



Delivering on our strategy

Selected markets

Leading brands

World class supply chain

Great team of people

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Highlights

Revenue

£369.9m

Operating profit

£44.9m

Profit before tax

£44.7m

Adjusted basic earnings per share

6.74p

Net funds

£25.5m

Dividend per share

1.930p

Financial Highlights

	Half-year to 30 November 2009	Half-year to 30 November 2008 (restated ³)	
Results (before exceptional items ¹)			
Revenue	£369.9m	£367.2m	▲ 0.7%
Operating profit	£44.9m	£39.0m	▲15.1%
Profit before taxation	£44.7m	£36.9m	▲21.1%
Adjusted basic earnings per share	6.74p	5.25p	▲28.4%
Statutory results			
Operating profit	£44.9m	£36.9m	▲21.7%
Profit before taxation	£44.7m	£34.8m	▲28.4%
Basic earnings per share	6.74p	4.90p	▲37.6%
Interim dividend per share	1.930p	1.185p	▲62.9%
Net funds/(debt) ²	£25.5m	(£40.8m)	

Operational Highlights

Group

- > Strong trading performance delivered 15% increase in operating profits.
- > Operating margins improved despite revenue being flat after currency impact.
- > Diverse geographical spread of operations continues to provide platform for growth through difficult economic climate.
- > Strong cash generation during the period funding the major capital investment programme.
- > Healthy balance sheet with a net funds position maintained at the period end.
- > Interim dividend increased to 1.930p per share from 1.185p per share reflecting an underlying increase of 10% and a rebalancing of the interim/final payout ratio in line with normal practice.

Africa

- > Operating profit in Africa increased despite currency impact and a short-term liquidity squeeze in Nigeria which affected revenue and profitability in the second quarter.
- > Nutrition joint venture returned to profitability and new UHT factory commissioned.
- > £39 million investment programme in supply chain facilities in Nigeria on track for completion later in the calendar year.

Asia

- > Increase in Asia operating profit following strong performance in Australia, Indonesia and The Middle East.

Europe

- > Significant increase in Europe operating profits driven in particular by strong performance in the UK and Poland.
- > UK brand portfolio benefiting from continued new product development from the integrated site at Agecroft, Manchester.
- > The Sanctuary delivered year on year growth which continued post period end, with strong performance in Christmas gifts.

1 Exceptional items are detailed in note 4.

2 Net funds/(debt), above and hereafter, are defined as cash, short-term deposits and current asset investments less borrowings.

3 Refer to note 5.

Business Review

The Group has delivered a strong performance in the first half despite the economic environment remaining fragile. Investment in both our brand portfolio and our supply chain facilities has enabled us to deliver continued profitable growth in the short term as well as laying the foundations for longer term growth in all three regions in which we operate.

We continue our focus on people and our talent management programme is ensuring that we have both the number and calibre of people needed to deliver our ambitious growth plans.

Importantly, our balance sheet remains strong with continued cash generation. We are in the final year of our major capital investment programme at the end of which our supply chain facilities in our key markets of UK and Nigeria will have been upgraded to world class standards.

Overall performance since the period end has been in line with management expectations. We remain cautiously optimistic for the full year outturn and well placed to pursue further investment opportunities.

Overview

PZ Cussons Plc is pleased to report that profit before tax and exceptional items rose 21.1% to £44.7 million (30 November 2008: £36.9 million) on revenue up 0.7% to £369.9 million (30 November 2008: £367.2 million). After exceptional items, reported profit before tax increased by 28.4% to £44.7 million (30 November 2008: £34.8 million). There were no exceptional items in the six month period to 30 November 2009 (30 November 2008: charge of £2.1 million). Basic earnings per share were 6.74p (30 November 2008: 4.90p). Adjusted for exceptional items, basic earnings per share rose 28.4% to 6.74p (30 November 2008: 5.25p).

As at 30 November 2009 the Group had net funds of £25.5 million (30 November 2008: net debt of £40.8 million).

The Board is recommending a dividend increase of 62.9% for the period with an interim dividend of 1.930p per share (30 November 2008: 1.185p) to be paid on 1 April 2010 to shareholders on the register at the close of business on 26 February 2010. This represents both an underlying increase of 10% versus the prior period and a rebalancing of the interim/final payout ratio in line with normal practice.

Financial performance – overview

The Group has delivered a strong performance in the first half despite continued global economic uncertainty. Performance in Europe and Asia has been particularly strong driven by consistent execution of brand strategy in market supported by a strong pipeline of brand renovation and innovation.

