



Financial Highlights

Results for the six month period to 30th November 2006			
	Half-year to 30th November 2006	Half-year to 30th November 2005	Change %
Revenue	£279.8m	£258.3m	+8.3
Operating profit	£29.0m	£27.0m	+7.4
Profit before taxation	£30.2m	£28.9m	+4.5
Earnings per share ¹	4.17p	3.85p	+8.3
Interim dividend per share ¹	1.00p	0.93p	+7.5
Net funds ²	£35.2m	£32.7m	+7.6

Operational Highlights

Operating profits have increased by 7.4% to £29.0 million from £27.0 million largely as a result of good trading performance in the UK, Indonesia and Nigeria. Margin improvement initiatives are continuing and in the first half have partly offset the adverse impact of the weakening dollar.

Following the liquidation of the Group's equity investment portfolio last year, as focus is placed on investment for operating profitability growth, net investment income for the first half has reduced to £1.2 million from £1.9 million.

At the half-year end, the Group's net funds position continues to be strong at £35.2 million (31st May 2006 – £51.9 million) with investment in both capital expenditure and working capital in the first half, mainly in Nigeria.

The interim dividend¹ has been increased by 7.5% to 1.00p per share from 0.93p per share.

Strategy

The Group's strategy is built on three core principles:

- We operate in **selected markets** that have the potential for future growth, across Africa, Asia and Europe.
- We develop **leading brands** which are particularly suited to local needs and taste.
- We operate **first class distribution** networks that are tailored specifically for our selected markets.

¹ The comparative figures have been restated following the ten for one share split on 25th September 2006.

² Net funds, above and hereafter, are defined as cash, short-term deposits, current asset investments less borrowings as follows:

	30th November 2006 £m	30th November 2005 £m	31st May 2006 £m
Cash and short-term deposits	52.3	36.9	65.8
Current asset investments	0.6	20.3	2.2
Borrowings due within one year	(16.7)	(20.3)	(14.0)
Borrowings due after one year	(1.0)	(4.2)	(2.1)
Net funds	35.2	32.7	51.9

Overview

PZ Cussons is pleased to report good trading performance in the first half with profit before taxation increasing by 4.5% to £30.2 million from £28.9 million.

The board is recommending an interim dividend increase of 7.5% to 1.00p per share from 0.93p per share.

Africa

Performance in **Nigeria** has been strong with sales and profitability up on the same period last year. The soaps and detergents business performed well in the period with the launch of new products such as Elephant Gold detergent, although the market remained competitive with increased levels of supply. Sales of health and beauty products were higher than the same period last year with the launch of Super Robb mentholated rub in the first half. A relaunch of Venus hair relaxer in the second half was the first product launch under the pan-regional project to leverage the strength of our brands across the African territories. The white goods business, established with Chinese partner Haier, has continued to experience significant growth from sales of both the core range of fridges, freezers and air conditioners and from the introduction of other electrical products such as televisions and DVD players.

The joint venture with Glanbia Plc continues to progress well with strong sales of the Nunu milk brand in the first half. Significant new product launches in the second half include Coast milk, Nunu flavoured powdered milk and Powerfist powdered energy drinks.

As previously announced, the current milk factory is being extended to provide further capacity for the production of powdered and evaporated milk, and a second factory is being constructed for the manufacture of further nutritional products. The Group's share of the cost of both projects is approximately £15 million. Completion of the current factory extension is scheduled for the end of 2007, with the second factory completion targeted for early 2009.

Efforts continue to be concentrated on the Nigeria supply chain with lead times for the supply of materials into Nigeria being further reduced, with significant investment made in the nationwide depot network and further supported by the introduction of a dedicated haulage scheme with a new fleet of vehicles to improve supply from factory to depot.

The Nigerian currency has been stable against the dollar during the period with continued political and economic stability ahead of the elections later this year.

Profitability in **Ghana** and **Kenya** is ahead of the same period last year as a result of both growth and margin improvement.

As previously announced, a decision was taken to dispose of the **Cameroun** business due to limited opportunities in that market, and the sale of the business as a going concern has now been completed following the period end.

