other estimated fees and costs	(1.0)
Gain on disposal - reported in 2008/09	50.4

- £14.3 million exceptional tax charge relating to the cessation of Industrial Buildings Allowances which was enacted in the period ended 30 September 2008.

6 Tax expense

The tax expense for the half year ended 30 September 2009 has been calculated on the basis of the estimated effective tax rate on profit for the full year of 28.6% (including tax on share of joint venture profit) (September 2008: 26.4%; March 2009: 26.8%). Tax relief on exceptional costs for the half year ended 30 September 2009 was £0.4 million (September 2008: £0.5 million, year ended 31 March 2009: £3.9 million). There was no tax on the profit on disposal of the Nottingham Dairy or on the adjustment to the profit on disposal of the 49% shareholding in Yoplait Dairy Crest.

7 Dividends

A dividend of £7.1 million (5.3 pence per share) (2008: £9.4 million; 7.1 pence per share) will be payable on 28 January 2010 to shareholders on the register on 8 January 2010. This dividend is not recorded in the balance sheet as a liability at 30 September 2009.

8 Earnings per share

Basic earnings per share on profit for the period has been calculated on the basis of profit attributable to equity shareholders of £24.7 million (September 2008: £6.3 million; March 2009: £75.4 million) and the weighted average number of shares in issue during the period, excluding those held by the Dairy Crest Employees' Share Ownership Plan Trust and held as treasury shares which are treated as cancelled, totalling 132.913 million (September 2008: 132.664 million; March 2009: 132.771 million).

To show earnings per share on a consistent basis, which in the directors' opinion reflects the underlying performance of the Group more appropriately, adjusted earnings per share has been calculated as follows:

Year ended 31 March 2009 £m		Half year ended 30 Sept	
		2009 £m	2008 * £m
74.3	Group profit for the period	24.9	6.5
1.1	Minority interests	(0.2)	(0.2)
75.4	Profit attributable to equity shareholders	24.7	6.3
(17.1)	Exceptional items (excluding minority interests), and sale of joint ventures (net of tax)	(1.2)	19.3
6.4	Amortisation of acquired intangible assets (net of tax)	3.1	3.1
(5.0)	Pension interest debit / (credit) (net of tax)	0.1	(2.5)
59.7	Adjusted earnings	26.7	26.2
45.0	Adjusted basic earnings per share (pence)	20.1	19.7
56.8	Basic earnings per share (pence)	18.6	4.7
44.6	Adjusted diluted earnings per share (pence)	19.8	19.6
56.3	Diluted earnings per share (pence)	18.3	4.7

* The calculation of adjusted basic and diluted earnings per share figures for the six months ended 30 September 2008 has been restated to exclude the pension interest credit net of tax (£2.5 million). Reported adjusted basic earnings per share last year was 21.6 pence and reported adjusted diluted earnings per share last year was 21.4 pence.

The exceptional item adjustment for the year ended 31 March 2009 of £17.1 million excludes the post-tax exceptional cost attributable to minority interests (£1.1 million).

Diluted earnings per share has been calculated on the basis of a diluted number of shares of 135.167 million (September 2008: 133.868 million; March 2009: 134.039 million). This reflects the dilutive impact of share options exercisable under the Dairy Crest Long Term Incentive Share Plan.

9 Business combinations and disposals

2009/10

On 20 June 2009, after a comprehensive review of household depot operations in the north of England, the Group completed the sale of 16 depots to Medina Dairy Limited. The Group retained supply of packed milk into these depots and ownership of land and buildings where relevant. Proceeds amounted to £1.4 million and the Group incurred fees and other costs of £0.2 million resulting in a net cash inflow of £1.2 million. The loss on disposal amounted to £0.4 million and can be analysed as follows:

	£m
Proceeds	1.4
Book value of inventories	(0.1)
Book value of trade receivables	(1.6)
Book value of trade and other creditors	0.1
Other fees and costs	(0.2)
Loss on disposal	(0.4)

In June 2009 the Group acquired the remaining 50% of the ordinary share capital of Fayrefield FoodTec Limited for gross consideration of £2.5 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	0.7	0.7
Inventories	1.2	1.2
Receivables	1.3	1.3
Cash	0.8	0.8
Payables	(1.0)	(1.0)
Net assets	3.0	3.0
Goodwill	1.7	
	4.7	
Comprising:		
Cash consideration in December 2007	2.0	
Cash consideration in June 2009	2.5	
Fees & other	0.2	

No material fair value adjustments were made to the book value of assets acquired as accounting policies were consistent with Group policies and no further recognisable intangible assets were identified.

