PZ Cussons

Building our success

PZ Cussons Plc Interim Statement for the half-year to 30 November 2011

PZ Cussons is an international consumer products group.

Our mission is to be an entrepreneurial international company, enhancing the lives of consumers in selected markets with quality, value and innovation.

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Highlights

Results
(before exceptional items[1])

	Half-year to 30 November 2011	Half-year to 30 November 2010	Change %
Revenue	**£414.0m**	£374.8m	10.5%
Operating profit	**£40.1m**	£46.0m	(12.8%)
Profit before taxation	**£40.2m**	£46.2m	(13.0%)
Adjusted basic earnings per share	**6.54p**	7.06p	(7.4%)

Statutory results

Operating profit	**£39.2m**	£44.3m	(11.5%)
Profit before taxation	**£39.3m**	£44.5m	(11.7%)
Basic earnings per share	**6.33p**	6.70p	(5.5%)
Interim dividend per share	**2.23p**	2.123p	5.0%
Net funds[2]	**£2.4m**	£12.5m	

1 Exceptional items are detailed in note 4.
2 Net funds, above and hereafter, are defined as cash, short-term deposits, and current asset investments less borrowings.

Group

- Good revenue growth of 10% for the period, particularly in core markets of UK, Indonesia and Nigeria
- Profits impacted by high raw material costs, adverse exchange rate movements and challenging trading conditions in other markets, particularly Australia
- Acquisition post period end of the Fudge hair care brand for £25.5 million
- Healthy balance sheet with a net funds position maintained at the period end despite higher inventory levels in some markets
- Interim dividend raised 5% to 2.23p per share from 2.123p reflecting confidence in the future

Africa

- Strong revenue growth in Nigeria across all categories of Personal Care, Home Care, Electricals and Nutrition
- Construction of the palm oil refinery with Wilmar in Nigeria on schedule for completion by the end of the 2012 calendar year

Asia

- Continued positive momentum in Indonesia with revenue and profit from the market leading Cussons Baby range ahead of the prior period
- Overall Asia profits lower due to challenging trading conditions in Australia, Thailand and the Middle East

Europe

- Good revenue growth in the UK Washing and Bathing division driven by new product launches and despite continued high levels of promotional activity in the retailers
- Strong performance of newly formed Beauty division with new product launches performing well despite tougher trading conditions in all UK distribution channels
- Robust performance in Poland whilst trading conditions in Greece remain challenging

Business review

Introduction

The Group has delivered good revenue growth of 10% in the first half particularly in its core markets of UK, Indonesia and Nigeria. This growth momentum has helped the Group to partially offset the significant impact from high raw material costs and challenging trading conditions in other markets.

Post period end the Group acquired the Fudge hair care brand for £25.5 million as part of its strategy to acquire leading brands and to further widen the category participation of its newly formed Beauty division.

Other strategic initiatives, such as the new joint venture in Nigeria with Wilmar International, are progressing well.

Our balance sheet remains strong and we have the appetite to pursue further investment opportunities which fit our strategic aims.

We anticipate trading conditions in some markets will continue to be difficult for the remainder of the year, and, in particular, we are closely monitoring the current economic and social tensions in Nigeria which may further impact the year-end outturn.

Overall, we anticipate that results for the full year will be towards the bottom end of the range of current expectations.

Overview

PZ Cussons Plc reports that profit before tax and exceptional items for the six month period to 30 November 2011 was £40.2 million (30 November 2010: £46.2 million) on revenue up 10.5% to £414.0 million (30 November 2010: £374.8 million). There were exceptional charges in the period of £0.9 million (30 November 2010: £1.7 million). After exceptional items, reported profit before tax decreased by 11.7% to £39.3 million (30 November 2010: £44.5 million). Basic earnings per share were 6.33p (30 November 2010: 6.70p). Adjusted for exceptional items, basic earnings per share decreased by 7.4% to 6.54p (30 November 2010: 7.06p).

As at 30 November 2011 the Group had net funds of £2.4 million (30 November 2010: £12.5 million).

The Board is recommending a dividend increase of 5% for the period with an interim dividend of 2.23p per share (30 November 2010: 2.123p) to be paid on 2 April 2012 to shareholders on the register at the close of business on 24 February 2012.

Financial performance – overview

The Group has delivered good revenue growth in the first half with its core markets of UK, Indonesia and Nigeria performing particularly well. Profits have been impacted as a result of significantly higher raw material costs, adverse exchange rate movements and challenging trading conditions in other markets, particularly Australia.

Revenue growth in Africa was strong with positive momentum in Nigeria continuing post the elections of April 2011, however profits were flat as a result of high raw material costs impacting margins.