In Africa, a tightening of banking controls in Nigeria led to a temporary lack of liquidity in the market in the second quarter which affected sales, particularly of goods in the higher value electrical goods category. In addition, a weakening of the Naira has resulted in an adverse currency impact. Despite this liquidity and currency impact, and with the Nutricima joint venture returning to profitability, operating profits in Africa increased versus the same period last year.

Overall exchange rate impact for the Group in the period resulted in a reduction in revenue and profitability of circa £12 million and £1.1 million respectively. Revenue, period on

period, was flat, due to both the adverse currency impact and the impact in Nigeria of the liquidity squeeze.

During the period, in addition to delivery of operating profits in absolute terms, internal focus has also been put on improving percentage margins.

Financial position – overview

The Group's balance sheet remains healthy and, following a return to a net funds position of £23.2 million at the end of the last financial year, a net funds position has been maintained at this period end of £25.5 million. Cash generated from operations was strong in the period at £51.5 million (2008: £37.3 million) with a continued focus on minimising working capital levels. Cash generation continues to fund the capital investment programme which has entered the last year of major organic spend with the majority of final outlay on the main Nigeria project to be paid this financial year.

Major projects

In Nigeria, Project Unity, which is the £39 million investment in the manufacturing and broader supply chain facilities is on track for completion later in the calendar year. So far the following stages of the project have been completed: relocation and upgrade of personal care manufacturing operations from the Ilupeju site to the Ikorodu site, installation of new soap finishing and packing equipment at the factory in Aba and, during the period, the commissioning of the new national distribution centre at Ikorodu. The final part of the investment is the major upgrade of the detergent production equipment also at the Ikorodu site.

Regional reviews

Performance by region

	Revenue (£m)		Operating profit before exceptional items (£m)	
	2009	2008	2009	2008
Africa	141.2	158.3	13.8	13.3
Asia	80.0	63.1	6.1	4.9
Europe	148.7	145.8	25.0	20.8
Total	369.9	367.2	44.9	39.0

Africa

In Nigeria, the political environment remains stable albeit fragile following the recent long absence of the President who has been undergoing medical treatment overseas. The elections in Nigeria are currently scheduled for spring 2011 and the Group currently expects business growth to continue relatively unaffected throughout the process as it has done through previous periods of political uncertainty. Economically, the Nigerian economy experienced a liquidity squeeze in the second quarter following a strengthening of controls in the banking sector. These reforms are viewed as positive for the long-term economic health of the financial system and liquidity is now beginning to return to the market post period end. The weakening of the Naira versus the US Dollar has stabilised with oil prices having risen again, and positive GDP growth has continued.

Performance in Nigeria was strong in the first quarter followed by a weaker second quarter. Overall, and with the Nutrition joint venture returning to profitability, this has resulted in operating profits in Nigeria being higher than the comparative period despite the negative currency impact as a result of a 16% weakening of the Naira. The Group's holding in its listed Nigerian subsidiary has been increased further from 64% to 65.3% during the period at a cost of £3.4 million.

In Personal Care and Home Care, growth continues to be driven by renovation of the core brands in haircare, skincare, baby care, medicaments and fabric care. In Personal Care, brands performing particularly well are Premier and Joy soaps with sales significantly ahead of the prior period, and in Home Care, Zip white detergent powder and Rex bulk detergent have performed well.

In Electricals, the HPZ joint venture with Haier experienced growth in the first quarter but slowed in the second quarter as a result of the liquidity squeeze. Harefield, the subsidiary incorporated last year to sell products in adjacent categories, has seen continued growth throughout both quarters with sales of fuel powered generators performing particularly well. Overall growth in Harefield has therefore helped to offset lower sales in HPZ.

The Nutrition joint venture returned to profitability in the period following the losses incurred last year as a result of high milk prices. The business has continued to gain momentum with the Nunu brand performing particularly well. The new UHT factory was commissioned at the beginning of the period and initial sales of these products are encouraging.

Ghana and Kenya have continued to perform well with profitability ahead of the same period last year.

Asia

In **Australia**, revenue and profitability were ahead of the same period last year as a result of good execution of brand strategy in market. In laundry detergents, the Radiant and Duo brands are performing particularly well, and Morning Fresh has further extended its number one position in the dishwashing category.

Revenue and profitability in **Indonesia** are also ahead of the same period last year due to growth of both the core Cussons Baby range and also the premium Cussons First Years range which was launched last year. As a result, the number one position of the Cussons Baby brand has been extended further. During the period, Carex was launched into the Indonesian market to capitalise on the current heightened awareness of hand hygiene.

Growth in the region was also contributed by the **Middle East** with revenue and profitability ahead of the prior period.

