



2 OPERATING AND FINANCIAL REVIEW 4 CONSOLIDATED PROFIT AND
LOSS ACCOUNT 5 CONSOLIDATED BALANCE SHEET 6 GROUP CASH FLOW
STATEMENT 7 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
7 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS 8 NOTES

HIGHLIGHTS

- OPERATING PROFITS INCREASED BY 4.3% TO £26.2m FROM £25.1m
- PRE-TAX PROFITS INCREASED BY 28.3% TO £27.3m FROM £21.2m
- DILUTED EARNINGS PER SHARE INCREASED BY 41.0% TO 41.31p FROM 29.30p
- NET FUNDS INCREASED BY £1.6m TO £73.7m FROM £72.1m AT 31st MAY 2003
- THE INTERIM DIVIDEND HAS BEEN RAISED BY 7.3% TO 8.05p PER SHARE FROM 7.50p

Europe

In the UK, new product launches have continued to expand the Imperial Leather, Carex and Original Source ranges, with the latter performing particularly strongly. However the market has been very competitive with the large supermarket chains positioning for overall share. This has impacted on UK turnover which has been fairly flat.

Relaunches of the main brands in Poland have been successful overall and domestic sales have increased by 16%. Export levels are similar to last year and action has now been taken to change distributors in Russia to give greater coverage throughout the country to capitalise on our well known brands, in particular E detergent powder.

Sales in Greece have been consistent with the record levels achieved last year, however margins are now suffering as olive oil prices have risen as a result of the poor olive harvest in 2003.

Africa

Turnover in Nigeria in naira is 18% up on the previous year, resulting from the investment in increased factory capacities for detergents and soaps and the new refrigerator and feminine hygiene factories coming on stream. Groundwork has now started for the construction of the milk factory, which is being built in a joint venture with Glanbia PLC and should be in full production in 2005. The recent significant weakening of the dollar is beginning to impact on operating margins, with the resultant price increases in imported raw materials which are largely from Europe.

Turnover and profitability in Ghana, Kenya and Cameroun have improved.

Asia

Overall turnover and profitability have increased in the region, with Australia performing particularly strongly.

The rapid rate of growth achieved in recent years in Indonesia and Thailand has currently moderated as distribution coverage has now reached planned levels. There are plans to expand further by extending the brand ranges with new product developments. The rise in palm oil prices has impacted on soap margins.

Turnover and profitability have improved in the Middle East but China continues to perform poorly. Action has been taken to improve the Chinese management.

Dividends

An interim dividend of 8.05p per share for the half-year to 30th November 2003 (2002-7.50p) has been declared, payable on 6th April 2004 to ordinary and 'A' ordinary shareholders on the register on 5th March 2004.

	£000	£000
Profit for the period		17,204
Dividends:		
Preference shares		
7½% cumulative	(29)	
10% cumulative	(356)	
		(385)
Ordinary and 'A' ordinary shares		
Interim at 8.05p		(3,246)
Adjustment for May 2003 proposed final at 21.50p on shares transferred from ESOT		(2)
Profit retained		13,571

Investments

The value of the equity portfolio increased by 30% in the period, to £14.8m from £11.4m. £1.1m has been taken to profit with realised gains and released provisions, leaving £4.3m of unrealised surplus at 30th November 2003.

Purchase of own shares

The company has made no further purchases of its own shares in the six months to 30th November 2003.

Directors

Mr D W Lewis (age 59), a partner of Addleshaw Goddard solicitors, London, will join the board of PZ Cussons Plc as a non-executive director on 1st June 2004.

Mr W S Rogers (age 68) will retire from the board on 31st May 2004.

Outlook

Although trading levels are generally strong the recent rapid fall in the value of the dollar will impact on operating profits for the second half as a result of translation losses. In certain units, in particular Nigeria, there is pressure on margins as the weak dollar impacts on imported raw material costs.

The continuing focus for PZ Cussons is to improve operating profitability and to pursue growth in all units, in particular the UK, Nigeria and Indonesia. The balance sheet remains strong, giving the group adequate funds to finance planned opportunities for growth and to have the flexibility to purchase its own shares.

10th February 2004

4 CONSOLIDATED PROFIT AND LOSS ACCOUNT

The directors submit the unaudited accounts of the group for the half-year to 30th November 2003.

	Half-year to 30th November 2003 £000	Half-year to 30th November 2002 £000	Year to 31st May 2003 £000
Turnover	245,088	233,802	465,878
Operating profit	26,215	25,135	54,691
Net investment income/interest payable	1,038	(3,888)	(3,541)
Profit before taxation	27,253	21,247	51,150
Taxation			
United Kingdom	(3,945)	(1,900)	(4,894)
Overseas	(5,003)	(5,109)	(11,945)
	(8,948)	(7,009)	(16,839)
Profit after taxation	18,305	14,238	34,311
Equity minority interests	(1,101)	(1,372)	(3,758)
Profit attributable to members of the company	17,204	12,866	30,553
Dividends	(3,633)	(3,336)	(12,329)
Profit for the period retained	13,571	9,530	18,224
Basic earnings per ordinary and 'A' ordinary share of 10p	41.72p	29.57p	71.90p
Diluted earnings per ordinary and 'A' ordinary share of 10p	41.31p	29.30p	71.18p
Dividend per ordinary and 'A' ordinary share of 10p	8.05p	7.50p	29.00p

