C&C GROUP PLC
FINANCIAL REPORT
FOR SIX MONTHS ENDED 31 AUGUST 2008

Dublin, London, 9 October 2008: C&C Group plc ('C&C' or the 'Group'), a manufacturer, marketer and distributor of branded beverages in Ireland and the UK, today announces its interim results for the six months ended 31 August, 2008.

Financial Review

- Revenue[(i)] for the period was €302.4 million – a decline of 13.2% (8.8% on a constant currency basis)
- Operating Profit before exceptional items[(i)] for the period was €66.5 million – a decline of 0.7% (0.9% on a constant currency basis)
- Adjusted basic EPS[(ii)] was 17.0 cent compared with 17.5 cent for the same period last year
- Interim dividend of 6.0 cent per share
- Free Cash Flow (FCF) in the period was €47.0 million (62% of EBITDA)
- Net debt[(iii)] was €252.9 million (1.8 times EBITDA)

Operating Review

- Cider sales volumes declined by 12%
- Draught Magners launched in Great Britain and now available in almost 3,000 outlets
- Volumes for the Group's Irish whiskey brand, Tullamore Dew, grew by 11%
- Restructuring and cost reduction programme on target to achieve net €10 million annual savings
- Disposal of Republic of Ireland wine & spirit distribution business to DCC

Outlook

C&C expects that the continuation of the current market trends in Ireland and C&C's performance trends in Great Britain will lead to a material drop in Operating Profit in the second half year.

In relation to Great Britain, while poor summer weather and the difficult economic environment impact Magners performance, the Group does not believe that these wholly account for the strong brand equity in Magners not converting into improved market performance.

C&C is commencing an in-depth review of its marketing and commercial strategy in Great Britain with a view to restoring revenue growth. A sub-committee of the Board, led by Philip Lynch, has been formed to assist the management team with this review.

C&C today announced the resignation of its CEO, Maurice Pratt. His resignation will become effective upon the appointment of a new CEO.

Maurice Pratt commented "We have initiated a fundamental review of our strategy within Great Britain. I believe now is the time to step down to allow a newly appointed CEO to devise and to execute a new strategy for the Group's profitable growth."

(i) Continuing operations – excluding Republic of Ireland wine distribution business
(ii) Adjusted basic EPS excludes exceptional items
(iii) Net Debt excludes the fair value of SWAP instruments

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Summary Results for six months ended 31 August 2008

C&C is reporting Operating Profit of €66.5 million, basic earnings per share of 18.4 cent and adjusted basic earnings per share[(i)] of 17.0 cent.

The Operating Profit, which is broadly unchanged from the same period last year, reflects a decline in revenue in the cider division which has been offset by the cost reduction programme which was successfully implemented in March 2008. The revenue decline in the Cider division comprised a decline of 10.2% in the Republic of Ireland and a decline of 14.1% in Great Britain and other markets.

Free Cash Flow (FCF) in the period increased from €3.8 million to €47.0 million primarily as a result of reduced capital expenditure. The FCF outcome represents an EBITDA conversion of 62%.

Exceptional Items

A shortfall in expected Sterling revenues resulted in surplus Sterling forward contracts for 2008, which were effectively cancelled during the period, giving rise to a gain of €5.0 million.

Disposal

On 11 September 2008, the Group announced the disposal of its wine & spirit distribution business in the Republic of Ireland to a subsidiary of DCC plc, for a consideration of approximately €9.6 million.

Dividends

In the current uncertain economic environment and in light of the Group's performance trends and the expected impact of sterling depreciation in 2009/10, the Board proposes to rebase the dividend by reference to an appropriate payout ratio of sustainable earnings.

On this basis, the Board currently expects the annual dividend to be 12 cent per share and an interim dividend of 6 cent is proposed for 2008/09.

The interim dividend will be paid on 10 December 2008 to shareholders on the Group's register at the close of business on 17 October 2008. A scrip alternative will also be offered.

(i) Adjusted basic earnings per share excludes exceptional items.

Principal Risks and Uncertainties

Under the Transparency (Directive 2004/109/EC) Regulations 2007, the Group is required to give a description of the principal risks and uncertainties it faces.

The Group identified the following risks and uncertainties in its Annual Report for the year ended 29 February 2008:

- The Group faces strong competition in its various markets and if it fails to compete successfully, sales volumes, market share and profitability may decline.
- Consumer preferences may change and demand for existing products may decline (as a result of poor weather or otherwise) or be replaced by other products that the Group does not produce, and as a result, sales volumes and profitability may be volatile or decline.
- The Group may not be able to fulfil the demand for its products due to circumstances such as the loss of a production or storage facility or disruptions to its supply chains. This would affect sales volumes and profitability.
- The Group may be adversely affected by government regulations including possible changes in excise duty on cider in the UK and Ireland and restrictions on alcohol advertising.
- The Group may be adversely affected by changes in foreign currency exchange rates and higher interest rates.
- The Group is subject to stringent environmental, health and safety and food safety laws and regulations that could result in increased compliance or remediation costs that would adversely affect profitability.
- The Group could be subject to accidental, natural or malicious contamination of its products, which could result in the recall of the Groups' products, damage to its brands and falls in demand for its products.