Europe

In the **UK**, performance has been strong despite a challenging trade environment with high levels of competitive promotional activity. The integrated site at Agecroft is ensuring continued speed to market of a high number of new products with our market share of the washing and bathing category increasing further. Imperial Leather continues to be the largest brand in the UK portfolio with emphasis in the period on ensuring delivery of great products at the right price in store. Carex sales are significantly ahead of the prior period with consumer awareness of hand hygiene remaining high following the swine flu outbreak. Carex support activity has included nationwide poster campaigns as well as a 'Hands Up For Hygiene' campaign run in schools and online. The Charles Worthington haircare brand has maintained its number two position in the competitive professional haircare category and has launched in the period an innovative new range of high performance styling products called 'Front Row'. The Original Source brand has experienced strong growth in the period with a growing loyal consumer base supported in particular by association with high performance sports events. Production of Original Source is currently being brought in-house at Agecroft with the

addition of a new fifth line dedicated to produce this specialised range.

The Sanctuary, purchased in January 2008, has continued to perform well, with sales of gifts in the important Christmas trading period post period end ahead of last year. The brand range was extended in the period with new body care, skincare and home products including a number of more premium products. The spa at Covent Garden has also performed well with visitor numbers close to the capacity of 64,000 per year. Two smaller high street spas, in Richmond and Cambridge, are being developed as part of a 'City Spa' concept to extend the reach of the spa and the brand to consumers.

Revenue and profitability in **Poland** are ahead of the same period last year with good growth of 'E' laundry powder and fabric conditioner and 'Luksja' bar soap, liquid soap and shower gels. UK innovation on personal wash has successfully been transferred to a number of the Polish products. Export sales in particular have been ahead of the prior period due to favourable exchange rates. Towards the end of the period Carex has also been launched into the Polish market in both handwash and hand gel formats.

In **Greece**, whilst the olive oil market has been competitive in the first half, excellent progress has been made in growing the cheese and butter businesses acquired last year in order to expand the Minerva brand into higher margin categories.

Taxation

The effective tax rate before exceptional items was 29.3% (30 November 2008: 29.0%).

Group

Richard Harvey joined the Board on 1 January 2010 as Non Executive Director and Chairman elect. Richard will take over as Non Executive Chairman on 1 July 2010 when Anthony Green, Executive Chairman, retires from the Board. Graham Calder, Deputy Chairman, will retire from the Board on 31 March 2010.

The Group's new Head Office at Manchester Business Park by Manchester Airport will open in April and will provide an innovative setting for the future.

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 17 and remain as stated on pages 24 and 25 of our 2009 Annual Report which is available on our website at www.pzcussons.com.

Outlook

The outlook for the full year remains positive with strong performance in Europe and Asia expected to offset any continued impact in Nigeria of adverse exchange rates and the tightening of liquidity in the market.

The completion of the Group's major capital investment programme will lay the foundations for further profitable growth in all our regions.

The balance sheet remains strong with a net funds position and a continued focus on minimising working capital levels.

Overall performance since the period end has been in line with expectations and we remain cautiously optimistic for the full year outturn.

Consolidated Balance Sheet

	Note	Unaudited 30 November 2009 £m	Unaudited (restated) 30 November 2008 £m	Audited (restated) 31 May 2009 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	7	160.4	151.4	157.6
Property, plant and equipment	7	211.8	215.2	200.8
Other investments		0.6	0.8	0.6
Net investment in joint venture		19.2	28.0	19.0
Receivables		1.9	0.8	1.6
Retirement benefit surplus	13	27.2	15.8	20.6
		421.1	412.0	400.2
Current assets				
Inventories		171.9	219.8	154.6
Trade and other receivables		129.5	141.0	113.7
Other investments		0.3	0.3	0.3
Cash and short-term deposits		83.8	41.4	84.2
Current taxation receivable		1.4	3.0	0.8
		386.9	405.5	353.6
Total assets		808.0	817.5	753.8
Equity				
Ordinary share capital		4.3	4.3	4.3
Capital redemption reserve		0.7	0.7	0.7
Currency translation reserve		28.9	45.6	20.4
Hedging reserve		(0.2)	(1.1)	0.3
Retained earnings		360.3	335.1	364.2
Equity attributable to equity holders of the Company		394.0	384.6	389.9
Equity minority interest		55.8	73.8	59.9
Total equity		449.8	458.4	449.8
Liabilities				
Non-current liabilities				
Borrowings		37.4	52.4	44.9
Other liabilities		1.1	2.1	1.0
Deferred tax liabilities		41.5	42.6	47.2
Retirement benefit obligations	13	55.2	42.0	29.6
		135.2	139.1	122.7
Current liabilities				
Borrowings		21.2	30.1	16.4
Trade and other payables		171.0	173.2	140.8
Current income tax liabilities		27.2	15.5	20.3
Provisions for other liabilities and charges		3.6	1.2	3.8
		223.0	220.0	181.3
Total liabilities		358.2	359.1	304.0
Total equity and liabilities		808.0	817.5	753.8

The notes on pages 8 to 14 form an integral part of this condensed half-yearly information.

