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02	BUSINESS AND FINANCIAL REVIEW
04	CONSOLIDATED INCOME STATEMENT
05	CONSOLIDATED BALANCE SHEET
06	CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
06	CONSOLIDATED CASH FLOW STATEMENT
08	RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY
09	NOTES

## Highlights.

### Results for the six month period to 30th November 2005\*:

- Turnover increased by 11% to £258.3m from £232.6m.
- Operating profits† increased by 18% to £27.0m from £22.8m.
- Pre-tax profits† increased by 18% to £28.9m from £24.5m.
- Net funds of £32.7m after £14.7m repayment of preference share capital.
- Basic earnings per share† increased by 12.4% to 38.54p from 34.28p‡.
- The interim dividend increased by 7.5% to 9.30p per share from 8.65p.

## Overview and Strategy.

Operating profits have improved as a result of good performance in all key territories, in particular Nigeria, and the elimination of losses incurred last year in Russia.

The new milk factory in Nigeria, constructed with joint venture partner Glanbia Plc, has opened on schedule with the new products being well received in the market. Further opportunities have been identified in nutritional based products which will be developed in the second half.

A significant margin improvement programme has continued to help counter substantial ongoing oil price related cost increases.

The Group's strategy remains to:

- Focus on specific geographical markets which have potential for future growth, particularly Nigeria, Indonesia, the UK and Australia.
- Understand the needs and aspirations of local consumers and develop quality, innovative products.
- Ensure the availability of these products via the establishment of first class supply and distribution networks.

## Regional Unit Reviews.

### Europe

In the **UK**, whilst the market remains competitive with continued pressure on selling prices, successful brand development has resulted in good performance this year.

The Imperial Leather shower range was relaunched with exciting new fragrances and supported by a nationwide media campaign. The Original Source brand, purchased in 2002, has been completely renovated with distinctive packaging and has been favourably received by the consumer. The Charles Worthington haircare brand, purchased in 2004, has performed well with new additions to the portfolio including 'Results for Men' and 'Dream Hair.' A decision has now been taken to expand the distribution of the Charles Worthington brand into the nationwide trade with effect from the summer of this year.

Sales of Carex continue to be strong with the bathroom range launched last year performing well.

The closure of the Nottingham factory will be completed ahead of schedule with all bar soap production transferred to the newly constructed Thailand factory before the end of the financial year. Production commenced at the new facility ahead of schedule in the autumn of last year and the performance of the factory is meeting expectations.

The restructuring programme for the business in **Poland**, announced last year, has been successfully completed with losses of the unit now eliminated following the withdrawal of a direct presence in the Russian market. The cost base of the domestic operation has been considerably reduced through closure of the liquids and creams factory in Warsaw and overhead reduction at the head office.

Efforts are now being concentrated in margin improvement initiatives at the detergent factory in Wroclaw and in growing domestic sales. Sales of the core brand, 'E' detergent, have increased on last year as a result of successful brand renovation, although the market remains extremely competitive.

Sales in **Greece** have continued at last year's level although margins have improved. The core Minerva brand range is being relaunched later this year and the overall portfolio has been widened with the purchase of a small local pomace oil brand.

\* Prepared under International Financial Reporting Standards.

† Before restructuring and fixed asset disposals.

‡ The prior year EPS figures have been restated as a result of the compensatory bonus issue.

## Africa

Performance in **Nigeria** has been strong with sales and profitability up on the previous year. In particular, the white goods business, established with Chinese partner Haier, has experienced significant growth with sales of fridges, freezers and air conditioners doubling over the same period last year with annual equivalent sales now in excess of £20m. Strong growth has also occurred from soaps, detergents and health and beauty products as a result of new product development, as well as increased spending power in the economy. The margin improvement programme has continued to counter ongoing pressures on raw material and utility costs.

The new milk factory in Nigeria, constructed with joint venture partner Glanbia Plc, has opened on schedule with the new products being well received in the market. Sales of powdered milk, under the brand name Nunu, began in the summer of 2005 followed by the launch of evaporated milk later in the year. Sales of both products were £6m in the first half and are meeting expectations.

The Nigerian currency has remained steady against the dollar during the year as a result of continued political and economic stability. Shortly after the half-year end, our Nigerian business announced a rights issue which will result in further investment from the UK of circa £20m taking the Group's holding to over 64%. Funds will be invested in our capital investment programme to provide increased capacities going forward, as well as improvements to the infrastructure and power generation capabilities of our sites.