The Group considers the strong competition it faces in Great Britain and the general weakening of economic conditions in Great Britain and Ireland as being the most significant risks to its results and operations for the remaining six months of the current financial year.

OPERATIONS REVIEW

Summary

Revenue and Operating Profit[(i)] for the period ended 31 August 2008 declined by 13.2% and 0.7% respectively. At constant currency exchange rates[(ii)] the declines were 8.8% and 0.9% respectively. Operating margin improved by 1.8 percentage points in the period.

The revenue decline primarily reflects a 12% decline in sales volumes in the Cider division.

The improvement in operating margins includes the impact of the restructuring and cost reduction programme, which was implemented in March 2008 and is on track to achieve the target net annual savings of €10 million.

Summary Group Income Statement (before exceptional items) [(i)]

		6 months ended 31 August 2008	6 months ended 31 August 2007 [(i)]	6 months ended 31 August 2007 (constant f/x) [(ii)]
Revenue	€m	302.4	348.2	331.5
Growth	*%*		*(13.2)*	*(8.8)*
Operating Profit [(i)]	€m	66.5	67.0	67.1
Growth	*%*		*(0.7)*	*(0.9)*
Operating Profit Margin	*%*	*22.0*	*19.2*	*20.2*
Net Finance Charges	€m	(6.4)	(8.6)	
Taxation	€m	(6.4)	(7.0)	
Discontinued Operations	€m	(0.6)	5.6	
Net Profit before Exceptional Items.	€m	53.1	57.0	
Growth	%		(6.8%)	

Net Profit before Exceptional Items fell by 6.8% in the period. The decline was mainly due to the reduction in contribution from discontinued operations following the disposal of the Soft Drinks division in August 2007 and the Republic of Ireland wine & spirit distribution business in September 2008.

Net Finance charges fell by €2.2 million reflecting lower debt levels.

The effective tax rate for continuing operations was 10.6% in the period compared to 12.0% for the same period in the prior year.

(i) Continuing operations before exceptional items.
(ii) Constant currency calculation is set out below

Divisional Review: Cider

	6 months ended 31 August 2008	6 months ended 31 August 2007	6 months ended 31 August 2007 (constant f/x) (i)	Growth Vs. prior period (constant f/x)
	€m	€m	€m	
Revenue	229.8	272.7	262.8	(12.6%)
Operating Profit	57.2	57.5	58.1	(1.6%)
Operating margin	24.9%	21.1%	22.1%	

Revenue for the Cider division of €229.8 million represents a 12.6% decline on 2007 and reflects a 12% decline in sales volume. Operating profit declined by 1.6% to €57.2 million compared with €58.1 million in 2007. Operating margin, at 24.9%, improved by 2.8 percentage points versus the prior period. Volumes for the Group's international cider brand, Magners and the Group's Irish cider brand, Bulmers, each declined by 12%.

In Great Britain, which is Magners' principal market, the on-trade cider market grew by 1% in the 5 months to 31 July 2008 compared with the same period last year. This comprised a growth of 4% in draught cider and a decline of 7% in packaged cider.

Magners' share of the on-trade packaged cider declined from 69% in the 5 months to 31 July 2007 to 52% in the 5 months ended 31 July 2008. Overall distribution levels were broadly unchanged compared with February 2008. The share drop in part reflects the entry of a range of new products and flavour variants into the market.

The off-trade cider market in Great Britain grew by 10% in the 6 months to August 2008 compared with the same period last year. Magners share in the off-trade cider market decreased from 8.3% in the 6 months to August 2007 to 7.5% in the 6 months to August 2008.

C&C has entered into a long-term agreement with Coors Brewers for distribution of Magners draught cider in Great Britain. The brand was launched in May 2008 and after a slow start due to initial equipment supply difficulties, the roll out is making steady progress and Magners draught is now available in almost 3,000 outlets.

In the Republic of Ireland, the overall beer/cider market declined by 8%[iii] in the 6 months to 31 August 2008 while Bulmers' share of that market declined from 10.5% in the 6 months to 31 August 2007 to 10.1% in the 6 months to August 2008. Performance in Republic of Ireland has, in addition to the economic environment, been affected by the cumulative impact of two consecutive poor summers on category recruitment. The brand's equity remains strong but volumes are under pressure in the off-trade from price promotions on premium lagers.

C&C continued its test market programme for Magners in Spain and Germany. Consumer response remains positive but the Group continues to experience route to market difficulties which will need to be overcome if the brands potential is to be exploited.