Consolidated Income Statement

	Note	Unaudited Half-year to 30 November 2009 Total £m	Unaudited (restated) Half-year to 30 November 2008			Audited (restated) Year to 31 May 2009		
			Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations								
Revenue	3	369.9	367.2	–	367.2	781.8	–	781.8
Cost of sales		(216.8)	(227.9)	–	(227.9)	(486.7)	(3.3)	(490.0)
Gross profit		153.1	139.3	–	139.3	295.1	(3.3)	291.8
Selling and distribution costs		(64.5)	(62.8)	–	(62.8)	(123.3)	–	(123.3)
Administrative expenses		(44.5)	(36.2)	(2.1)	(38.3)	(77.1)	(1.1)	(78.2)
Share of results of joint venture		0.8	(1.3)	–	(1.3)	(4.1)	–	(4.1)
Operating profit	3	44.9	39.0	(2.1)	36.9	90.6	(4.4)	86.2
Finance income		0.9	1.3	–	1.3	3.7	–	3.7
Finance costs		(1.1)	(3.4)	–	(3.4)	(5.5)	–	(5.5)
Net finance costs	6	(0.2)	(2.1)	–	(2.1)	(1.8)	–	(1.8)
Profit before taxation		44.7	36.9	(2.1)	34.8	88.8	(4.4)	84.4
Taxation	8	(13.1)	(10.7)	0.6	(10.1)	(25.2)	1.2	(24.0)
Profit for the period		31.6	26.2	(1.5)	24.7	63.6	(3.2)	60.4
Attributable to:								
Equity holders of the Company		28.8	22.4	(1.5)	20.9	52.8	(3.2)	49.6
Minority interests		2.8	3.8	–	3.8	10.8	–	10.8
		31.6	26.2	(1.5)	24.7	63.6	(3.2)	60.4
Basic EPS (p)	10	6.74			4.90			11.64
Diluted EPS (p)	10	6.67			4.88			11.56
Adjusted basic EPS (p)	10	6.74			5.25			12.39
Adjusted diluted EPS (p)	10	6.67			5.23			12.31

Consolidated Statement of Comprehensive Income

	Unaudited Half-year to 30 November 2009 £m	Unaudited Half-year to 30 November 2008 £m	Audited Year to 31 May 2009 £m
Profit for the period	31.6	24.7	60.4
Other comprehensive income			
Actuarial (losses)/gains on defined benefit pension schemes	(19.1)	4.0	19.1
Exchange differences on translation of foreign operations	6.5	46.5	(3.8)
Cash flow hedges – fair value (loss)/gain in period	(0.7)	(1.5)	0.6
Taxation on items taken directly to equity	5.5	(1.2)	(5.6)
Other comprehensive (expense)/income for the period net of tax	(7.8)	47.8	10.3
Total comprehensive income for the period	23.8	72.5	70.7
Attributable to:			
Equity holders of the Company	23.0	50.8	61.1
Minority interests	0.8	21.7	9.6