The significant working capital increase in the first half arose principally in Nigeria as a result of higher stocks driven by growth and increased receivables from a change in credit policy. Efforts are now being concentrated on the Nigerian supply chain in order to reduce the lead times for supply of materials into Nigeria, with the key objective being to minimise working capital levels.

Turnover and profitability in **Ghana** and **Kenya** are ahead of last year as a result of both growth and margin improvement. African brands are being 'pan-regionalised' to maximise efficiencies across the region.

A decision has been taken to close the **Cameroun** business due to limited opportunities in that market.

## Asia

In **Australia** sales were ahead of last year although increases in raw material and freight costs have impacted on margins. Sales of the Trix detergent brand, purchased in May 2005, have met expectations and all production will have been brought in house by the end of the financial year.

Consumer disposable income in **Indonesia** was reduced in the year as a result of significant increases in the price of oil following the withdrawal of Government subsidies. Despite this, both sales and profitability in the Indonesian business were maintained at last year's level due to consumer loyalty to the product portfolio, in particular the baby range, and an ongoing margin improvement programme.

In the other Asian units, **Thailand, Malaysia** and the **Middle East**, sales and profitability were maintained at last year's level.

## Group-wide initiatives

The long term **people development programme** is continuing with the objective to improve the quality of management and staff both from within and from external recruitment. All group companies have embraced the programme and are targeted on key performance objectives with regard to people development.

Further investment has been made in group wide **communications** following the successful completion of a group virtual private network which went live in 2005. Equant (part of France Telecom) are now conducting a major IT infrastructure review in order to conclude on the optimum supply of IT services through our private network.

## Investments

The value of the equity investment portfolio increased in the period with £1.9m taken to profit with realised and unrealised gains. A decision was taken after the period end to liquidate the equity portfolio to generate funds for the investments in Nigeria referred to above.

## Directors

Nigel Green, Chief Executive, will retire from the company on 31st May 2006 and will be succeeded by Alex Kanellis, who has been Deputy Chief Executive since 5th May 2005.

Graham Calder was appointed Deputy Chairman on 1st January 2006 and was succeeded as Finance Director by Brandon Leigh who was appointed to the board on that date.

Chris Davis was appointed to the board on 1st January 2006 as Regional Director Designate for Africa.

John Spyridoulis, Technical Director, will retire from the company on 28th February 2006.

David Godwin retired from the company on 30th September 2005 and James Steel, currently head of Corporate Finance at Arbuthnot Securities, was appointed a non-executive director on 1st October 2005.

## Enfranchisement and preference share repayment

In June 2005 shareholder approval was given for the enfranchisement of the 'A' non-voting shares and the repayment of the preference shares by a reduction of share capital which has now been completed. As part of the enfranchisement a compensatory bonus issue, on the basis of one new ordinary share for every ten ordinary shares held by each ordinary shareholder, was made on 29th June 2005. This has resulted in dividends being paid on an enhanced number of shares.

## IFRS

From 1st June 2005, PZ Cussons Plc has been required to comply with International Financial Reporting Standards (IFRS). These results, and prior period comparisons, are consistent with IFRS, with the exception of IAS 39 which, as previously announced, has been applied prospectively from 1st June 2005. Reconciliation between IFRS and UK accounting standards is provided for the half-year ended 30th November 2004 in note 2 of this announcement, while the reconciliation for the year ended 31st May 2005 is found in the IFRS restatement document, which is also discussed in note 2 of this announcement.

## Outlook

The positive signs experienced in the first half should continue for the remainder of the year although trading in some territories remains challenging due to pressure on both selling prices and costs.

The Group's focus remains on growth and margin improvement in selected geographical markets, particularly Nigeria, where the stable economic and political environment give reason for optimism.

The Group's balance sheet remains strong with all projects currently being financed from Group net funds.

7th February 2006

The directors submit the unaudited accounts of the Group for the half-year to 30th November 2005.