The improvement in operating margin reflects the benefit of the restructuring and cost reduction programme undertaken in the current year, together with the elimination of inefficiencies experienced last year due to the capital investment programme. Marketing investment as a percentage of revenue increased by approximately one percentage point compared with the same period last year.

(i) Constant currency calculation is set out below
(ii) Market statistics are per Nielsen unless otherwise stated
(iii) Source: C&C/Revenue Commissioners August 08

Divisional Review: Spirits & Liqueurs

	6 months ended 31 August 2008	6 months ended 31 August 2007	6 months ended 31 August 2007 (constant f/x) (i)	Growth Vs. prior period (constant f/x)
	€m	€m	€m	
Revenue	41.3	41.0	39.2	5.4%
Operating Profit	8.9	9.2	8.8	1.1%
Operating margin	21.5%	22.4%	22.4%	

Revenue for the Spirits & Liqueurs division of €41.3 million represents a 5.4% increase on 2007 levels. Operating Profit increased slightly to €8.9 million from €8.8 million in 2007. Operating margin, at 21.5%, declined by 0.9 percentage points versus the prior period.

Overall volume shipments increased 4% in the period. Within this overall performance, Tullamore Dew continued to show strong growth with an increase in volume shipments of 11% compared to the same period last year. Carolans volume growth was 3% as a result of recovery in US shipments.

The decline in operating margin reflects an increase in input costs (cream) for Carolans.

(i) Constant currency calculation is set out below

Divisional Review: Distribution [(i)]

	6 months ended 31 August 2008	6 months ended 31 August 2007	6 months ended 31 August 2007 (constant f/x) [(ii)]	Growth Vs. prior period (constant f/x)
	€m	€m	€m	
Revenue	31.3	34.5	29.5	6.1%
Operating Profit	0.4	0.3	0.2	100.0%
Operating margin	1.3%	0.9%	0.7%	

On 11 September 2008, the Group announced the disposal of its wine & spirit distribution business in the Republic of Ireland to a subsidiary of DCC plc. The remaining business, which is based in Northern Ireland, comprises the distribution of Coors beer and a range of wine & spirit brands together with a wholesaling operation and supports the route to market for Magners.

(i) Continuing Operations before exceptional items
(ii) Constant currency is set out below

FINANCE REVIEW

Cash Flow

Free Cash Flow for the 6 months ended 31 August 2008, amounted to €47.0 million compared with €3.8 million in the corresponding prior period. The improved cash flow is driven by a significantly reduced capital spend.

A summary Cash Flow for the 6 months ended 31 August 2008 compared to the corresponding period last year is set out below:

	6 months ended 31 August 2008 €m	6 months ended 31 August 2007 €m
EBITDA (i)	75.3	88.0
Net Capital Expenditure	(9.0)	(61.4)
Working Capital/Other	(15.5)	(14.9)
	50.8	11.7
Exceptional Items paid(iii)	3.5	-
Net Finance Charges/ Taxation Payments	(7.3)	(7.9)
Free Cash Flow (FCF) before disposals	47.0	3.8
FCF/EBITDA	62%	4%

(i) *EBITDA is before exceptional items*
(ii) *Operating Profit includes both continuing and discontinued operations and excludes exceptional items*
(iii) *Exceptional items paid comprise costs paid on the reorganisation programme and profit received on settlement of the surplus Sterling forward contracts.*

Finance Costs

Finance costs, net of finance income and before exceptional items, for the 6 months to 31 August 2008 at €6.4 million were €2.2 million lower than in the corresponding prior period reflecting a lower level of debt.

The Group has hedged a portion of its net debt for the next four years at base rates ranging from 3.6% to 4.6%. The hedged amounts range from €150 million for 2008/09 to €50 million for 2011/12.

Interest for the 6 month period to 31 August 2008 was covered 12 times by EBITDA.

Net Debt [(i)]
Net debt at 31 August 2008 amounted to €252.9 million, which is €3.3 million lower than at 29 February 2008.

Movement in net debt was as follows:

	€m
Net debt at 1 March 2008	256.2
Free cash flow in period	(47.0)
Dividends paid	43.8
Other	(0.1)
Net debt at 31 August 2008	252.9

At August 2008, net debt to EBITDA[(ii)] was 1.8 times compared with 1.7 times at February 2008.