Asia revenue and profit are lower than the prior period as a result of difficult trading conditions in Australia, Thailand and the Middle East. Revenue and profit in Indonesia were ahead of the prior period. Revenue in Europe was higher as a result of good growth in both UK divisions as well as progress in Poland, although margins were affected by higher raw material costs. Trading conditions in Greece remain difficult as a result of the economic environment.

Current period results for Europe include a full six month contribution from St Tropez versus two months post acquisition in the comparative period.

The overall half-on-half impact of rises in key raw materials was an oncost of approximately £20 million. Overall exchange rate impact for the Group in the period resulted in a decrease in revenue and profitability of circa £8 million and £1.1 million respectively.

Financial position – overview

The Group's balance sheet remains healthy with a small net funds position at the end of the period despite higher working capital levels. These have occurred largely in Nigeria as a result of higher absolute values of stock caused by cost inflation as well as extended lead times due to slower port clearance times.

Capital expenditure continues to be close to depreciation levels. Other cash outflows have included payments for the UK based pension scheme Enhanced Transfer Value (ETV) exercise, Wilmar joint venture capital costs and a further stake in the Nigerian listed subsidiary.

Acquisitions

On 5 January 2012, the Group exchanged contracts for the acquisition through its Beauty division of the Fudge hair care brand. Completion takes place today with the brand and associated inventory acquired for £25.5 million in cash. Established in 1991, Fudge is a leading premium hair care brand, sold predominantly through salon distribution in the UK, Australia and New Zealand. It is best known for its styling range including the iconic 'Hair Shaper' product. Fudge will join the portfolio of brands within PZ Cussons Beauty, the Group's recently formed Beauty division, which currently comprises St Tropez, Sanctuary and Charles Worthington. Revenue for the Fudge brand for the year ended 30 June 2011 was £15.7 million with approximately 50% of sales in the UK and Europe and 50% in Australia and New Zealand.

Regional reviews

Africa

In **Nigeria**, revenue growth has been strong following elections earlier in the year. Growth has been achieved in all business units of Personal Care, Home Care, Electricals and Nutrition.

Within Personal Care and Home Care, brands performing particularly strongly included Premier, Joy and Canoe soaps, Zip detergent powder and Morning Fresh dishwash. Margins have, however, been impacted by high raw material costs with levels equivalent or higher to those experienced during the second half of last year.

Growth in Electricals has been achieved across all product ranges of fridges, freezers and generators. The highest growth category has been Nutrition with good progress made with the newer UHT product range, although higher levels of raw material costs have again impacted margins.

Construction of the palm oil refinery with Wilmar in Nigeria is on schedule with completion due by the end of the 2012 calendar year.

During the period, the Group's holding in its listed Nigerian subsidiary has been increased further from 66.8% to 67.4% at a cost of £2.8 million.

Performance by region

	Revenue (£m)		Operating profit before exceptional items (£m)	
	2011	2010	**2011**	2010
Africa	**162.7**	142.3	**13.7**	13.7
Asia	**76.8**	86.1	**2.1**	8.6
Europe	**174.5**	146.4	**24.3**	23.7
Total	**414.0**	374.8	**40.1**	46.0

Towards the end of the period, increasing tensions around fiscal reform resulting in civil disruption began to affect the country; the post period end situation and impact is set out in the outlook section of this statement.

Revenue and profit in **Ghana** and **Kenya** are ahead of the same period last year.

Asia

Continued positive momentum in **Indonesia** has delivered another period of revenue and profit growth largely from the market leading Cussons Baby range. During the period, the brand broadened its customer base through expansion into new distribution channels.

In **Australia**, revenue is lower than the prior period due to competitive trading conditions in the retailers which have resulted in reduced listings and shelf space, higher levels of promotional activity as well as increased competition from private label products and discount stores. Consequently, reduced revenue against a strong comparative in the first half of last year, together with higher raw material costs, have resulted in a loss in the period.

Revenue in **Thailand** was lower as a result of disruption to sales caused by the recent flooding resulting in a loss for the period whilst results in the **Middle East** were also adversely affected by social and political unrest in that region.

Europe

The **UK Washing and Bathing division** has experienced good revenue growth despite worsening consumer confidence although continued high levels of promotional activity in the retailers and high raw material prices have impacted margins. New product launches in the period have been well received and include Carex 'Protect Plus' with a new technology that continues to kill bacteria for up to two hours after use.

The newly formed **Beauty division**, created to bring the premium beauty brands of Sanctuary, Charles Worthington and St Tropez together under one strategic umbrella, has performed well with an increase in revenue and profit despite tougher trading conditions in all UK distribution channels. New product launches have been successful and international expansion of the product range, particularly of St Tropez in the US and Australia, is progressing well. The Fudge hair care brand joins the division's portfolio following completion of the acquisition today.