The notes on pages 8 to 14 form an integral part of this condensed half-yearly information.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Total £m
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Minority interests £m	
At 1 June 2008	4.3	23.0	0.7	320.7	–	57.2	405.9
Profit for the period	–	–	–	20.9	–	3.8	24.7
Actuarial gains on defined benefit pension schemes	–	–	–	4.0	–	–	4.0
Currency translation differences	–	22.6	–	6.0	–	17.9	46.5
Cash flow hedges – fair value losses in period	–	–	–	–	(1.5)	–	(1.5)
Taxation on items taken directly to equity	–	–	–	(1.6)	0.4	–	(1.2)
Total comprehensive income/(expense) for the period	–	22.6	–	29.3	(1.1)	21.7	72.5
Transactions with owners:							
Ordinary dividends	–	–	–	(15.5)	–	–	(15.5)
Share based payments charge	–	–	–	0.6	–	–	0.6
Minority interest dividend paid	–	–	–	–	–	(5.1)	(5.1)
At 30 November 2008	4.3	45.6	0.7	335.1	(1.1)	73.8	458.4
At 1 June 2008	4.3	23.0	0.7	320.7	–	57.2	405.9
Profit for the period	–	–	–	49.6	–	10.8	60.4
Actuarial gains on defined benefit pension schemes	–	–	–	19.1	–	–	19.1
Currency translation differences	–	(2.6)	–	–	–	(1.2)	(3.8)
Cash flow hedges – fair value gains in year	–	–	–	–	0.6	–	0.6
Taxation on items taken directly to equity	–	–	–	(5.3)	(0.3)	–	(5.6)
Total comprehensive income/(expense) for the period	–	(2.6)	–	63.4	0.3	9.6	70.7
Transactions with owners:							
Ordinary dividends	–	–	–	(20.5)	–	–	(20.5)
Acquisition of shares for ESOT	–	–	–	(0.7)	–	–	(0.7)
Share based payments charge	–	–	–	1.3	–	–	1.3
Acquisition of minority interest	–	–	–	–	–	(3.7)	(3.7)
Minority interest dividend paid	–	–	–	–	–	(3.2)	(3.2)
At 31 May 2009	4.3	20.4	0.7	364.2	0.3	59.9	449.8
At 1 June 2009	4.3	20.4	0.7	364.2	0.3	59.9	449.8
Profit for the period	–	–	–	28.8	–	2.8	31.6
Actuarial losses on defined benefit pension schemes	–	–	–	(19.1)	–	–	(19.1)
Currency translation differences	–	8.5	–	–	–	(2.0)	6.5
Cash flow hedges – fair value losses in period	–	–	–	–	(0.7)	–	(0.7)
Taxation on items taken directly to equity	–	–	–	5.3	0.2	–	5.5
Total comprehensive income/(expense) for the period	–	8.5	–	15.0	(0.5)	0.8	23.8
Transactions with owners:							
Ordinary dividends	–	–	–	(17.5)	–	–	(17.5)
Acquisition of shares for ESOT	–	–	–	(2.5)	–	–	(2.5)
Share based payments charge	–	–	–	1.1	–	–	1.1
Acquisition of minority interest	–	–	–	–	–	(1.8)	(1.8)
Minority interest dividend paid	–	–	–	–	–	(3.1)	(3.1)
At 30 November 2009	4.3	28.9	0.7	360.3	(0.2)	55.8	449.8

The notes on pages 8 to 14 form an integral part of this condensed half-yearly information.

Consolidated Statement of Cash Flows

	Unaudited Half-year to 30 November 2009 £m	Unaudited Half-year to 30 November 2008 £m	Audited Year to 31 May 2009 £m
Operating activities			
Cash generated from operations (note 11)	51.5	37.3	145.2
Taxation	(6.2)	(5.9)	(16.7)
Net cash flow from operating activities	45.3	31.4	128.5
Cash flows from investing activities			
Investment income received (note 6)	0.9	1.3	3.7
Purchase of property, plant and equipment	(18.1)	(22.9)	(46.0)
Proceeds on sale of property, plant and equipment	0.3	0.8	4.1
Proceeds on sale of intangible assets	–	4.3	4.3
Acquisition of intangible assets	–	–	(3.6)
Acquisition of minority interest (note 14)	(3.4)	–	(5.2)
Loans granted to joint ventures	–	(0.5)	(0.5)
Acquisition of subsidiary (note 14)	(0.8)	–	–
Net cash flow from investing activities	(21.1)	(17.0)	(43.2)
Cash flows from financing activities			
Interest paid (note 6)	(1.1)	(3.4)	(5.5)
Dividends paid to minority interests	(3.0)	(2.0)	(2.3)
Purchase of shares for Employee Share Option Trust	(2.5)	–	(0.7)
Dividends paid to Company shareholders (note 9)	(17.5)	(15.5)	(20.5)
Net decrease in borrowings	(7.5)	(4.6)	(10.5)
Net cash flow from financing activities	(31.6)	(25.5)	(39.5)
Net (decrease)/increase in cash and cash equivalents	(7.4)	(11.1)	45.8
Cash and cash equivalents at the beginning of the period (note 12)	82.8	38.1	38.1
Effect of foreign exchange rates (note 12)	2.2	(2.0)	(1.1)
Cash and cash equivalents at the end of the period (note 12)	77.6	25.0	82.8

The notes on pages 8 to 14 form an integral part of this condensed half-yearly information.

Notes

1. Basis of preparation

These condensed interim financial statements for the six months ended 30 November 2009, 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 2009 which have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 2009 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 2009 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 28 July 2009 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.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 May 2009, as described in those annual financial statements, with the exception of the change in the accounting treatment for revenue arising on the sale of Nutricima Ltd joint venture products as explained in Note 5.