(i) Net debt excludes the fair value of SWAP instruments
(ii) EBITDA is before exceptional items

Comparative Reporting
Comparisons for revenue and Operating Profit for each division in the Operations Review are shown at constant exchange rates for transactions in relation to the Spirits & Liqueurs and Cider divisions and for translation in relation to the Group's sterling denominated subsidiaries by restating the prior period at August 2008 effective rates. The comparative rates used for revenue and Operating Profit are:

	Translation (Actual average rate)		**Transaction (Effective rate)** [(i)]	
	31 August 2008	**31 August 2007**	**31 August 2008**	**31 August 2007**
Revenue:				
Euro: Stg	0.79	0.68	0.72	0.68
Euro: $	-	-	1.45	1.27
Operating Profit:				
Euro: Stg	0.79	0.68	0.69	0.69
Euro: $	-	-	1.35	1.27

The impact of restating currency is as follows:

	Period ended 31 August 2007 Previously reported[(ii)]	**FX Translation**	**FX Transaction**	**Period ended 31 August 2007 Constant currency comparative**
	€m	€m	€m	**€m**
Revenue				
Cider	272.7	(1.8)	(8.1)	**262.8**
Spirits & Liqueurs	41.0	-	(1.8)	**39.2**
Distribution	34.5	(5.0)	-	**29.5**
Total	**348.2**	**(6.8)**	**(9.9)**	**331.5**
Operating Profit – before exceptional items				
Cider	57.5	(0.4)	1.0	**58.1**
Spirits & Liqueurs	9.2	-	(0.4)	**8.8**
Distribution	0.3	(0.1)	-	**0.2**
Total	**67.0**	**(0.5)**	**0.6**	**67.1**

Special note regarding forward-looking statements

The announcement includes forward-looking statements, including statements concerning expectations about future financial performance, economic and market conditions, etc. These statements are neither promises nor guarantees, but are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated.

(i) *The effective rate is after taking account of hedge contracts*
(ii) *Continuing Operations*

Statement of the directors in respect of the half-yearly financial report

We confirm our responsibility for the half yearly financial statements and that to the best of our knowledge:

- the condensed set of financial statements comprising the condensed income statement, the condensed statement of recognised income and expense, the condensed balance sheet, the condensed cash flow statement and the related notes have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) *Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) *Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Group's auditors have not reviewed these condensed financial statements.

On behalf of the Board

T. O'Brien	M. Pratt	
Chairman	Chief Executive Officer	9 October 2008

Group condensed income statement
for the six months ended 31 August 2008

	Six months ended 31 August 2008			Six months ended 31 August 2007		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**302.4**	**-**	**302.4**	348.2	-	348.2
Operating costs	**(235.9)**	**-**	**(235.9)**	(281.2)	-	(281.2)
Operating profit	**66.5**	**-**	**66.5**	67.0	-	67.0
Finance income	**0.6**	**5.0**	**5.6**	1.0	-	1.0
Finance expense	**(7.0)**	**-**	**(7.0)**	(9.6)	-	(9.6)
Profit before tax	**60.1**	**5.0**	**65.1**	58.4	-	58.4
Income tax expense	**(6.4)**	**(0.5)**	**(6.9)**	(7.0)	-	(7.0)
Profit from continuing activities	**53.7**	**4.5**	**58.2**	51.4	-	51.4
Discontinued operations						
(Loss)/profit from discontinued activities	**(0.6)**	**-**	**(0.6)**	5.6	141.3	146.9
Profit for the period attributable to equity shareholders	**53.1**	**4.5**	**57.6**	57.0	141.3	198.3
Basic earnings per share (cent)			**18.4c**			61.0c
Diluted earnings per share (cent)			**18.3c**			60.3c
Continuing operations						
Basic earnings per share (cent)			**18.6c**			15.8c
Diluted earnings per share (cent)			**18.5c**			15.6c

Group condensed statement of recognised income and expense
for the six months ended 31 August 2008

	31 August 2008 €m	31 August 2007 €m
Income and expense recognised directly within equity:		
Exchange difference arising on the net investment in foreign operations	**(0.2)**	(0.5)
Net movement in cash flow hedge reserve	**(5.7)**	0.9
Deferred tax on cash flow hedges	**0.1**	(0.1)
Actuarial (losses)/gains on defined benefit pension obligations	**(7.3)**	32.8
Deferred tax on actuarial (losses)/gains on defined benefit pension obligations	**0.7**	(4.3)
Total income and expense recognised directly in equity	**(12.4)**	28.8
Profit for the period attributable to equity shareholders	**57.6**	198.3
Recognised income and expense for the period attributable to equity shareholders	**45.2**	227.1