	Before restructuring and fixed asset disposals £000	Restructuring and fixed asset disposals £000	Half-year to 30th November 2005 Total £000	Before restructuring and fixed asset disposals £000	Restructuring and fixed asset disposals £000	Half-year to 30th November 2004 Total £000	Before restructuring and fixed asset disposals £000	Restructuring and fixed asset disposals £000	Year to 31st May 2005 Total £000
<b>Revenue</b>	<b>258,304</b>	-	<b>258,304</b>	232,595	-	232,595	480,118	-	480,118
Operating costs:									
Restructuring of operations	-	-	-	-	-	-	-	(6,642)	(6,642)
Profit on disposal of tangible fixed assets	-	-	-	-	1,611	1,611	-	5,295	5,295
Loss on sale of operation	-	-	-	-	-	-	-	(3,352)	(3,352)
Other costs	<b>(231,349)</b>	-	<b>(231,349)</b>	(209,809)	-	(209,809)	(426,666)	-	(426,666)
Total operating (costs)/income	<b>(231,349)</b>	-	<b>(231,349)</b>	(209,809)	1,611	(208,198)	(426,666)	(4,699)	(431,365)
<b>Operating profit</b>	<b>26,955</b>	-	<b>26,955</b>	22,786	1,611	24,397	53,452	(4,699)	48,753
Finance income	<b>2,348</b>	-	<b>2,348</b>	2,146	-	2,146	5,311	-	5,311
Finance costs	<b>(394)</b>	-	<b>(394)</b>	(468)	-	(468)	(664)	-	(664)
Net finance income	<b>1,954</b>	-	<b>1,954</b>	1,678	-	1,678	4,647	-	4,647
<b>Profit before tax</b>	<b>28,909</b>	-	<b>28,909</b>	24,464	1,611	26,075	58,099	(4,699)	53,400
Income tax expense	<b>(8,868)</b>	-	<b>(8,868)</b>	(8,683)	-	(8,683)	(17,659)	(616)	(18,275)
<b>Profit for the period</b>	<b>20,041</b>	-	<b>20,041</b>	15,781	1,611	17,392	40,440	(5,315)	35,125
<b>Attributable to:</b>									
Equity holders of the parent	<b>16,445</b>	-	<b>16,445</b>	14,923	1,611	16,534	34,159	(5,315)	28,844
Minority interests	<b>3,596</b>	-	<b>3,596</b>	858	-	858	6,281	-	6,281
	<b>20,041</b>	-	<b>20,041</b>	15,781	1,611	17,392	40,440	(5,315)	35,125
<b>Basic EPS (p)</b>	<b>38.54</b>	-	<b>38.54</b>	34.28	3.80	38.08	78.72	(12.53)	66.19
<b>Diluted EPS (p)</b>	<b>38.09</b>	-	<b>38.09</b>	33.91	3.76	37.67	77.88	(12.39)	65.49

	<b>30th November 2005 £000</b>	30th November 2004 £000	31st May 2005 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	54,162	47,815	54,077
Property, plant and equipment	145,116	147,688	139,304
Investments in joint ventures	637	(141)	104
Other investments	602	555	572
Receivables	208	694	136
Non-current assets held for sale (note 3)	4,062	-	-
Retirement benefit surplus	22,974	20,229	22,974
Deferred tax assets	3,459	1,673	3,414
	<b>231,220</b>	218,513	220,581
<b>Current assets</b>			
Inventories	155,805	116,352	128,923
Receivables and prepayments	91,503	82,277	70,614
Other investments	20,316	16,664	16,182
Cash and cash equivalents	36,926	50,755	65,663
Current taxation receivable	2,114	-	1,514
	<b>306,664</b>	266,048	282,896
<b>Total assets</b>	<b>537,884</b>	484,561	503,477
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	(20,329)	(7,115)	(5,173)
Trade and other payables	(97,029)	(89,002)	(81,874)
Current taxation payable	(11,109)	(9,335)	(11,433)
	<b>(128,467)</b>	(105,452)	(98,480)
<b>Non-current liabilities</b>			
Financial liabilities	(4,203)	(389)	(2,718)
Other liabilities	(5,365)	(7,143)	(5,719)
Deferred tax liabilities	(31,096)	(29,892)	(28,472)
Retirement benefit obligation	(28,047)	(21,578)	(28,047)
Provisions	(12,910)	(7,753)	(12,045)
	<b>(81,621)</b>	(66,755)	(77,001)
<b>Total liabilities</b>	<b>(210,088)</b>	(172,207)	(175,481)
<b>Net assets</b>	<b>327,796</b>	312,354	327,996
<b>Equity</b>			
Ordinary share capital	4,287	4,073	4,073
Preference share capital	-	7,898	7,898
Capital redemption reserve	671	671	671
Revaluation reserve	28,086	29,171	28,086
Other reserve	(3,519)	(1,299)	(1,137)
Equity reserve	586	261	397
Currency translation reserve	12,492	2,001	5,551
Special reserve	7,898	-	-
Retained earnings	236,792	238,433	245,482
<b>Equity attributable to equity holders of the parent</b>	<b>287,293</b>	281,209	291,021
<b>Equity minority interest</b>	<b>40,503</b>	31,145	36,975
<b>Total equity</b>	<b>327,796</b>	312,354	327,996