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

The following new standards, amendments to standards and interpretations have been adopted for the financial year ending 31 May 2010:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has assessed the requirements of IFRS 8 and have concluded that no change in segment information is required.
- IAS 1 (revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group has applied IAS 1 (amended) from 1 June 2009.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The interpretation clarifies the limitations on recognising defined benefit pension surpluses (and the related deferred tax liabilities) in the balance sheet and may also require recognition of an additional liability for any committed future contributions. The Group has applied IFRIC 14 from 1 June 2009.
- IAS 23 (amendment) 'Borrowing costs'; IAS 32 (amendment) 'Financial instruments: presentation and consequential amendments to IAS 1 'Presentation of financial statements'; IFRS 2 (amendment) 'Share-based payment transactions'; and IFRIC 13, 'Customer loyalty programmes' also came into effect and were adopted by the Group for the year ending 31 May 2010 but had no impact on the Group financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 May 2010 and have not been early adopted:

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is applicable to the Group from 1 June 2010. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and joint ventures on the Group.
- IFRS 9 'Financial instruments: classification and measurement' is effective for accounting periods beginning on or after 1 January 2013. Management are assessing the impact of the new requirements on the Group.
- IAS 39 (amendments) 'Eligible hedged items', IFRIC 16 'Hedges of net investment in a foreign operation' and IFRIC 17 'Distributions of non cash assets to owner' are effective for annual periods beginning on or after 1 July 2009. These standards and interpretation changes are either not currently applicable to the Group or will have no material effect.

3. Segmental analysis

The Group has three geographic sectors which are based on the location of customers and they comprise of Africa, Asia and Europe. The Group has three main business sectors, being: toiletries and household products; food and nutrition; and electrical goods.

Geographic segments (unaudited)

Half-year to 30 November 2009	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	141.2	95.3	228.2	(94.8)	369.9
Inter segment revenue	–	(15.3)	(79.5)	94.8	–
Revenue	141.2	80.0	148.7	–	369.9
Segmental operating profit before share of results of joint venture	13.0	6.1	25.0	–	44.1
Share of results of joint venture	0.8	–	–	–	0.8
Segmental operating profit	13.8	6.1	25.0	–	44.9
Half-year to 30 November 2008 (restated)	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	158.3	81.4	266.2	(138.7)	367.2
Inter segment revenue	–	(18.3)	(120.4)	138.7	–
Revenue	158.3	63.1	145.8	–	367.2
Segmental operating profit before exceptional items and share of results of joint venture	14.6	4.9	20.8	–	40.3
Share of results of joint venture	(1.3)	–	–	–	(1.3)
Segmental operating profit before exceptional items	13.3	4.9	20.8	–	39.0
Exceptional items (note 4)	–	–	(2.1)	–	(2.1)
Segmental operating profit	13.3	4.9	18.7	–	36.9
Total assets	Africa £m	Asia £m	Europe £m	Tax and cash £m	Total £m
30 November 2009	245.7	103.1	374.0	85.2	808.0
30 November 2008	297.6	99.2	376.3	44.4	817.5
31 May 2009	217.8	74.3	376.7	85.0	753.8

Business segments

The following table provides an analysis of the Group's revenue by business segment.

	Unaudited Half-year to 30 November 2009 £m	Unaudited (restated) Half-year to 30 November 2008 £m
Toiletries and household	286.6	281.0
Food and nutrition	36.1	34.6
Electrical goods	45.5	49.8
Distribution fees	1.7	1.8
Revenue	369.9	367.2

Notes continued

4. Exceptional items

Restructuring of UK operations

A significant restructuring of the UK business, associated with the relocation of manufacturing from the previous site, made up of redundancy and other associated restructuring costs resulted in an exceptional charge of £2.1 million in the six months to 30 November 2008 and an exceptional charge of £4.4 million in the year ended 31 May 2009.

5. Prior year adjustment

During the six month period to 30 November 2009 the accounting treatment for the revenue arising from the sale of the Nutricima joint venture products through another Group subsidiary has been changed. In prior periods, the sales (and corresponding cost of sales) relating to Nutricima Ltd (the operating entity within the Group's nutritional foods joint venture) products distributed through PZ Cussons Nigeria Plc (a subsidiary of the Group) have been recognised as revenue (and cost of sales) in the Group's income statement. Following a review of the distribution agreement conditions and the respective risks/rewards assumed by the two entities, PZ Cussons Nigeria Plc is deemed to be acting as an agent rather a principal (in accordance with IAS 18).

Consequently the Group should only recognise the distribution fee income (received from Nutricima Ltd) and the related distribution costs in the consolidated income statement rather than the gross sales and cost of sales values for the product being distributed. Furthermore, inventory relating to Nutricima products, held for sale by PZ Cussons Nigeria Plc, that had previously been consolidated in the Group's balance sheet is now accounted for as inventory within the joint venture. Importantly, there is no impact on the historic or future profitability or net assets of the Group.