Performance in **Poland** has been robust with revenue and profit ahead of the prior period with both fabric care and personal care performing well. In **Greece**, the economic environment has resulted in trading conditions remaining difficult, although a small increase in profit for the period was achieved.

Exceptional Items

The Group has incurred exceptional costs of £0.9 million relating to the final costs of the ETV exercise for deferred members of the main UK pension scheme (£0.5 million) and certain Beauty division restructuring costs (£0.4 million).

Further exceptional costs relating to the acquisition of the Fudge brand (see note 17) and some further related restructuring costs relating to the Beauty division will be charged in the second half.

Directors

Two Non-executive Directors were appointed during the period. Ngozi Edozien and Helen Owers each joined the Board on 1 January 2012. Ngozi is Chief Executive, West Africa at Actis whilst Helen is Chief Development Officer for Thomson Reuters Professional. Derek Lewis will retire from the Board at the next Annual General Meeting in September 2012.

Taxation

The effective tax rate before exceptional items was 27.1% (30 November 2010: 28.5%).

Related parties

Related party disclosures are given in note 14.

Principal risks and uncertainties facing the Group

Our principal risks and uncertainties for the remaining six months of the financial year are explained in more detail in note 16 and remain as stated on pages 24 and 25 of our 2011 Annual Report which is available on our website at www.pzcussons.com.

Outlook

Post period end, two events have affected Nigeria, our largest market. First, social instability over the Christmas period led to a state of emergency being declared in a number of northern states which has impacted sales in those areas. Second, the removal of the fuel duty subsidy led to civil disruption during January and a week long national strike which affected production in all factories and sales on a national level, during what is a peak trading period. Whilst the strike has now ended and the fuel subsidies have been partially reintroduced, continued social instability in the North together with ongoing fiscal reforms may create further unrest in the balance of year.

Elsewhere, we expect that the trading environment will continue to be difficult in some markets given increasing pressures on consumer spending power, continued high levels of promotional activity in developed markets and the UK in particular, and ongoing high levels of input costs.

At the same time, positive growth rates experienced in the first half, particularly in UK, Indonesia and Nigeria, give cause for optimism together with input costs now stabilising albeit at a high level. We also continue to place a significant focus on brand renovation and further margin improvement.

Performance for the Group in the coming months will depend in part on the severity of any further disruption in Nigeria as well as any impact on consumer disposable income from removal of the fuel subsidy. We anticipate that results for the full year will be towards the bottom end of the range of current expectations.

Recent investments in both acquisitions and capital projects are proving successful and are an important element of our future growth plans. The recent acquisition of Fudge further strengthens the Beauty division with excellent opportunity for growth of all its brands both in the UK and overseas, and our strong financial position will enable us to invest in further attractive growth opportunities in our core markets.

Consolidated income statement

	Notes	Unaudited Half-year to 30 November 2011 Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Unaudited Half-year to 30 November 2010 Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Audited Year to 31 May 2011 Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations										
Revenue	3	**414.0**	**–**	**414.0**	374.8	–	374.8	820.7	–	820.7
Cost of sales		**(268.3)**	**–**	**(268.3)**	(225.1)	–	(225.1)	(495.5)	–	(495.5)
Gross profit		**145.7**	**–**	**145.7**	149.7	–	149.7	325.2	–	325.2
Selling and distribution costs		**(65.5)**	**–**	**(65.5)**	(64.2)	–	(64.2)	(135.0)	–	(135.0)
Administrative expenses		**(40.1)**	**(0.9)**	**(41.0)**	(39.4)	(1.7)	(41.1)	(82.5)	(0.8)	(83.3)
Share of results of joint ventures		**–**	**–**	**–**	(0.1)	–	(0.1)	0.4	–	0.4
Operating profit	3	**40.1**	**(0.9)**	**39.2**	46.0	(1.7)	44.3	108.1	(0.8)	107.3
Finance income		**1.2**	**–**	**1.2**	1.3	–	1.3	3.4	–	3.4
Finance costs		**(1.1)**	**–**	**(1.1)**	(1.1)	–	(1.1)	(2.6)	–	(2.6)
Net finance income	5	**0.1**	**–**	**0.1**	0.2	–	0.2	0.8	–	0.8
Profit before taxation		**40.2**	**(0.9)**	**39.3**	46.2	(1.7)	44.5	108.9	(0.8)	108.1
Taxation	7	**(10.9)**	**–**	**(10.9)**	(13.2)	0.2	(13.0)	(30.2)	2.0	(28.2)
Profit for the period		**29.3**	**(0.9)**	**28.4**	33.0	(1.5)	31.5	78.7	1.2	79.9
Attributable to:										
Equity holders of the Company		**28.0**	**(0.9)**	**27.1**	30.2	(1.5)	28.7	69.2	1.2	70.4
Non-controlling interests		**1.3**	**–**	**1.3**	2.8	–	2.8	9.5	–	9.5
		29.3	**(0.9)**	**28.4**	33.0	(1.5)	31.5	78.7	1.2	79.9
Basic EPS (p)	9			**6.33**			6.70			16.48
Diluted EPS (p)	9			**6.27**			6.61			16.29
Adjusted basic EPS (p)	9			**6.54**			7.06			16.20
Adjusted diluted EPS (p)	9			**6.48**			6.97			16.02