	<b>Half-year to 30th November 2005 £000</b>	Half-year to 30th November 2004 £000	Year to 31st May 2005 £000
Actuarial losses on defined benefit pension schemes (net of tax)	-	-	(2,452)
Exchange differences on translation of foreign operations	<b>9,776</b>	1,398	5,975
Reversal of deferred tax on revalued properties disposed of	-	334	556
Premium on repayment of preference share capital	<b>(6,812)</b>	-	-
Enfranchisement costs	<b>(788)</b>	-	-
<b>Net income recognised directly in equity</b>	<b>2,176</b>	1,732	4,079
<b>Profit for the period after preference dividends</b>	<b>19,925</b>	17,007	34,355
<b>Total net income and expense recognised for the period</b>	<b>22,101</b>	18,739	38,434
<b>Attributable to:</b>			
Equity holders of the parent	<b>15,630</b>	18,848	31,729
Minority interests	<b>6,471</b>	(109)	6,705

## CONSOLIDATED CASH FLOW STATEMENT

	<b>Half-year to 30th November 2005 £000</b>	Half-year to 30th November 2004 £000	Year to 31st May 2005 £000
<b>Operating activities</b>			
Cash generated from operations	<b>3,016</b>	24,425	53,866
Taxation	<b>(8,600)</b>	(8,079)	(18,650)
<b>Net cash flow from operating activities</b>	<b>(5,584)</b>	16,346	35,216
<b>Investing activities</b>			
Investment income received	<b>2,608</b>	4,350	7,118
Purchase of tangible fixed assets	<b>(12,069)</b>	(8,460)	(18,258)
Sale of tangible fixed assets	<b>1,018</b>	2,344	19,179
Purchase of intangible fixed assets	-	-	(6,010)
Purchase of subsidiaries	-	(22,963)	(22,963)
Net overdrafts acquired with subsidiary undertaking	-	-	(1,489)
Net cash balances disposed of with subsidiary undertaking	-	-	(235)
Payments to acquire interests in joint ventures	-	-	(496)
Purchase of current asset investments	<b>(3,686)</b>	(7,798)	(9,344)
Sale of current asset investments	<b>3,683</b>	6,402	8,595
<b>Net cash flow from investing activities</b>	<b>(8,446)</b>	(26,125)	(23,903)
<b>Financing activities</b>			
Interest paid	<b>(395)</b>	(468)	(664)
Preference dividends paid	<b>(116)</b>	(385)	(770)
Dividends paid to minority shareholders in subsidiary companies	<b>(1,558)</b>	(240)	(1,875)
Purchase of shares for ESOT	<b>(3,026)</b>	(329)	(329)
Equity dividends paid	<b>(11,275)</b>	(9,624)	(13,129)
Net increase in short term borrowings	<b>10,872</b>	2,678	2,804
Loans to joint ventures	-	(5,700)	(6,200)
Repayment of preference share capital	<b>(14,710)</b>	-	-
Enfranchisement costs	<b>(788)</b>	-	-
<b>Net cash flow from financing activities</b>	<b>(20,996)</b>	(14,068)	(20,163)
<b>Net decrease in cash and cash equivalents</b>	<b>(35,026)</b>	(23,847)	(8,850)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>65,352</b>	73,635	73,635
<b>Effect of foreign exchange rates</b>	<b>663</b>	(152)	567
<b>Cash and cash equivalents at the end of the period</b>	<b>30,989</b>	49,636	65,352