The effect of this change in the half year to 30 November 2008 is to reduce revenue and cost of sales by £28.4 million, increase revenue and selling and distribution costs by £1.8 million, reduce inventories by £7.2 million, reduce amounts owed to joint ventures by £4.5 million and increase the amount due from joint ventures by £2.7 million. The effect of this change in the year to 31 May 2009 is to reduce revenue and cost of sales by £60.1 million, increase revenue and selling and distribution costs by £3.8 million, reduce inventories by £3.7 million, reduce amounts owed to joint ventures by £1.3 million and increase the amount due from joint ventures by £2.4 million.

6. Net finance (costs)/income

	Unaudited Half-year to 30 November 2009 £m	Unaudited Half-year to 30 November 2008 £m	Audited Year to 31 May 2009 £m
Net investment gains	0.1	–	0.4
Interest and dividends receivable	0.8	1.3	3.3
	0.9	1.3	3.7
Interest payable on bank loans and overdrafts	(1.1)	(3.4)	(5.5)
	(0.2)	(2.1)	(1.8)

7. Property, plant and equipment and intangible assets

	Property, plant and equipment £m	Intangible assets £m
Opening net book amount as at 1 June 2008	180.0	152.2
Additions	24.1	–
Disposals	(0.5)	–
Depreciation and amortisation	(8.7)	–
Currency retranslation	20.3	(0.8)
Closing net book amount as at 30 November 2008	215.2	151.4
Opening net book amount as at 1 June 2009	200.8	157.6
Additions	18.2	–
Acquisitions (Note 14)	0.5	1.8
Disposals	(0.1)	–
Depreciation and amortisation	(9.0)	–
Currency retranslation	1.4	1.0
Closing net book amount as at 30 November 2009	211.8	160.4

At 30 November 2009, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £17.2 million. At 30 November 2008, the Group had entered into capital commitments of £23.9 million.

8. Taxation

	Unaudited Half-year to 30 November 2009 £m	Unaudited Half-year to 30 November 2008 £m	Audited Year to 31 May 2009 £m
United Kingdom	7.1	4.2	6.8
Overseas	6.0	5.9	17.2
	13.1	10.1	24.0

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 2010 is 29% (the estimated tax rate for the half-year ended 30 November 2008 was 29%).

9. Dividends

An interim dividend of 1.930p per share for the half-year to 30 November 2009 (30 November 2008: 1.185p) has been declared totalling £8.3 million (30 November 2008: £5.1 million) and is payable on 1 April 2010 to ordinary shareholders on the register on 26 February 2010. This interim dividend has not been recognised in this half yearly report. The proposed final dividend for the year ended 31 May 2009 of 4.085p per share, totalling £17.5 million, was approved by shareholders at the Annual General Meeting of the Company and paid on 7 October 2009.

10. Earnings per share

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

	Unaudited Half-year to 30 November 2009	Unaudited Half-year to 30 November 2008	Audited Year to 31 May 2009
Basic weighted average (000)	427,253	426,665	426,212
Diluted weighted average (000)	431,686	428,699	429,064

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 2009	Unaudited Half-year to 30 November 2008	Audited Year to 31 May 2009
Basic earnings per share:			
– Adjusted basic earnings per share	6.74p	5.25p	12.39p
– Exceptional items	–	(0.35)p	(0.75)p
– Basic earnings per share	6.74p	4.90p	11.64p
Diluted earnings per share:			
– Adjusted diluted earnings per share	6.67p	5.23p	12.31p
– Exceptional items	–	(0.35)p	(0.75)p
– Diluted earnings per share	6.67p	4.88p	11.56p

Notes continued

11. Reconciliation of profit before taxation to cash generated from operations

	Unaudited Half-year to 30 November 2009 £m	Unaudited Half-year to 30 November 2008 £m	Audited Year to 31 May 2009 £m
Profit before taxation	44.7	34.8	84.4
Adjustment for finance costs	0.2	2.1	1.8
Operating profit	44.9	36.9	86.2
Depreciation	9.0	8.7	17.5
Loss/(profit) on sale of tangible fixed assets	(0.2)	(0.3)	1.0
Difference between pension charge and cash contributions	(1.4)	(1.3)	(2.6)
Share of result from joint ventures	(0.8)	1.3	4.1
Share based payments	1.1	0.6	1.3
Operating cash flows before movements in working capital	52.6	45.9	107.5
Movements in working capital:			
Inventories	(16.5)	(29.9)	7.0
Receivables	(14.9)	(12.7)	(2.0)
Payables	29.4	33.3	30.7
Provisions	0.9	0.7	2.0
Cash generated from operations	51.5	37.3	145.2