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated statement of comprehensive income

	Notes	**Unaudited Half-year to 30 November 2011 £m**	Unaudited Half-year to 30 November 2010 £m	Audited Year to 31 May 2011 £m
Profit for the period		**28.4**	31.5	79.9
Other comprehensive income/(expense)				
Actuarial (losses)/gains on defined benefit pension schemes	12	**(0.3)**	1.3	(3.3)
Exchange differences on translation of foreign operations		**3.8**	(17.6)	(33.6)
Cash flow hedges – fair value (loss)/gain in period		**(0.8)**	1.0	1.8
Taxation on items taken directly to equity		**–**	(0.7)	0.4
Other comprehensive income/(expense) for the period net of tax		**2.7**	(16.0)	(34.7)
Total comprehensive income for the period		**31.1**	15.5	45.2
Attributable to:				
Equity holders of the Company		**28.7**	17.5	45.6
Non-controlling interests		**2.4**	(2.0)	(0.4)

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated balance sheet

	Notes	Unaudited 30 November 2011 £m	Unaudited 30 November 2010 £m	Audited 31 May 2011 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	6	**233.7**	231.4	233.9
Property, plant and equipment	6	**223.6**	236.2	225.7
Other investments		**0.6**	0.6	0.6
Net investment in joint ventures		**26.7**	21.0	20.8
Receivables		**0.9**	0.7	0.8
Retirement benefit surplus	12	**43.5**	39.8	39.3
		529.0	529.7	521.1
Current assets				
Inventories		**211.2**	176.1	151.7
Trade and other receivables		**169.6**	140.3	155.8
Other investments		**6.6**	0.3	10.6
Cash and short-term deposits	11	**55.6**	73.9	88.7
Current taxation receivable		**4.9**	2.6	10.6
		447.9	393.2	417.4
Total assets		**976.9**	922.9	938.5
Equity				
Ordinary share capital		**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Currency translation reserve		**32.8**	40.9	30.1
Hedging reserve		**(0.5)**	(0.6)	0.3
Retained earnings		**442.7**	409.7	438.6
Equity attributable to equity holders of the Company		**480.0**	455.0	474.0
Non-controlling interests		**58.7**	61.1	61.1
Total equity		**538.7**	516.1	535.1
Liabilities				
Non-current liabilities				
Borrowings	11	**3.7**	22.5	15.0
Other liabilities		**1.1**	0.5	2.2
Deferred tax liabilities		**58.7**	59.9	58.7
Retirement benefit obligations	12	**39.4**	50.6	41.9
		102.9	133.5	117.8
Current liabilities				
Borrowings	11	**56.1**	39.2	32.5
Trade and other payables		**250.7**	205.1	219.3
Current income tax liabilities		**27.2**	26.6	30.1
Provisions for other liabilities and charges		**1.3**	2.4	3.7
		335.3	273.3	285.6
Total liabilities		**438.2**	406.8	403.4
Total equity and liabilities		**976.9**	922.9	938.5