5 CONSOLIDATED BALANCE SHEET

	30th November 2003 £000	30th November 2002 £000	31st May 2003 £000
Fixed assets			
Intangible assets	9,994	10,537	10,261
Goodwill	906	961	933
Negative goodwill	(2,192)	(2,323)	(2,258)
	(1,286)	(1,362)	(1,325)
Tangible assets	139,414	146,112	149,933
Investments	833	1,022	209
	148,955	156,309	159,078
Current assets			
Stocks	114,869	129,715	122,515
Debtors due within one year	66,864	62,471	60,387
Debtors due after one year	5,781	7,890	6,254
Investments	72,526	80,303	69,663
Cash at bank and in hand	9,458	14,229	17,690
	269,498	294,608	276,509
Creditors (due within one year)			
Bank loans and overdrafts	(7,732)	(32,349)	(15,246)
Others	(92,898)	(100,425)	(99,011)
	(100,630)	(132,774)	(114,257)
Net current assets	168,868	161,834	162,252
Total assets less current liabilities	317,823	318,143	321,330
Creditors (due after one year)	(16,335)	(17,826)	(16,531)
Provisions for liabilities and charges	(14,859)	(14,991)	(15,520)
Net assets	286,629	285,326	289,279
Capital and reserves			
Equity ordinary share capital	4,073	4,150	4,073
Non-equity preference share capital	7,898	7,898	7,898
Total called up share capital	11,971	12,048	11,971
Reserves attributable to equity interests	241,308	233,987	239,289
Total shareholders' funds	253,279	246,035	251,260
Equity minority interests	33,350	39,291	38,019
	286,629	285,326	289,279

6 GROUP CASH FLOW STATEMENT

	Half-year to 30th November 2003 £000	Half-year to 30th November 2002 £000	Year to 31st May 2003 £000
Cash flow from operating activities	26,289	8,672	45,438
Returns on investments and servicing of finance	(1,109)	(4,939)	(6,425)
Taxation	(6,616)	(7,116)	(15,911)
Capital expenditure and financial investment	(7,670)	(16,880)	(24,469)
Equity dividends paid	(8,668)	(8,080)	(11,105)
Cash inflow/(outflow) before use of liquid resources and financing	2,226	(28,343)	(12,472)
Management of liquid resources	(4,293)	23,540	34,141
Financing	555	(4,506)	(19,174)
(Decrease) / increase in cash in the period	(1,512)	(9,309)	2,495

Reconciliation of net cash flow to movement in net funds

(Decrease)/ increase in cash in the period	(1,512)	(9,309)	2,495
Cash (inflow)/outflow from financing	(555)	(6,294)	1,390
Cash outflow/(inflow) from management of liquid resources	4,293	(23,540)	(34,141)
Change in net funds resulting from cash flows	2,226	(39,143)	(30,256)
Currency retranslation	(638)	(2,084)	(1,047)
Movement in net funds in the period	1,588	(41,227)	(31,303)
Opening net funds	72,107	103,410	103,410
Closing net funds	73,695	62,183	72,107

Reconciliation of operating profit to operating cash flows

Operating profit	26,215	25,135	54,691
Amortisation of goodwill and other intangible assets	228	95	325
Depreciation and adjustments on disposals	9,363	8,373	13,074
Provisions	401	369	147
Stocks	(2,517)	(23,160)	(17,555)
Debtors	(9,753)	(12,888)	(5,263)
Creditors	2,352	10,748	19
Net cash flow from operating activities	26,289	8,672	45,438

Analysis of net funds

	At 31st May 2003 £000	Cash flow £000	Exchange difference £000	At 30th November 2003 £000
Cash in hand and at bank	17,690	(8,086)	(146)	9,458
Overdrafts	(13,010)	6,574	850	(5,586)
		(1,512)		
Loans due within one year	(2,236)	4	86	(2,146)
Loans due after one year	–	(559)	2	(557)
		(555)		
Deposits	55,222	2,268	(946)	56,544
Other current asset investments	14,441	2,025	(484)	15,982
		4,293		
	72,107	2,226	(638)	73,695

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half-year to 30th November 2003 £000	Half-year to 30th November 2002 £000	Year to 31st May 2003 £000
Profit for the period	17,204	12,866	30,553
Currency retranslation	(11,552)	(13,813)	(10,507)
Total recognised gains and losses for the period	5,652	(947)	20,046

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Half-year to 30th November 2003 £000	Half-year to 30th November 2002 £000	Year to 31st May 2003 £000
Total recognised gains and losses for the period	5,652	(947)	20,046
Dividends	(3,633)	(3,336)	(12,329)
Purchase of own shares	–	(10,800)	(17,575)
Net increase / (decrease) in shareholders' funds	2,019	(15,083)	(9,858)
Opening shareholders' funds	251,260	261,118	261,118
Closing shareholders' funds	253,279	246,035	251,260

8 NOTES

The interim financial statements which are neither audited nor reviewed have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts 2003. These interim financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The figures for the year ended 31st May 2003 are an abridged statement of the group audited accounts for that year. The audited accounts, containing an unqualified audit report, have been delivered to the Registrar of Companies.

Directors

Chairman

A J Green

Chief executive

C N Green

A G Calder

* D C Godwin

G A Kanellis

C Nicoloulis

* W S Rogers

* R H Sellers

* J D M Smith

P J Smyth

J Spyridoulis

D M Whitewood

* Non-executive

Secretary

A P McDermott

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