Asia

In **Australia**, the market for branded detergent products has become more competitive, principally as a result of the introduction of private label ranges by the trade. Whilst sales were maintained at last year's level for the comparative period, profitability has been impacted by lower selling prices and additional promotional support costs. The trade environment in the second half is expected to improve and the business's extensive new product development pipeline is being prioritised in order to react appropriately to market developments, whilst cost reduction initiatives are also being accelerated in order to restore margin levels.

The **Indonesian** economy has improved during the first half following the adverse impact on consumer disposable income last year as a result of the withdrawal of government fuel subsidies. This improvement, together with a focus on the core brands, and in particular the baby range, has led to an improvement in profitability over the same period last year. Further launches of new products together with an extension of the brand structure of the baby range are planned for the second half. Significant improvements in the distribution network have also been initiated, including the rationalisation of depot operations in Jakarta.

In the other Asian units, **Thailand**, **Malaysia** and the **Middle East**, profitability was maintained at last year's level, for the same comparative period.

Europe

In the **UK**, performance has been strong across the brand portfolio. The Imperial Leather range has seen further innovative launches such as the successful introduction of limited edition shower and bath products, with market shares improving across the Imperial Leather portfolio of shower, bath and bar soap products. The Original Source brand, which was completely renovated last year, has been strengthened with the addition of a range of body scrubs, with the brand also being supported by a nationwide television and press campaign. The Carex range has been extended with the introduction of additional variants and a 'Hand Careexperts' campaign was launched both on television and in targeted print publications. The expansion of distribution of the Charles Worthington haircare brand into the nationwide trade is progressing well with strong sales of the core Results products as well as the recently launched Men's and CW Style.com ranges.

Construction of the new, purpose built liquids factory in North Manchester has begun, with completion planned for the end of 2008 when the current factory will be closed. Negotiations for the advance sale of the current factory site are in progress. Completion of the sale of the Nottingham site, which is subject to a conditional contract, is expected by the end of 2008.

Profitability of the business in **Poland** continues to improve through good brand renovation of the 'E' detergent and Luksja

soap and shower ranges, together with tight cost control across the business. During the period, the head office and warehousing site in Warsaw was sold with completion scheduled for the second half. Following the sale of the liquids and creams factory in Warsaw last year, this further sale completes the disposal of the major Warsaw properties therefore enabling the business to operate from a reduced overhead base and to focus on improving efficiencies at the Wroclaw factory site.

Sales in **Greece** have improved over the same period last year following the rebranding and relaunch of the core Minerva brand. In addition to the olive oil business, expansion of the brand portfolio into butter and spreads is proving successful with the launch of Minerva So Real butter and Minerva Benecol cheese products. Further new product launches are planned for the second half.

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.

Further investment is now planned in group-wide **communications** following the successful completion of a group virtual private network. A major IT infrastructure review has now been completed and work has begun to upgrade all Group infrastructure over the next two years.

Share split

The share split approved at the last annual general meeting on the basis of ten shares per one share previously in issue has now been completed.

Directors

Costas Nicoloulis, regional director Pacific, and Phil Smyth, technical director, will retire from the board on 31st May 2007. The Group technical department has now been integrated with the Group supply chain function and has been headed up by John Pantelireis, supply chain director, from 1st January 2007.

Professor John Arnold joined the board on 1st January 2007 as non-executive director and Rod Sellers will retire from the board on 31st May 2007.

Outlook

The outlook for the full year remains positive despite the impact of the continued weak dollar.

The Group's focus remains on growth and margin improvement in selected geographical markets, particularly Nigeria, where the stable economic and political environment ahead of the forthcoming elections provides significant growth opportunities.