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the Company						
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Non-controlling interests £m	Total £m
At 1 June 2010	4.3	53.8	0.7	397.3	(1.3)	67.3	522.1
Total comprehensive income/(expense) for the period	–	(12.9)	–	29.7	0.7	(2.0)	15.5
Transactions with owners:							
Ordinary dividends	–	–	–	(17.0)	–	–	(17.0)
Acquisition of shares for ESOT	–	–	–	(0.9)	–	–	(0.9)
Share-based payments charge	–	–	–	1.1	–	–	1.1
Acquisition of non-controlling interests	–	–	–	(0.5)	–	(0.3)	(0.8)
Non-controlling interests dividend paid	–	–	–	–	–	(3.9)	(3.9)
At 30 November 2010	4.3	40.9	0.7	409.7	(0.6)	61.1	516.1
At 1 June 2010	4.3	53.8	0.7	397.3	(1.3)	67.3	522.1
Total comprehensive income/(expense) for the period	–	(23.7)	–	67.7	1.6	(0.4)	45.2
Transactions with owners:							
Ordinary dividends	–	–	–	(26.0)	–	–	(26.0)
Acquisition of shares for ESOT	–	–	–	(2.3)	–	–	(2.3)
Share-based payments charge	–	–	–	2.3	–	–	2.3
Acquisition of non-controlling interests	–	–	–	(1.6)	–	(1.3)	(2.9)
Deferred tax on share-based payments	–	–	–	1.2	–	–	1.2
Non-controlling interests dividend paid	–	–	–	–	–	(4.5)	(4.5)
At 31 May 2011	4.3	30.1	0.7	438.6	0.3	61.1	535.1
At 1 June 2011	4.3	30.1	0.7	438.6	0.3	61.1	535.1
Total comprehensive income/(expense) for the period	–	2.7	–	26.8	(0.8)	2.4	31.1
Transactions with owners:							
Ordinary dividends	–	–	–	(19.2)	–	–	(19.2)
Acquisition of shares for ESOT	–	–	–	(2.2)	–	–	(2.2)
Share-based payments charge	–	–	–	0.3	–	–	0.3
Acquisition of non-controlling interests	–	–	–	(1.6)	–	(1.2)	(2.8)
Non-controlling interests dividend paid	–	–	–	–	–	(3.6)	(3.6)
At 30 November 2011	**4.3**	**32.8**	**0.7**	**442.7**	**(0.5)**	**58.7**	**538.7**

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated cash flow statement

	Notes	**Unaudited Half-year to 30 November 2011 £m**	Unaudited Half-year to 30 November 2010 £m	Audited Year to 31 May 2011 £m
Operating activities				
Cash (used in)/generated from operations	10	**(1.0)**	33.5	113.0
Taxation		**(9.0)**	(8.1)	(23.0)
Net cash (outflow)/inflow from operating activities		**(10.0)**	25.4	90.0
Cash flows from investing activities				
Investment income received	5	**1.2**	1.3	3.4
Purchase of property, plant and equipment	6	**(7.7)**	(12.8)	(22.1)
Proceeds on sale of property, plant and equipment		**0.2**	0.3	0.3
Purchase of intangible assets		**–**	–	(0.4)
Acquisition of non-controlling interests	13	**(2.8)**	(0.8)	(2.9)
Acquisition of subsidiary		**–**	(62.5)	(62.5)
Repayment/(advance) of short-term deposits to joint ventures		**4.1**	–	(10.3)
Loans (granted to)/repaid from joint ventures		**(5.1)**	–	1.0
Net cash outflow from investing activities		**(10.1)**	(74.5)	(93.5)
Cash flows from financing activities				
Interest paid	5	**(1.1)**	(1.1)	(2.6)
Dividends paid to non-controlling interests		**(3.6)**	(2.0)	(3.8)
Purchase of shares for ESOT		**(2.2)**	(0.9)	(2.3)
Dividends paid to Company shareholders	8	**(19.2)**	(17.0)	(26.0)
Net increase in borrowings	11	**4.6**	15.5	1.4
Net cash outflow from financing activities		**(21.5)**	(5.5)	(33.3)
Net decrease in cash and cash equivalents	11	**(41.6)**	(54.6)	(36.8)
Cash and cash equivalents at the beginning of the period	11	**87.6**	131.2	131.2
Effect of foreign exchange rates	11	**0.8**	(3.9)	(6.8)
Cash and cash equivalents at the end of the period	11	**46.8**	72.7	87.6

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Notes

1. Basis of preparation

The Company is a public limited company incorporated and domiciled in England. It has a primary listing on the London Stock Exchange.

These condensed consolidated interim financial statements for the six months ended 30 November 2011, which have been reviewed but not audited, have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union (EU). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 May 2011 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The interim financial statements for the period ended 30 November 2011 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information set out in this statement relating to the year ended 31 May 2011 does not constitute statutory accounts for that period. Full audited accounts of the Group in respect of that financial period were approved by the Board of Directors on 26 July 2011 and have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

1.1 Going-concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group and liquidity position are also described within the Financial Position section of that review.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the Interim Statement.

2. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 May 2011, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 June 2011:

- Revised IAS 24, 'Related party disclosures', issued in November 2009 and superseding IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

(b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. The amendments should be applied retrospectively to the earliest comparative period presented.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 June 2011 and have not been early adopted:

- IFRS 9 'Financial instruments' (effective 1 January 2015).
- IFRS 10 'Consolidated financial statements' (effective 1 January 2013).
- IFRS 11 'Joint arrangements' (effective 1 January 2013).
- IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2013).
- IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013).
- IFRS 13 'Fair value measurement' (effective 1 January 2013).

3. Segmental analysis

The chief operating decision-maker has been identified as the Executive Board which comprises the four Executive Directors.

The Executive Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate.