2008/09

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 5.

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 5.

10 Analysis of net debt

Year ended 31 March 2009 £m	Closing net debt	2009 £m	Half year ended 30 September 2008 £m
-	Overdrafts	-	7.3
2.0	Finance leases repayable within one year	2.1	2.6
2.0	Short-term borrowings	2.1	9.9
541.6	Loans repayable in greater than one year	405.2	488.7
11.8	Finance leases repayable in greater than one year	10.8	12.9
553.4	Long-term borrowings	416.0	501.6
(107.5)	Cash and short-term deposits	(23.5)	(23.2)
447.9	Borrowings and cash – before impact of cross-currency swaps	394.6	488.3
(32.1)	Borrowings - impact of cross-currency swaps *	(14.2)	2.3
415.8	Net Debt	380.4	490.6
(107.5)	Memo: cash and cash equivalents (including overdrafts)	(23.5)	(15.9)

* The Group has \$233 million and €75 million of loan notes against which cross-currency swaps have been put in place to fix interest and principal repayments in Sterling (March 2009: \$233 million and €75 million; September 2008: \$233 million only). Under IFRS, currency borrowings are retranslated into Sterling at year end exchange rates. The cross-currency swaps are recorded at fair value and incorporate movements in both market exchange rates and interest rates. The Group defines net debt so as to include the effective Sterling liability where cross-currency swaps have been used to convert foreign currency borrowings into Sterling. The £14.2 million adjustment included above (March 2009: £(32.1) million; September 2008: £2.3 million) converts the Sterling equivalent of Dollar and Euro loan notes from year end exchange rates (£214.2 million (March 2009: £232.1 million; September 2008: £130.7 million)) to the fixed Sterling liability of £200.0 million (March 2009: £200.0 million; September 2008: £133.0 million).

The sale of the 49% share in YDC on 26 March 2009 resulted in significant amounts of cash on money market deposit at 31 March 2009. These funds were used to repay borrowings under revolving credit facilities in April 2009.

In July 2008, the Group agreed a new five year multi-currency revolving credit facility of £225 million Sterling equivalent. On 17 July 2008 all amounts outstanding under the 2004 facility were repaid and the facility cancelled. The new facility has the same financial covenants as the 2004 and 2006 facilities and includes a maximum net debt / EBITDA ratio of 3.5 times.

Movement in net debt	Opening balances £m	Cash flow £m	Exchange movement £m	Closing balances £m
Six months to 30 September 2009				
Cash and short-term deposits	107.5	(83.9)	(0.1)	23.5
Overdrafts	-	-	-	-
Cash and cash equivalents	107.5	(83.9)	(0.1)	23.5
Borrowings	(541.6)	116.7	19.7	(405.2)
Finance leases	(13.8)	0.9	-	(12.9)
Cross-currency swaps	32.1	-	(17.9)	14.2
	(415.8)	33.7	1.7	(380.4)
Six months to 30 September 2008				
Cash and short-term deposits	40.3	(17.1)	-	23.2
Overdrafts	(1.4)	(5.9)	-	(7.3)
Cash and cash equivalents	38.9	(23.0)	-	15.9
Borrowings	(481.6)	2.7	(9.8)	(488.7)
Finance leases	(16.3)	0.8	-	(15.5)
Cross-currency swaps	(15.8)	-	13.5	(2.3)
	(474.8)	(19.5)	3.7	(490.6)
Year to 31 March 2009				
Cash and short-term deposits	40.3	66.5	0.7	107.5
Overdrafts	(1.4)	1.4	-	-
Cash and cash equivalents	38.9	67.9	0.7	107.5
Borrowings	(481.6)	24.7	(84.7)	(541.6)
Finance leases	(16.3)	2.5	-	(13.8)
Cross-currency swaps	(15.8)	-	47.9	32.1
	(474.8)	95.1	(36.1)	(415.8)