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

30th January 2007

		Half-year to 30th November 2006 £m	Half-year to 30th November 2005 £m	Before exceptional items £m	Exceptional items (note 3) £m	Year to 31st May 2006 Total £m
	Note					
Revenue		279.8	258.3	539.9	–	539.9
Cost of sales		(171.7)	(154.6)	(330.9)	1.0	(329.9)
Gross profit		108.1	103.7	209.0	1.0	210.0
Selling and distribution expenses		(47.8)	(45.5)	(86.7)	(0.7)	(87.4)
Administrative expenses		(31.3)	(31.2)	(62.0)	–	(62.0)
Other costs		–	–	–	(2.7)	(2.7)
Share of results of joint venture		–	–	(0.1)	–	(0.1)
Operating profit		29.0	27.0	60.2	(2.4)	57.8
Finance income		1.8	2.3	4.3	–	4.3
Finance costs		(0.6)	(0.4)	(0.9)	–	(0.9)
Net finance income	4	1.2	1.9	3.4	–	3.4
Profit before taxation		30.2	28.9	63.6	(2.4)	61.2
Taxation	5	(9.0)	(8.9)	(18.6)	–	(18.6)
Profit for the period		21.2	20.0	45.0	(2.4)	42.6
Attributable to:						
Equity holders of the parent		17.7	16.4	37.8	(2.4)	35.4
Minority interests		3.5	3.6	7.2	–	7.2
		21.2	20.0	45.0	(2.4)	42.6
Basic EPS (p)	7	4.17	3.85			8.33
Diluted EPS (p)	7	4.13	3.81			8.23
Adjusted basic EPS (p)	7	4.17	3.85			8.90
Adjusted diluted EPS (p)	7	4.13	3.81			8.79

There were no exceptional items in the periods ended 30th November 2006 and 30th November 2005.

	30th November 2006 £m	30th November 2005 £m	31st May 2006 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	53.9	54.2	54.0
Property, plant and equipment	137.1	145.1	140.1
Investments in joint ventures	–	0.6	–
Other investments	0.7	0.6	0.8
Receivables	0.1	0.2	0.1
Non-current assets held for sale	4.6	4.1	1.3
Retirement benefit surplus	23.4	23.0	23.4
	219.8	227.8	219.7
Current assets			
Inventories	158.9	155.8	142.7
Receivables and prepayments	105.8	91.5	87.2
Other investments	0.6	20.3	2.2
Cash and short-term deposits	52.3	36.9	65.8
Current taxation receivable	1.4	2.1	2.7
	319.0	306.6	300.6
Total assets	538.8	534.4	520.3
Liabilities			
Current liabilities			
Borrowings	(16.7)	(20.3)	(14.0)
Trade and other payables	(107.6)	(97.1)	(83.8)
Current taxation payable	(9.8)	(11.1)	(13.3)
Provisions	(1.0)	–	(1.9)
	(135.1)	(128.5)	(113.0)
Non-current liabilities			
Borrowings	(1.0)	(4.2)	(2.1)
Other liabilities	(3.6)	(5.4)	(3.6)
Deferred tax liabilities	(24.4)	(27.6)	(24.6)
Retirement benefit obligation	(30.5)	(28.0)	(30.5)
Provisions	(8.8)	(12.9)	(8.1)
	(68.3)	(78.1)	(68.9)
Total liabilities	(203.4)	(206.6)	(181.9)
Net assets	335.4	327.8	338.4
Equity			
Ordinary share capital	4.3	4.3	4.3
Capital redemption reserve	0.7	0.7	0.7
Revaluation reserve	26.3	28.0	27.3
Other reserve	(3.4)	(3.5)	(2.9)
Currency translation reserve	(3.0)	12.5	3.3
Special reserve	–	7.9	–
Retained earnings	265.7	237.4	259.3
Equity attributable to equity holders of the parent	290.6	287.3	292.0
Equity minority interest	44.8	40.5	46.4
Total equity	335.4	327.8	338.4

	Half-year to 30th November 2006 £m	Half-year to 30th November 2005 £m	Year to 31st May 2006 £m
Actuarial losses on defined benefit pension schemes (net of taxation)	–	–	(3.8)
Exchange differences on translation of foreign operations	(8.8)	9.8	(2.4)
Taxation on items taken directly to equity	–	–	1.8
Net income recognised directly in equity	(8.8)	9.8	(4.4)
Profit for the period	21.2	20.0	42.6
	12.4	29.8	38.2
Adoption of IAS 39	–	2.0	2.0
Total net income and expense recognised for the period	12.4	31.8	40.2
Attributable to:			
Equity holders of the parent	11.3	25.3	33.2
Minority interests	1.1	6.5	7.0