The Executive Board considers the business from a geographic perspective, with Africa, Asia and Europe being the reporting segments. The Executive Board assesses the performance based on operating profit before any exceptional items. Other information provided, except as noted below, to the Executive Board is measured in a manner consistent with that of the financial statements.

3. Segmental analysis continued

Business segments

30 November 2011	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	**166.7**	**84.2**	**286.2**	**(123.1)**	**414.0**
Inter segment revenue	**(4.0)**	**(7.4)**	**(111.7)**	**123.1**	**–**
Revenue	**162.7**	**76.8**	**174.5**	**–**	**414.0**
Segmental operating profit before exceptional items and share of results of joint ventures	**13.7**	**2.1**	**24.3**	**–**	**40.1**
Share of results of joint ventures	**–**	**–**	**–**	**–**	**–**
Exceptional items	**–**	**–**	**(0.9)**	**–**	**(0.9)**
Segmental operating profit	**13.7**	**2.1**	**23.4**	**–**	**39.2**
Finance income					**1.2**
Finance cost					**(1.1)**
Profit before taxation					**39.3**

30 November 2010	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	144.0	92.4	233.8	(95.4)	374.8
Inter segment revenue	(1.7)	(6.3)	(87.4)	95.4	–
Revenue	142.3	86.1	146.4	–	374.8
Segmental operating profit before exceptional items and share of results of joint ventures	13.8	8.6	23.7	–	46.1
Share of results of joint ventures	(0.1)	–	–	–	(0.1)
Exceptional items	–	–	(1.7)	–	(1.7)
Segmental operating profit	13.7	8.6	22.0	–	44.3
Finance income					1.3
Finance cost					(1.1)
Profit before taxation					44.5

4. Exceptional items

Half-year to 30 November 2011

The Group has incurred exceptional costs of £0.9 million as follows:

- Final costs relating to the ETV exercise for deferred members of the main UK pension scheme (£0.5 million).
- Beauty division restructuring costs (£0.4 million).

Further exceptional costs relating to the acquisition of the Fudge brand (see note 17) and some related restructuring costs relating to the Beauty division will be charged in the second half.

Half-year to 30 November 2010

The Group incurred £1.7 million in acquisition and related costs for the purchase of St Tropez Holdings Limited.

Year to 31 May 2011

The Group incurred exceptional costs of £0.8 million as follows:

- The cost of de-risking the UK defined benefit pension scheme (charge of £2.4 million).
- Change in the statutory basis for determining minimum pension increases from RPI to CPI (credit of £7.5 million).
- Costs relating to the acquisition of St Tropez (charge of £1.7 million).
- Integration costs relating to the formation of the Beauty division (charge of £4.2 million).

5. Net finance income

	Unaudited Half-year to 30 November 2011 £m	Unaudited Half-year to 30 November 2010 £m	Audited Year to 31 May 2011 £m
Net investment gains	**0.1**	0.1	0.2
Interest received from joint ventures	**–**	–	0.1
Interest and dividends receivable	**1.1**	1.2	3.1
	1.2	1.3	3.4
Interest payable on bank loans and overdrafts	**(1.1)**	(1.1)	(2.6)
	0.1	0.2	0.8

6. Property, plant and equipment and intangible assets

	Intangible assets £m	Property, plant and equipment £m
Opening net book amount as at 1 June 2010	163.0	242.0
Additions	–	12.8
Acquisitions	68.0	0.1
Disposals	–	(0.2)
Depreciation and amortisation	–	(10.3)
Currency retranslation	0.4	(8.2)
Closing net book amount as at 30 November 2010	231.4	236.2
Opening net book amount as at 1 June 2011	233.9	225.7
Additions	–	7.7
Disposals	–	(0.2)
Depreciation and amortisation	–	(11.4)
Currency retranslation	(0.2)	1.8
Closing net book amount as at 30 November 2011	**233.7**	**223.6**

At 30 November 2011, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £2.4 million (30 November 2010: £4.2 million). At 30 November 2011, the Group's share in the capital commitments of the joint ventures was £2.8 million (30 November 2010: nil).

7. Taxation charge

	Unaudited Half-year to 30 November 2011 £m	Unaudited Half-year to 30 November 2010 £m	Audited Year to 31 May 2011 £m
United Kingdom	**6.7**	6.8	10.5
Overseas	**4.2**	6.2	17.7
	10.9	13.0	28.2

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate to be used for the year ending 31 May 2012 is 27.1% (the estimated tax rate for the half-year ending 30 November 2010 was 28.5%).

8. Dividends

An interim dividend of 2.23p per share for the half-year to 30 November 2011 (30 November 2010: 2.123p) has been declared totalling £9.6 million (30 November 2010: £9.1 million) and is payable on 2 April 2012 to ordinary shareholders on the register on 24 February 2012. This interim dividend has not been recognised in this half yearly report. The proposed final dividend for the year ended 31 May 2011 of 4.487p per share, totalling £19.2 million, was approved by shareholders at the Annual General Meeting of the Company and paid on 5 October 2011.

9. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders by the following weighted average number of shares in issue:

	Unaudited Half-year to 30 November 2011	Unaudited Half-year to 30 November 2010	Audited Year to 31 May 2011
Basic weighted average (000)	**427,954**	427,071	427,215
Diluted weighted average (000)	**432,197**	433,021	432,048

9. Earnings per share continued

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Deferred Annual Share Bonus Scheme, Executive Share Option Schemes and Performance Share Plan. The basic and diluted earnings per share for the period are as follows:

	Unaudited Half-year to 30 November 2011	Unaudited Half-year to 30 November 2010	Audited Year to 31 May 2011
Basic earnings per share:			
– Adjusted basic earnings per share	**6.54p**	7.06p	16.20p
– Exceptional items	**(0.21)p**	(0.36)p	0.28p
– Basic earnings per share	**6.33p**	6.70p	16.48p
Diluted earnings per share:			
– Adjusted diluted earnings per share	**6.48p**	6.97p	16.02p
– Exceptional items	**(0.21)p**	(0.36)p	0.27p
– Diluted earnings per share	**6.27p**	6.61p	16.29p

10. Reconciliation of profit before taxation to cash (used in)/generated from operations

	Notes	**Unaudited Half-year to 30 November 2011 £m**	Unaudited Half-year to 30 November 2010 £m	Audited Year to 31 May 2011 £m
Profit before taxation		**39.3**	44.5	108.1
Adjustment for finance income		**(0.1)**	(0.2)	(0.8)
Operating profit		**39.2**	44.3	107.3
Depreciation	6	**11.4**	10.3	21.6
(Profit)/loss on sale of tangible fixed assets		**–**	(0.1)	0.1
Difference between pension charge and cash contributions		**(7.1)**	(3.6)	(12.7)
Share of result from joint ventures		**–**	0.1	(0.4)
Share-based payment charge		**0.3**	1.1	2.3
Operating cash flows before movements in working capital		**43.8**	52.1	118.2
Movements in working capital:				
Inventories		**(57.9)**	(38.4)	(21.5)
Receivables		**(13.7)**	(15.9)	(36.8)
Payables		**26.7**	37.1	52.0
Provisions		**0.1**	(1.4)	1.1
Cash (used in)/generated from operations		**(1.0)**	33.5	113.0

11. Net funds reconciliation

Group net funds comprises the following:

	Audited 1 June 2011 £m	Unaudited Cash flow £m	Unaudited Foreign exchange movement £m	Unaudited Non-cash items £m	**Unaudited 30 November 2011 £m**
Cash at bank and in hand	24.0	4.3	0.7	–	**29.0**
Overdrafts	(1.1)	(7.7)	–	–	**(8.8)**
Short-term deposits	64.7	(38.2)	0.1	–	**26.6**
Cash and cash equivalents	**87.6**	**(41.6)**	**0.8**	**–**	**46.8**
Current asset investments	10.6	(4.0)	–	–	**6.6**
Bank loans less than one year	(31.4)	(4.6)	–	(11.3)	**(47.3)**
Bank loans greater than one year	(15.0)	–	–	11.3	**(3.7)**
Net funds	**51.8**	**(50.2)**	**0.8**	**–**	**2.4**

12. Retirement benefits

The Group operates retirement benefit schemes for most of its UK and overseas subsidiaries. These obligations have been measured in accordance with IAS 19 and are as follows:

	Unaudited 30 November 2011	Unaudited 30 November 2010	Audited 31 May 2011
UK schemes in surplus	**43.5**	39.8	39.3
UK schemes in deficit	**(33.9)**	(42.3)	(36.5)
Overseas schemes	**(5.5)**	(8.3)	(5.4)
	4.1	(10.8)	(2.6)

The Group has three main defined benefit schemes which are based and administered in the UK and are now closed to future accrual.

The amounts recognised in the balance sheet in relation to these UK schemes are determined as follows:

	Unaudited 30 November 2011	Unaudited 30 November 2010	Audited 31 May 2011
Present value of scheme liabilities	**(255.9)**	(255.5)	(259.1)
Fair value of scheme assets	**265.5**	253.0	261.9
Retirement benefit surplus/(deficit)	**9.6**	(2.5)	2.8

The key financial assumptions applied in the actuarial review of the pension schemes have been reviewed in the preparation of these interim accounts and amended where appropriate. The principal assumptions made were:

	Unaudited Half-year to 30 November 2011 % per annum	Unaudited Half-year to 30 November 2010 % per annum	Audited Year to 31 May 2011 % per annum
Rate of increase in salaries	**4.00**	4.35	4.35
Rate of increase in retirement benefits in payment	**3.00**	3.35	3.35
Discount rate	**4.80**	5.40	5.25
Inflation assumption	**3.00**	3.35	3.35

The last triennial actuarial valuations of the schemes administered in the UK were performed by independent professional actuaries at 1 June 2009.