**Analysis of net funds**

	At 31st May 2005 £000	Cash flow £000	Exchange difference £000	Uplift on adoption of IAS 39 £000	At 30th November 2005 £000
Cash at bank and in hand	14,845	(6,615)	557	-	<b>8,787</b>
Overdrafts	(311)	(5,377)	(249)	-	<b>(5,937)</b>
Deposits	50,818	(23,034)	355	-	<b>28,139</b>
<b>Cash and cash equivalents</b>	<b>65,352</b>	<b>(35,026)</b>	<b>663</b>	<b>-</b>	<b>30,989</b>
Loans due within one year	(4,862)	(9,506)	(24)	-	<b>(14,392)</b>
Loans due after one year	(2,718)	(1,366)	(119)	-	<b>(4,203)</b>
Other current asset investments	16,182	3	102	4,029	<b>20,316</b>
<b>Net funds</b>	<b>73,954</b>	<b>(45,895)</b>	<b>622</b>	<b>4,029</b>	<b>32,710</b>

**Reconciliation of net cash flow to movement in net funds**

	Half-year to 30th November 2005 £000	Half-year to 30th November 2004 £000	Year to 31st May 2005 £000
Net decrease in cash and cash equivalents in the period	<b>(35,026)</b>	(23,847)	(8,850)
Cash flow on loans	<b>(10,872)</b>	(2,678)	(2,804)
Purchase of current asset investments	<b>3,686</b>	7,798	9,344
Sale of current asset investments	<b>(3,683)</b>	(6,402)	(8,595)
<b>Change in net funds resulting from cash flows</b>	<b>(45,895)</b>	(25,129)	(10,905)
Currency retranslation	<b>622</b>	(135)	645
IAS 39 adoption	<b>4,029</b>	-	-
Borrowings acquired with subsidiary	<b>-</b>	-	(962)
Movement in net funds in the period	<b>(41,244)</b>	(25,264)	(11,222)
Opening net funds in the period	<b>73,954</b>	85,176	85,176
<b>Closing net funds</b>	<b>32,710</b>	59,912	73,954

**Reconciliation of operating profit to net cash generated from operating activities**

	Half-year to 30th November 2005 £000	Half-year to 30th November 2004 £000	Year to 31st May 2005 £000
<b>Operating profit</b>	<b>26,955</b>	24,397	48,753
Depreciation and adjustments on disposals	<b>7,145</b>	7,836	11,598
Loss on sale or termination of operations	<b>-</b>	-	3,352
Profit on disposal of property, plant and equipment	<b>-</b>	(1,611)	(5,295)
Add back charge for shares purchased for ESOT	<b>645</b>	-	162
Operating cash flows before movements in working capital	<b>34,745</b>	30,622	58,570
Movements in working capital:			
Inventories	<b>(19,569)</b>	(5,229)	(13,371)
Receivables	<b>(20,844)</b>	(13,883)	6,660
Payables	<b>8,104</b>	11,693	(3,417)
Provisions	<b>580</b>	1,222	5,424
<b>Cash generated from operations</b>	<b>3,016</b>	24,425	53,866

## 08 INTERIM STATEMENT RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

	<b>Half-year to 30th November 2005 £000</b>	Half-year to 30th November 2004 £000	Year to 31st May 2005 £000
<b>Total net income recognised for the period</b>	<b>22,101</b>	18,739	38,434
Ordinary dividends	<b>(11,275)</b>	(9,646)	(13,130)
Shares purchased for ESOT	<b>(2,382)</b>	(329)	(329)
Shares to be awarded from ESOT	-	-	162
Movement in equity reserve	<b>189</b>	137	272
Minority interest dividend paid	<b>(2,903)</b>	(2,737)	(2,366)
Sale of subsidiary undertakings	-	-	(1,237)
Repayment of preference share capital	<b>(7,898)</b>	-	-
<b>Net (decrease)/increase in equity for the period</b>	<b>(2,168)</b>	6,164	21,806
Opening equity	<b>327,996</b>	306,190	306,190
Adoption of IAS 39	<b>1,968</b>	-	-
<b>Closing equity</b>	<b>327,796</b>	312,354	327,996
<b>Attributable to:</b>			
Equity shareholders of the parent	<b>287,293</b>	281,209	291,021
Minority interests	<b>40,503</b>	31,145	36,975

## 1. Basis of preparation

These interim financial statements for the period ended 30th November 2005, which are neither audited nor reviewed, have been prepared for the first time consistent with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Results for the comparative periods have been restated under IFRS as adopted for use in the EU.