Group condensed balance sheet
as at 31 August 2008

	Notes	**31-Aug-08**	31-Aug-07	28-Feb-08 (audited)
		€m	€m	€m
ASSETS				
Non-current assets				
Goodwill		**394.7**	394.7	394.7
Property, plant & equipment	7	**225.1**	200.5	227.1
Derivative financial assets		**1.5**	2.8	3.6
Retirement benefit asset	10	**-**	2.0	-
Deferred tax assets		**3.3**	-	2.9
		624.6	600.0	628.3
Current assets				
Inventories		**62.6**	89.5	78.8
Trade & other receivables		**92.8**	123.2	67.5
Derivative financial assets		**20.2**	3.4	25.7
Cash & cash equivalents		**36.2**	78.0	32.7
		211.8	294.1	204.7
Current assets held for sale	5	**16.2**	-	-
TOTAL ASSETS		**852.6**	894.1	833.0
EQUITY				
Equity share capital	11	**3.1**	3.2	3.1
Share premium	11	**48.5**	40.5	44.9
Other reserves	11	**37.3**	30.7	43.5
Retained income	11	**332.5**	381.7	327.7
Total equity		**421.4**	456.1	419.2
LIABILITIES				
Non-current liabilities				
Interest bearing loans & borrowings	8	**289.1**	289.8	288.9
Derivative financial liabilities		**0.2**	0.6	1.3
Retirement benefit obligations	10	**32.3**	-	27.2
Provisions		**0.7**	0.6	0.7
Deferred tax liabilities		**6.3**	3.6	6.4
		328.6	294.6	324.5
Current liabilities				
Derivative financial liabilities		**0.3**	3.2	0.6
Trade & other payables		**75.9**	128.5	69.8
Provisions		**8.2**	-	12.0
Current income tax liabilities		**12.0**	11.7	6.9
		96.4	143.4	89.3
Current liabilities held for sale	5	**6.2**	-	-
Total liabilities		**431.2**	438.0	413.8
TOTAL EQUITY & LIABILITIES		**852.6**	894.1	833.0

Group condensed cash flow statement
for the six months ended 31 August 2008

	6 months ended 31 August 2008 €m	6 months ended 31 August 2007 €m
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period attributable to equity shareholders	**57.6**	198.3
Finance income	**(5.6)**	(1.0)
Finance expense	**7.0**	9.6
Income tax expense	**6.9**	7.9
Depreciation of property, plant & equipment	**9.4**	14.5
Profit on disposal of subsidiaries, net of tax	-	(141.3)
Charge for share-based employee benefits	**0.3**	1.1
Pension contributions paid less amount charged to income statement	**(2.2)**	(2.7)
	73.4	86.4
Increase/(decrease) in inventories	**9.1**	(10.4)
Increase in trade & other receivables	**(39.7)**	(36.8)
Increase in trade & other payables	**14.7**	33.9
Decrease in provisions	**(3.8)**	-
	53.7	73.1
Interest received	**0.6**	1.0
Interest paid and similar costs	**(6.4)**	(7.7)
Settlement gain on derivative financial instruments	**9.6**	-
Income tax paid	**(1.5)**	(1.2)
Net cash inflow from operating activities	**56.0**	65.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	**(9.0)**	(61.4)
Net proceeds on disposal of subsidiaries	**-**	248.1
Net cash (outflow)/inflow from investing activities	**(9.0)**	186.7
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	**0.5**	3.6
Bank loans repaid	-	(597.0)
New bank loans drawn down	-	540.0
Issue costs paid	-	(1.3)
Shares purchased under share buyback programme	-	(114.8)
Dividends paid	**(43.8)**	(45.1)
Net cash outflow from financing activities	**(43.3)**	(214.6)
Net increase in cash & cash equivalents	**3.7**	37.3
Cash & cash equivalents at beginning of period	**32.7**	40.7
Translation adjustment	**(0.2)**	-
Cash & cash equivalents at end of period	**36.2**	78.0

Notes to the Financial Report
for the six months ended 31 August 2008

1. Basis of preparation

The condensed financial statements, which are abridged and unaudited, have been prepared in accordance with International Financial Reporting Standard, IAS34 *Interim Financial Reporting*.

The same accounting policies and methods of computation are followed in these financial statements as were applied and set out in the consolidated financial statements for the year ended 29 February 2008 and as are expected to apply for the financial year to 28 February 2009.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and judgements. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, relate primarily to accounting for defined benefit pension schemes, financial instruments, share-based payments, provisions, goodwill impairment and deferred tax. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The income tax expense for the six-month period is calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period.

The Board approved the Financial Report for the six months ended 31 August 2008 on 9 October 2008.

2. Segmental analysis

Segmental information is presented below in respect of the Group's continuing business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure and reflects the dominant source and nature of risks and returns arising from the Group's business.

On 11 September 2008, the Group announced the disposal of its Wine & Spirit distribution business in the Republic of Ireland that had previously been reported within the distribution segment (see note 5). The reported segmental figures have been amended to exclude discontinued operations.

The analysis by segment includes both items directly attributable to a segment and those that can be allocated on a reasonable basis.

The Group analyses its business into three main segments as follows: -

(i) Cider
This segment includes all Group cider products, with Bulmers in the Republic of Ireland and Magners in all other markets being the two main brands involved.

(ii) Spirits & Liqueurs
This segment consists of four brands, viz. Tullamore Dew, Carolans Irish Cream, Frangelico Liqueur and Irish Mist Liqueur, all of which are owned by the Group and are marketed internationally.

(iii) Distribution
This segment consists of both wholesaling to the licensed trade in Northern Ireland and the distribution of wines, spirits and agency products in Northern Ireland.