11 Retirement benefit obligations

The Group's defined benefit pension schemes are accounted for in accordance with the requirements of IAS 19 'Employee Benefits'. The net pension liability of the Group pension schemes at 30 September 2009 can be analysed as follows:

Year ended 31 March 2009 £m		Half year ended 30 September 2009 £m	2008 £m
264.9	Equities	120.3	338.0
106.9	Bonds and cash	175.1	259.9
-	Equity return swaps valuation	39.0	-
114.0	Insured retirement obligations	266.1	-
27.2	Property and other	29.3	27.5
513.0	Total market value of assets	629.8	625.4
(462.3)	Defined benefit obligation:	(541.7)	(657.8)
(114.0)	Uninsured retirement obligations	(266.1)	-
(63.3)	Insured retirement obligations	(178.0)	(32.4)
17.2	Net liability recognised in the balance sheet	49.8	9.0
(46.1)	Related deferred tax asset	(128.2)	(23.4)
	Net pension liability		

Analysis of movements in the Group pension deficit during the period:

31.6	Opening (deficit) / surplus	(63.3)	31.6
(12.8)	Current service costs	(5.0)	(6.5)
0.5	Curtailment gains	-	0.5
6.9	Net finance income	(0.2)	3.4
(118.1)	Actuarial loss	(122.6)	(73.4)
(0.2)	Exchange impact	-	-
28.8	Contributions	13.1	12.0
(63.3)	Closing liability	(178.0)	(32.4)

The closing deficit incorporates the Dairy Crest Group Pension Fund and the Wexford Creamery Limited Defined Benefit Scheme.

The principal assumptions used in determining retirement benefit obligations for the Group's pension funds are as follows:

Mar 09		Sep 09	Sep 08
4.4	Rate of increase in salaries (%)	4.6	4.9
2.9	Price inflation (%)	3.1	3.4
20.9	Average expected remaining life expectancy for a non-retired 65 year old male (years)	20.9	20.9
19.8	Average expected remaining life expectancy for a retired 65 year old male (years)	19.8	19.8
7.0	Discount rate (%)	5.5	6.7
8.3	Expected return (%)	8.3	8.0
7.1	- Equities	7.1	6.1
7.0	- Bonds and cash	7.0	7.0
7.0	- Property and other	5.5	n/a
	- Insured retirement obligations		

After the last triennial actuarial review based on March 2007, the Group agreed to make cash contributions of 18.3% of pensionable salary into the UK defined benefit pension scheme for three years. Furthermore, additional contributions of £12 million per annum were agreed for the two years to March 2009. Further additional contributions of £20 million per annum have been agreed from October 2009.

In December 2008, certain obligations relating to retired members were hedged by the purchase of an insurance contract. A further insurance contract for retired members was purchased in June 2009 resulting in coverage for all members who retired up to August 2008. These contracts are included within scheme assets and their value will always be equal to the obligation as calculated under IAS 19 for those members covered. This will reduce the volatility of the reported defined benefit obligations in future periods.

The purchase of the second insurance contract in June 2009 was funded by the sale of equities. Subsequently, in order to re-establish an appropriate equity weighting of scheme assets, the Fund purchased equity total return swaps (synthetic equity). These instruments comprise an asset leg and a liability leg. The asset leg generates a return based on UK and overseas equity indices and the liability leg incurs a cost based on LIBOR plus margin. At inception the principal value of each leg was £200 million. The positive valuation of synthetic equity at 30 September 2009 reflects the underlying strength in equities subsequent to their purchase. The instruments result in a collateralised pool of bond investments, which flexes depending on their valuation. These are included within the 'bonds and cash' asset category

above. Credit risk is minimised since collateral is provided by the counterparties to the benefit of Dairy Crest, when the instruments are in the money as is the case at 30 September 2009.