Practice is continuing to evolve on the application and interpretation of IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by the IFRIC. For these reasons, it is possible that the financial information for the six months ended 30th November 2005 and the restated information for the year ended 31st May 2005 may be subject to change before its inclusion in the Group's 2006 annual report, which will contain the Group's first complete financial statements prepared in accordance with IFRS.

The full IFRS accounting policies of the Group are set out in the document entitled "Restatement of Financial Information under International Financial Reporting Standards (IFRS)," which can be found at the Group's website [www.pzcussons.com](http://www.pzcussons.com). The interim financial statements for the period ended 30th November 2005 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The financial information set out in this statement relating to the year ended 31st May 2005 does not constitute statutory accounts for that period. Full audited accounts of PZ Cussons Plc in respect of that financial period in accordance with UK GAAP, which received an unqualified audit opinion and did not contain a statement under either Section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

## 2. Reconciliations between IFRS and UK GAAP

The Group adopted IFRS with a transition date of 1st June 2004. Comparative figures for the year ended 31st May 2005 and period ended 30th November 2004, which were previously reported in accordance with UK GAAP, have been restated to comply with IFRS.

The rules for the first time adoption of IFRS are set out in IFRS 1 (First-time Adoption of International Financial Reporting Standards). IFRS 1 requires that IFRS be applied retrospectively unless a specific exemption is applied. In preparing these IFRS consolidated financial statements, the Group has opted to take the following exemptions as permitted under IFRS 1:

- IFRS 3 (Business combinations): Business combinations that took place before the transition date have not been restated and therefore all goodwill written off to reserves or amortised prior to the date of transition remains written off to reserves and will not be taken into account either for subsequent impairment reviews or on disposal of the subsidiary.
- To treat the fixed asset valuations as undertaken at 31st May 2004 as deemed cost at 1st June 2004; the related asset values therefore are unchanged on transition to IFRS.
- To deem cumulative translation differences for all foreign operations to be zero as at the IFRS transition date.
- To apply IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) as adopted for use in the EU with an effective date of 1st June 2005.
- To implement IFRS 5 from 1st January 2005 onwards. Although the Group is taking advantage of this exemption, no specific measurement differences arise on 1st January 2005 from this change in accounting policy.
- To recognise in full all actuarial gains and losses relating to pension schemes both at the opening balance sheet date, and prospectively, through the statement of recognised income and expense.

A summary of the adjustments that affected profit after tax and shareholders' equity in both of these comparative periods is presented below:

	Half-year ended 30th November 2004 £000	Year ended 31st May 2005 £000
<b>Profit after tax under UK GAAP</b>	17,488	35,304
Adjustments:		
Share-based payments	(96)	(191)
Defined benefit pension schemes	-	12
<b>Profit for the period under IFRS</b>	17,392	35,125
	30th November 2004 £000	31st May 2005 £000
<b>Shareholders' equity under UK GAAP</b>	282,319	286,399
Adjustments:		
Defined benefit pension schemes	6,865	4,425
Deferred tax on revalued assets	(11,537)	(11,198)
Share-based payments	78	119
Ordinary dividends	3,484	11,276
<b>Shareholders' equity under IFRS</b>	281,209	291,021

**Explanation of the adjustments between UK GAAP and IFRS for the period ended 30th November 2004:**

Under IFRS 2, the charge to the income statement in respect of the executive share option scheme is based on the fair value of the options granted and is spread over the vesting period of the instrument. This has resulted in an additional net charge to the income statement of £96,000, and a net increase in shareholders' equity of £78,000.

Under IAS 10, proposed dividends do not meet the definition of a liability until such time as they have been approved by the shareholders at the annual general meeting. The Group has recognised an adjustment under IFRS at 30th November 2004 to exclude the interim dividend of £3,484,000 previously recognised under UK GAAP as it was neither approved or paid before the period end.

Under IAS 12, deferred tax is recognised in respect of all taxable temporary differences arising between the tax base and the accounting base of balance sheet items at the balance sheet date which includes revaluations. Under UK GAAP deferred tax was not provided on timing differences arising from the revaluation of fixed assets where there was no binding contract to dispose of such assets. This has resulted in a decrease in shareholders' equity of £11,537,000.