Class of business analysis	**Six months ended 31 August 2008**		Six months ended 31 August 2007	
	Revenue	***Net result**	Revenue	*Net result
	€m	**€m**	€m	€m
Cider	**229.8**	**57.2**	272.7	57.5
Spirits & Liqueurs	**41.3**	**8.9**	41.0	9.2
Distribution	**31.3**	**0.4**	34.5	0.3
Total	**302.4**	**66.5**	348.2	67.0

*Net result represents profit before finance costs and exceptional items.

Cyclicality of interim results

Operating profit for continuing operations for the 6 month period to 31 August 2007 represented 54% of the full year profits.

3. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 10.5% (6 months ended 31 August 2007: 12%).

4. Exceptional items

	31 August 2008	31 August 2007
	€m	€m
Gain on mark to market of derivative financial instruments	**(5.0)**	-

(a) Gain on mark to market of derivative financial instruments
Excess sterling hedges as a result of a shortfall in expected sterling revenues gave rise to a gain of €5.0m, which has been classified as an exceptional item within finance income.

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss while finance expenses comprise interest expense on borrowings, amortisation of borrowing issue costs, changes in the fair value of financial assets which are accounted for at fair value through profit or loss, hedging instruments that are recognised in profit or loss, impairment losses recognised on financial assets and unwinding of the discount on provisions. Both interest income and borrowing costs are recognised in profit or loss using the effective interest method.

The taxation implication of the exceptional item is a charge of €0.5m.

5. Discontinued operations

On 29 August 2007 and 11 September 2008, the Group completed the sale of its soft drinks and wine & spirit distribution businesses in the Republic of Ireland respectively. The results of these businesses are presented as discontinued operations for all periods presented and are shown separately from continuing operations. The assets and liabilities of the wine & spirit distribution business in the Republic of Ireland are segregated from other Group assets as held for sale at 31 August 2008 pending their de-recognition on disposal. No gain or loss has been recognised in this regard.

Results of discontinued operations

	31 August 2008	29 August 2007
	€m	€m
Revenue	**22.6**	158.2
Expenses	**(23.2)**	(151.7)
Results from discontinued operations before tax	**(0.6)**	6.5
Income tax expense	**-**	(0.9)
Results from discontinued operations	**(0.6)**	5.6
Gain on sale of discontinued operations	**-**	145.8
Capital Gains Tax arising on sale of discontinued operations	**-**	(4.5)
Profit from discontinued operations (net of tax)	**(0.6)**	146.9

Cash flows from discontinued activities

	31 August 2008	31 August 2007
	€m	€m
Net cash from operating activities	**(4.0)**	(2.7)
Net cash from investing activities	**-**	246.1
Net cash from financing activities*	**-**	(20.0)
Net cash (used in)/derived from discontinued operations	**(4.0)**	223.4
Depreciation	**-**	4.6
Capital expenditure	**-**	(2.0)

* intragroup dividend

Effect of disposal on financial position of the Group

	31 August 2008	31 August 2007
	€m	€m
Property, plant & equipment	**-**	57.1
Goodwill	**-**	32.2
Inventories	**-**	18.5
Trade & other receivables	**-**	52.2
Cash & cash equivalents	**-**	-
Deferred tax liabilities/assets	**-**	2.9
Trade & other payables	**-**	(49.9)
Provisions	**-**	(0.9)
Retirement benefit obligations	**-**	(18.0)
Foreign currency reserve de-recognised on disposal	**-**	(0.5)
Net assets and liabilities disposed of	**-**	93.6
Consideration received in cash	**-**	249.2
Costs of disposal payable	**-**	(14.3)
	-	234.9
Profit arising on disposal of soft drinks business after tax	**-**	141.3

Assets and liabilities held for sale

	31 August 2008	31 August 2007
	€m	€m
Inventories	**6.8**	-
Trade & other receivables	**9.4**	-
Trade & other payables	**(6.2)**	-
Net assets and liabilities held for sale	**10.0**	-

6. Earnings per ordinary share

	Six months ended 31 August 2008	Six months ended 31 August 2007
	€m	€m
Earnings as reported	**57.6**	198.3
Adjustments for exceptional items net of tax	**(4.5)**	(141.3)
Earnings as adjusted for exceptional items net of tax	**53.1**	57.0
	'000	'000
Number of shares at beginning of period	**312,993**	327,569
Shares issued in lieu of dividend	**612**	327
Shares issued in respect of options exercised	**157**	1,482
Own shares purchased and cancelled	**-**	(12,100)
Number of shares at end of period	**313,762**	317,278
Weighted average number of ordinary shares (basic)	**313,207**	325,089
Adjustment for the effect of conversion of options	**1,163**	3,572
Weighted average number of ordinary shares, including options (diluted)	**314,370**	328,661
Basic earnings per share	**Cent**	Cent
Basic earnings per share	**18.4**	61.0
Adjusted basic earnings per share	**17.0**	17.5
Diluted earnings per share		
Diluted earnings per share	**18.3**	60.3
Adjusted diluted earnings per share	**16.9**	17.3
Continuing Operations	**€m**	€m
Earnings from continuing operations as reported	**58.2**	51.4
Adjustments for exceptional items net of tax	**(4.5)**	-
Earnings from continuing operations as adjusted for exceptional items net of tax	**53.7**	51.4
Basic earnings per share	**Cent**	Cent
Basic earnings per share	**18.6**	15.8
Adjusted basic earnings per share	**17.1**	15.8
Diluted earnings per share		
Diluted earnings per share	**18.5**	15.6
Adjusted diluted earnings per share	**17.1**	15.6