The movement during the period is as follows:

	Unaudited £m
Retirement benefit surplus as at 1 June 2011	2.8
Expected return on scheme assets	7.0
Interest cost	(6.5)
Plan settlements	(0.2)
Employer contributions	6.8
Actuarial loss	(0.3)
Retirement benefit surplus as at 30 November 2011	**9.6**

The total income statement gain of £0.5 million (30 November 2010: £0.4 million) relating to the expected return on pension scheme assets less the interest cost on liabilities has been recognised within administrative expenses.

Plan settlement charges of £0.2 million relate to the final costs of the ETV exercise for deferred members of the main UK pension scheme and have been classified as exceptional, along with related professional fees of £0.3 million.

13. Business combinations

Throughout the period from 1 June 2011 to 30 November 2011, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 66.8% to 67.4%. The consideration for these additional shares was £2.8 million and the amount debited to retained earnings was £1.6 million.

14. Related party transactions

Milk Ventures (UK) Ltd and Nutricima Ltd

The following related party transactions were entered into by subsidiary companies during the period under the terms of a joint venture agreement with Glanbia plc:

- At 30 November 2011 the outstanding long-term balance receivable from Milk Ventures (UK) Ltd was £23.7 million (31 May 2011: £23.7 million).
- The Group sourced and then sold fixed assets, power and raw materials to Nutricima Ltd to the value of £25.9 million (30 November 2010: £20.5 million). In addition the Group received distribution fee income of £2.6 million (30 November 2010: £1.9 million). At 30 November 2011 the amount outstanding from Nutricima Ltd was £9.7 million (31 May 2011: £7.7 million).

PZ Wilmar Ltd

The following related party transactions were entered into by subsidiary companies during the period under the terms of a joint venture agreement with Wilmar International Ltd:

- At 30 November 2011 the outstanding long-term loan balance receivable from PZ Wilmar Ltd was £6.4 million (31 May 2011: £1.2 million).

There were no provisions for doubtful related party receivables at 30 November 2011 (31 May 2011: nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2010: nil).

15. Seasonality

Certain individual business units have a degree of seasonality with the biggest factors being the weather and Christmas. However, no individual reporting segment is seasonal as a whole and therefore no further analysis is provided.

16. Principal risks and uncertainties

The principal risks affecting the Group and measures taken to reduce these risks are explained in detail on pages 24 and 25 of our 2011 Annual Report which is available on our website at www.pzcussons.com. The risks were categorised as market risk, financial risk and operational risk and are summarised as follows:

Market risks identified are: political and economic stability due to substantial operations in emerging markets; demand risk arising from changes in consumer preferences and the competitive environment in which the Group operates; and raw material risk relating to price and supply fluctuations in raw materials used in production.

The major financial risk identified is foreign currency and treasury risk due to the international nature of the Group.

Operational risks identified are: the ability to retain and recruit the right calibre of people at all levels; and reputational risk as a result of failure to meet safety, social, environmental and ethical standards in all operations and activities.

The Group Risk Committee is responsible for ensuring, where possible, actions are taken to manage and mitigate the risks identified.

17. Post balance sheet event

On 5 January 2012 the Group exchanged contracts to acquire the Fudge hair care brand from the Australia based Sabre Group.

The brand and associated inventory are being acquired for a consideration of £25.5 million in cash following completion taking place today.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- 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 financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of PZ Cussons Plc are listed on page 17. A list of current Directors is maintained on the PZ Cussons Plc website: www.pzcussons.com. Two Non-executive Directors were appointed during the period. Ngozi Edozien and Helen Owers each joined the board on 1 January 2012.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

Mr S P Plant
Company Secretary
24 January 2012

Independent review report to PZ Cussons Plc

Introduction
We have been engaged by the company to review the consolidated set of financial statements in the half-yearly financial report for the six months ended 30 November 2011, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement and related notes. 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.

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 1, 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. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 November 2011 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.

PricewaterhouseCoopers LLP
Chartered Accountants
24 January 2012
Manchester

Directors

Chairman
R J Harvey*

Chief Executive
G A Kanellis

J A Arnold*
C G Davis
N Edozien* (appointed 1 January 2012)
S J N Heale*
B H Leigh
D W Lewis*
H Owers* (appointed 1 January 2012)
J Pantelireis
J T J Steel*

* Non-executive

Secretary
S P Plant

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