Under IFRS the balance sheet reflects the full value of the pension scheme surplus/deficit, actuarial gains and losses are recognised directly in equity through the statement of recognised income and expense (SRIE) and the charge to the income statement includes current and past service costs. Under UK GAAP the Group accounted for its defined benefit schemes under SSAP 24 which spread the cost of retirement pensions and related benefits over the periods benefiting from the employees' services. The impact of reversing the SSAP 24 numbers and implementing IAS 19 numbers increased shareholders' equity by £6,865,000.

**Explanation of the reconciling items for the year ended 31st May 2005:**

A full reconciliation, including detailed explanations, from UK GAAP to IFRS at 31st May 2005 can be found in the document entitled "Restatement of Financial Information under International Financial Reporting Standards (IFRS)" at the Group's website [www.pzcussons.com](http://www.pzcussons.com).

**The impact of adoption of IAS 39 at 1st June 2005:**

The key impact of the adoption of IAS 39 on the Group's non-derivative financial assets is to recognise movements in the fair value of those listed investments that are 'held for trading' through the income statement. At 1st June 2005 this has resulted in an increase in the value of investments of £2,812,000, an increase in retained earnings of £1,968,400 and an increase in deferred tax liabilities of £843,600.

**3. Non-current assets held for sale at 30th November 2005**

A significant element of the non-current assets held for sale relates to the liquids and creams factory in Warsaw which was closed in the year ended 31st May 2005 as previously reported. The remaining assets held in this category relate to properties in Africa, in Nigeria and Ghana, which the board has determined are surplus to the current and ongoing requirements of the Group. The board's expectation is that the assets, which are being actively marketed, will be sold within 12 months of the balance sheet date.

The board considers that the fair value of the assets classified as held for sale at 30th November 2005 exceeds their carrying value and accordingly no adjustment has been made to the carrying value of the assets.

**4. Dividends**

An interim dividend of 9.30p per share for the half-year to 30th November 2005 (2004 - 8.65p) has been declared totalling £3,938,000 (2004 - £3,484,000) payable on 6th April 2006 to ordinary shareholders on the register on 3rd March 2006.

## 5. Earnings per share

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

	<b>Half-year ended 30th November 2005</b>	Half-year ended 30th November 2004	Year ended 31st May 2005
Basic weighted average (000)	<b>42,373</b>	42,407	42,415
Diluted weighted average (000)	<b>42,872</b>	42,872	42,872

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the deferred annual share bonus scheme and the executive share option scheme. The comparative weighted averages above have been restated for the compensatory bonus issue on 29th June 2005.

The basic and diluted earnings per share for the period are as follows:

	<b>Half-year ended 30th November 2005</b>	Half-year ended 30th November 2004	Year ended 31st May 2005
Basic earnings per share*:			
- Before restructuring and fixed asset disposals	<b>38.54p</b>	34.28p	78.72p
- Restructuring and fixed asset disposals	-	3.80p	(12.53)p
	<b>38.54p</b>	38.08p	66.19p
Diluted earnings per share*:			
- Before restructuring and fixed asset disposals	<b>38.09p</b>	33.91p	77.88p
- Restructuring and fixed asset disposals	-	3.76p	(12.39)p
	<b>38.09p</b>	37.67p	65.49p

\*On 29th June 2005 the 'A' ordinary shares were redesignated as ordinary shares. Therefore the comparative figures for 30th November 2004 and 31st May 2005 include both the ordinary and 'A' ordinary shares.

## 6. Preference shares

The preference shares which had a nominal value of £7,898,001 were fully repaid on 1st August 2005.

The company has created a 'special reserve' of £7,898,001 being a sum equal to the nominal value of the issued preference shares. As previously announced the special reserve will not be distributed until all creditors of the company outstanding as at 25th July 2005 have been paid or secured or have consented to any such distribution.

## 7. Enfranchisement

On 29th June 2005 the 'A' ordinary shares were redesignated as ordinary shares as previously announced.

**Directors****Chairman**

A J Green

**Deputy Chairman**

A G Calder

**Chief Executive**

C N Green

**Deputy Chief Executive**

G A Kanellis

C Davis

B H Leigh

D W Lewis\*

C Nicoloulis

J Pantelireis

R H Sellers OBE\*

J D M Smith\*

P J Smyth

J Spyridoulis

J T J Steel\*

\*Non-executive

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B H Leigh

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