Discontinued Operations	**€m**	€m
Earnings from discontinued operations as reported	**(0.6)**	146.9
Adjustments for exceptional items net of tax	**-**	(141.3)
Earnings from discontinued operations as adjusted for exceptional items net of tax	**(0.6)**	5.6
Basic earnings per share	**Cent**	Cent
Basic earnings per share	**(0.2)**	45.2
Adjusted basic earnings per share	**(0.2)**	1.7
Diluted earnings per share		
Diluted earnings per share	**(0.2)**	44.7
Adjusted diluted earnings per share	**(0.2)**	1.7

7. Property, plant & equipment

Acquisitions and disposals

During the six months ended 31 August 2008, the Group acquired assets with a cost of €9.0 million (six months ended 31 August 2007: €61.4 million).

During the prior period, assets with a net book value of €57.1 million were disposed, including assets disposed of through sale of discontinued operations (see note 5) of €57.1 million. There was no disposal of assets during the current financial period.

Capital commitments

At 31 August 2008, the Group had entered into contracts to purchase property, plant & equipment that were outstanding at the period end totalling €13.8 million (31 August 2007: €30 million).

8. Details of Borrowing

	31 August 2008	29 February 2008	31 August 2007
Maturity analysis	**€m**	€m	€m
Non-current			
3-4 years	**289.1**	288.9	-
4-5 years	**-**	-	289.8
	289.1	288.9	289.8

Unamortised issue costs of €0.9 million (29 February 2008: €2.1 million, 31 August 2007: €1.2 million) have been netted against outstanding bank loans repayable between 3 and 5 years.

9. Analysis of net debt

	Cash & cash equivalents	**Interest rate swaps**	**Bank loans due after one year**	**Net debt**
	€m	**€m**	**€m**	**€m**
At 31 August 2007	(78.0)	(3.7)	289.8	208.1
At 1 March 2008	(32.7)	0.6	288.9	256.8
At 31 August 2008	**(36.2)**	**(2.5)**	**289.1**	**250.4**

During the prior period, the Group negotiated a new long-term bank debt facility in the amount of €600 million, of which €540 million was drawn down. These proceeds were used to repay the existing bank loan of €348 million and to meet short-term expenditure needs. Also during the prior period, disposal proceeds from the sale of the soft drinks division of €249 million were received from Britvic plc and were used to repay debt, of which €170 million was cancelled during the current period, leaving a bank debt facility of €430 million.

The bank loan is structured as a five year revolving loan bearing interest at market rates, a portion of which has been converted to fixed rates using interest rate swaps.

10. Retirement benefit obligations

As disclosed in the Annual Report for the year ended 29 February 2008, the Group operates a number of defined benefit pension schemes for employees in the Republic of Ireland, all of which provide pension benefits based on final salary and the assets of which are held in separate trustee administered funds. The Group is committed to provide a comparable scheme for employees in Northern Ireland.

	31 August 2008	31 August 2007
	€m	€m
Retirement benefit deficit at beginning of 6 month period	**27.2**	51.5
Current service cost	**1.9**	4.3
Past service cost	**0.3**	-
Curtailment gain	**(1.9)**	-
Attributed to the disposal of the soft drinks business	**-**	(18.0)
Actuarial losses/(gains) on defined benefit pension obligations	**7.3**	(32.8)
Company contributions	**(2.5)**	(7.0)
Retirement benefit deficit/(asset) at end of 6 month period	**32.3**	(2.0)

The actuarial losses during the current period principally relate to a fall in the valuation of assets, partly offset by gains arising from a number of active liabilities becoming deferred which arises as result of the reduction in employee numbers following the re-organisation programme announced in November 2007; changes in pensionable salaries; and increases in the long term bond yields which changed from 5.45% to 5.5% in relation to the Republic of Ireland scheme and from 6% to 6.5% in relation to the Northern Ireland scheme. All other significant assumptions applied in the measurement of the Group's pension obligations at 31 August 2008 are consistent with those as applied at 29 February 2008 and as set out in the Group's last Annual Report.

The actuarial gains experienced during the prior period primarily relate to the increase in long term bond yields during that period which reduces the value placed on pension scheme obligations.