12. Net funds reconciliation

Group net funds comprises the following:

	Audited 1 June 2009 £m	Unaudited Cash flow £m	Unaudited Foreign Exchange £m	Unaudited Non cash items £m	Unaudited 30 November 2009 £m
Cash at bank and in hand	38.9	1.5	1.1	–	41.5
Overdrafts	(1.4)	(4.8)	–	–	(6.2)
Short term deposits	45.3	(4.1)	1.1	–	42.3
Cash and cash equivalents	82.8	(7.4)	2.2	–	77.6
Current asset investments	0.3	–	–	–	0.3
Bank loans less than 1 year	(15.0)	7.5	–	(7.5)	(15.0)
Bank loans greater than 1 year	(44.9)	–	–	7.5	(37.4)
Net funds	23.2	0.1	2.2	–	25.5

13. 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 2009 £m	Unaudited 30 November 2008 £m	Audited 31 May 2009 £m
UK schemes in surplus	27.2	15.8	20.6
UK schemes in deficit	(49.1)	(36.9)	(24.9)
Overseas schemes	(6.1)	(5.1)	(4.7)
	(28.0)	(26.2)	(9.0)

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 2009 £m	Unaudited 30 November 2008 £m	Audited 31 May 2009 £m
Present value of scheme liabilities	(250.8)	(210.6)	(196.1)
Fair value of scheme assets	228.9	189.5	191.8
Retirement benefit deficit	(21.9)	(21.1)	(4.3)

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 2009 % per annum	Unaudited Half-year to 30 November 2008 % per annum	Audited Year to 31 May 2009 % per annum
Rate of increase in salaries	4.40	4.00	4.50
Rate of increase in retirement benefits in payment	3.40	3.00	3.50
Discount rate	5.50	6.00	7.00
Inflation assumption	3.40	3.00	3.50

The last triennial actuarial valuations of the schemes administered in the UK were performed by independent professional actuaries at 1 June 2006.

The movement during the period is as follows:

	Unaudited £m
Retirement benefit deficit as at 1 June 2009	(4.3)
Expected return on scheme assets	6.1
Interest cost	(6.8)
Employer contributions	2.1
Actuarial loss	(19.0)
Retirement benefit deficit as at 30 November 2009	(21.9)

The total income statement charge of £0.7 million has been recognised within administrative expenses.

Notes continued

14. Acquisitions

On 5 November 2009, the Group, through its subsidiary The Sanctuary at Covent Garden Ltd, acquired the entire share capital of Body Experience Ltd, a company registered in the UK whose principal activity is the provision of spa services. The consideration was £0.8 million and provisional goodwill arising on the acquisition was £0.2 million.

Throughout the period from 1 June 2009 to 30 November 2009, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 64% to 65%. The consideration for these additional shares was £3.4 million and goodwill arising on the acquisition was £1.6 million.

15. Related party transactions

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 2009 the outstanding balance receivable from Milk Ventures (UK) Ltd was £23.8 million (31 May 2009: £23.8 million). There were no outstanding balances payable to Milk Ventures (UK) Ltd (31 May 2009: nil).

The Group sourced and then sold fixed assets and raw materials to Nutricima Ltd to the value of £11.0 million (30 November 2008: £26.9 million). At 30 November 2009 the amount outstanding from Nutricima Ltd was £1.1 million (31 May 2009: £8.5 million).

PZ Cussons Nigeria Plc distributed goods on behalf of Nutricima Ltd to the value of £25.5 million (30 November 2008: £28.4 million). The amount outstanding from Nutricima Ltd at 30 November 2009 was £1.9 million (31 May 2009: £2.7 million). All trading balances will be settled in cash.

There were no provisions for doubtful related party receivables at 30 November 2009 (31 May 2009: nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2008: nil).

16. 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.

17. 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 2009 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.

Statement of Directors' Responsibilities

The Directors' confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that 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 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 and any material changes in the related-party transactions described in the last annual report.

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. The current Directors are listed on page 17 of the interim statement.

By order of the Board

Brandon Leigh
Finance Director
26 January 2010

Interim Review Report to PZ Cussons Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2009, which comprises the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, 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 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.

PricewaterhouseCoopers LLP

Chartered Accountants
26 January 2010
Manchester

Directors**Chairman**

A J Green

Deputy Chairman

A G Calder

Chief Executive

G A Kanellis

J A Arnold*

C G Davis

R J Harvey* (appointed 1 January 2010)

S J N Heale*

B H Leigh

D W Lewis*

J Pantelireis

J T J Steel*

* Non-executive

Secretary

S P Plant

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