Scheme assets are stated at their market values at the respective balance sheet dates with the exception of the insured retirement obligations which equal the valuation of obligations which they cover. The expected rate of return on equities of 8.25% (September 2008: 8.0%) reflects historic UK equity returns with an assumption for 2009 that unprecedented equity market falls in 2008/09 will give rise to marginally higher market returns in the medium term. They represent a reasonable risk premium over gilts. It is within the range of assumptions typically used by companies of a similar size. The expected rate of return on bonds of 7.1% (September 2008: 6.1%) is based upon the gross redemption yield available on a similar profile of gilts and corporate bonds. The expected return on insured retirement obligations is always equal to the discount rate since the asset valuation equals the liability insured under IAS 19.

The average duration of scheme liabilities is approximately 19 years. Discount rate assumptions for each reporting period are based upon quoted AA-rated corporate bond indices, excluding collateralised bonds, with maturities matching the schemes expected benefit payments. Inflation assumptions are based upon the difference between long-term fixed income and index linked gilt yields. The scheme deficit is highly dependent upon these input assumptions which are based on a point in time, being the reporting period end date. A 0.1% decrease in the discount rate assumption would increase the scheme obligation by approximately £13 million.

12 Capital commitments

Future capital expenditure contracted on property, plant and equipment as at 30 September 2009 was £9.0 million (March 2009: £12.9 million; September 2008: £20.0 million).

13 Related party transactions

The Group's only significant related party was its joint venture, Yoplait Dairy Crest Limited until its disposal in March 2009, as disclosed in the Annual Report and Accounts for the year ended 31 March 2009 (Note 29, page 92). Yoplait Dairy Crest Limited incurred recharges from the Group of £3.4 million in the period ended 30 September 2008 and £6.4 million in the year ended 31 March 2009 for sales and distribution activities carried out on its behalf. Details of dividends received from Yoplait Dairy Crest Limited up to its disposal are set out in the consolidated cash flow statement. There were no other material related party transactions in the period or the prior half year period.

14 Post balance sheet event

Further to employee consultation, which ended in September 2009, in October 2009 the pension Trustee approved plans to close the UK defined benefit pension scheme to future service accrual effective from April 2010. We are currently in the process of obtaining the necessary changes to employee terms and conditions and we expect this to be completed before the end of the financial year.

Statement of directors' responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules. With the exception of Andrew Carr-Locke, who was appointed as a non-executive director and Chairman of the Audit Committee on 1 August 2009, the Board of Directors that served during the six months to 30 September 2009, and their respective responsibilities, can be found on page 30 of the 2009 Annual Report and Accounts.

By order of the Board

M Allen
Chief Executive
11 November 2009

A S N Murray
Finance Director
11 November 2009

Principal risks and uncertainties

The Board considers risk assessment, identification of mitigating actions and internal controls to be fundamental to achieving Dairy Crest's strategic corporate objectives. The principal factors considered when assessing Dairy Crest's ability to achieve its short-term and long-term objectives are:

- Economic, cultural and market conditions which influence consumer and customer behavior and in particular the current weak economic conditions resulting from the global financial crisis and subsequent recession;
- Relationships with dairy farmers and future milk sourcing;
- The impact of increased milk costs and the volatility of ingredients and other commodity markets;
- Investing in our brand portfolio and innovative new product development;
- Attracting and retaining the best people;
- Maintaining high levels of food safety standards and operational performance across the manufacturing base;
- Sufficiency of financial resources and minimisation of counterparty risk in current turbulent financial markets;
- Impact of financial market turmoil on pension scheme assets and future funding requirements;
- Regulatory and legal risks; and
- Environmental trends and risks.

The risks and uncertainties faced by the business are consistent with those described in the 2009 Annual Report and Accounts, which remain relevant. The processes by which the Board safeguards shareholder value and the assets of the Group and risks and uncertainties that would have a significant impact on long-term value generation are set out in the 2009 Annual Report and Accounts on pages 45 to 47.

Independent Review Report to Dairy Crest Group plc

Introduction

We have been engaged by Dairy Crest Group plc (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 which comprises Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement and the related notes 1 to 14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

London

11 November 2009