11. Reserves

	Share capital	Share premium	Reserves					Retained earnings	2007 Total
			Capital redemption reserve	Capital reserve	Cash flow hedging reserve	Share-based payments reserve	Currency translation reserve		
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Group									
At 28 February 2007	3.3	32.8	0.3	24.9	1.9	5.2	0.8	315.3	**384.5**
Total recognised income and expense for the period	-	-	-	-	0.8	-	(0.5)	226.8	**227.1**
Dividend on ordinary shares	-	4.1	-	-	-	-	-	(49.2)	**(45.1)**
Exercised share options	-	3.6		-	-	-	-	-	**3.6**
Transfer on exercise/lapse of share options	-	-	-	-	-	(3.6)	-	3.6	**-**
Own shares acquired *	(0.1)	-	0.1	-	-	-	-	(114.8)	**(114.8)**
Equity settled share based payments	-	-	-	-	-	0.8	-	-	**0.8**
At 31 August 2007	**3.2**	**40.5**	**0.4**	**24.9**	**2.7**	**2.4**	**0.3**	**381.7**	**456.1**

	Share capital	Share premium	Reserves					Retained earnings	2008 Total
			Capital redemption reserve	Capital reserve	Cash flow hedging reserve	Share-based payments reserve	Currency translation reserve		
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Group									
At 31 August 2007	3.2	40.5	0.4	24.9	2.7	2.4	0.3	381.7	**456.1**
Total recognised income and expense for the period	-	-	-	-	14.2	-	(1.8)	9.1	**21.5**
Dividend on ordinary shares	-	2.1	-	-	-	-	-	(38.1)	**(36.0)**
Exercised share options	-	2.3	-	-	-	-	-	-	**2.3**
Transfer on exercise/lapse of share options	-	-	-	-	-	(0.1)	-	0.1	**-**
Own shares acquired *	(0.1)	-	0.1	-	-		-	(25.1)	**(25.1)**
Equity settled share based payments	-	-	-	-	-	0.4	-	-	**0.4**
At 29 February 2008	**3.1**	**44.9**	**0.5**	**24.9**	**16.9**	**2.7**	**(1.5)**	**327.7**	**419.2**

	Share capital	Share premium	Reserves: Capital redemption reserve	Capital reserve	Cash flow hedging reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	2008 Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Group									
At 29 February 2008	3.1	44.9	0.5	24.9	16.9	2.7	(1.5)	327.7	**419.2**
Total recognised income and expense for the period	-	-	-	-	(5.6)	-	(0.2)	51.0	**45.2**
Dividend on ordinary shares	-	3.1	-	-	-	-	-	(46.9)	**(43.8)**
Exercised share options	-	0.5	-	-	-	-	-	-	**0.5**
Transfer on exercise/lapse of share options	-	-	-	-	-	(0.7)	-	0.7	**-**
Equity settled share based payments	-	-	-	-	-	0.3	-	-	**0.3**
At 31 August 2008	**3.1**	**48.5**	**0.5**	**24.9**	**11.3**	**2.3**	**(1.7)**	**332.5**	**421.4**

** during the financial year ended 29 February 2008 the company acquired a total of 17.7 million of its own shares at an average share price of €7.84.

Capital redemption reserve and capital reserves

These reserves initially arose on the conversion of preference shares into share capital of the Company and other changes and reorganisations of the Group's capital structure. The movement in the prior periods relate to the purchase of 17.7m shares with a nominal value of €0.01 per share under the Group's share buyback programme, which was approved by shareholders at the 2006 Annual General Meeting. These reserves are not distributable.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred together with any deferred gains or losses on hedging contracts where hedge accounting was discontinued but the forecast transaction is still anticipated to occur.

Share-based payment reserve

The reserve comprises amounts expensed in the income statement in connection with share option grants falling within the scope of IFRS 2 *Share-based Payment* less any exercises or lapses of such share options.

Currency translation reserve

The translation reserve comprises all foreign exchange differences from 1 March 2004, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the period to the exchange rate at the balance sheet date.

12. Dividend

During the period, a dividend of 15 cent (2007: 15 cent) per share was paid to the shareholders. An interim dividend of 6 cent per share is proposed on 313,761,653 ordinary shares amounting to €18.8 million.

Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

13. Related Parties

Transactions with key management personnel

For the purposes of the disclosure requirements of IAS 24 *Related Party Disclosures*, the Group has defined the term "key management personnel", as its executive and non-executive directors.

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of €3.0 million for the six months ended 31 August 2008 (six months ended 31 August 2007: €2.7 million)

14. Balance Sheet as at 29 February 2008

The balance sheet presented for 29 February 2008 does not represent but has been extracted from the statutory consolidated financial statements of the Group. These statutory consolidated financial statements were prepared separately and will be attached to the annual return filed in the Companies Registration Office. The Group's auditors issued an unqualified audit opinion on those consolidated financial statements.