CONSOLIDATED CASH FLOW STATEMENT

	Half-year to 30th November 2006 £m	Half-year to 30th November 2005 £m	Year to 31st May 2006 £m
Operating activities			
Cash generated from operations (note 8)	25.9	3.0	35.8
Taxation	(8.7)	(8.6)	(18.3)
Net cash flow from operating activities	17.2	(5.6)	17.5
Investing activities			
Investment income received	2.1	2.6	8.5
Purchase of property, plant and equipment	(12.5)	(12.0)	(25.5)
Sale of property, plant and equipment	2.1	1.0	10.2
Purchase of intangible assets	–	–	(0.2)
Net cash balances disposed of with subsidiary undertaking	–	–	(0.4)
Purchase of non-current asset investments	–	–	(0.3)
Sale of current asset investments	1.6	–	14.0
Net cash flow from investing activities	(6.7)	(8.4)	6.3
Financing activities			
Interest paid	(0.6)	(0.4)	(0.9)
Preference dividends paid	–	(0.1)	(0.1)
Dividends paid to minority shareholders in subsidiary companies	(2.9)	(1.6)	(2.5)
Purchase of shares for ESOT (Employee Share Option Trust)	(0.5)	(3.0)	(2.6)
Ordinary dividends paid	(12.5)	(11.3)	(15.2)
Net increase/(decrease) in short-term borrowings	4.0	10.9	(3.4)
Cash received from minority shareholders in respect of rights issue	–	–	5.3
Repayment of preference share capital	–	(15.5)	(15.5)
Loans to joint venture companies	(8.7)	–	–
Net cash flow from financing activities	(21.2)	(21.0)	(34.9)
Net decrease in cash and cash equivalents	(10.7)	(35.0)	(11.1)
Cash and cash equivalents at the beginning of the period	53.9	65.4	65.4
Effect of foreign exchange rates	(0.4)	0.6	(0.4)
Cash and cash equivalents at the end of the period	42.8	31.0	53.9

1. Basis of preparation

These interim financial statements for the period ended 30th November 2006, which are neither audited nor reviewed, have been prepared consistently 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).

In preparing these interim financial statements the board has not sought to implement the early adoption of IAS 34 'Interim financial reporting'.

The interim financial statements for the period ended 30th November 2006 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 2006 does not constitute statutory accounts for that period. Full audited accounts of the PZ Cussons Group in respect of that financial period in accordance with IFRS, 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. Accounting policies

The accounting policies adopted are consistent with those adopted in the preparation of the annual financial statements for the year ended 31st May 2006.

The Group has considered all amendments to current standards and interpretations together with all new standards and interpretations and has not identified any significant changes relevant to these accounts.

3. Exceptional items

There were no exceptional items in the periods ended 30th November 2006 and 30th November 2005.

Year to 31st May 2006

	Note	Profit before taxation £m	Taxation £m	Profit after taxation £m
Exceptional items included within operating profit:				
Restructuring of UK operations	(i)	(6.5)	1.6	(4.9)
Restructuring of smaller overseas operations	(ii)	(3.1)	–	(3.1)
Profit on disposal of property, plant and equipment	(iii)	1.9	–	1.9
Income from bad debts previously written off	(iv)	5.3	(1.6)	3.7
Total		(2.4)	–	(2.4)

(i) Restructuring of UK operations

A decision was taken in the year ended 31st May 2005 to close the soap manufacturing factory in Nottingham and transfer the production to PZ Cussons Thailand. The exceptional charge before taxation to the consolidated income statement in the year ended 31st May 2006 comprised impairment provisions for plant and machinery of £3.3 million and other associated restructuring costs of £3.2 million.

(ii) Restructuring of smaller overseas operations

Rationalisation of the Group's smaller operations in the year ended 31st May 2006, being the Cameroun business which was put up for sale and the USA operation which was converted from direct sale to a licence arrangement.

(iii) Profit on disposal of property, plant and equipment

During the year ended 31st May 2006, the sale of the Group's liquids and creams factory in Warsaw resulted in an exceptional gain on disposal of £1.9 million.

(iv) Income from bad debts previously written off

Gross income of £5.3 million was recognised in the year ended 31st May 2006 as a result of recoveries from ECGD (Export Credit Guarantee Department) of bad debts written off several years ago, which were recovered as a result of Nigeria's settlement with the Paris Club of creditors.

4. Net finance income

	Half-year to 30th November 2006 £m	Half-year to 30th November 2005 £m	Year to 31st May 2006 £m
Current asset investment income:			
Net investment gains	–	1.3	2.7
Interest and dividends receivable	1.8	1.0	1.6
	1.8	2.3	4.3
Interest payable on bank loans and overdrafts	(0.6)	(0.4)	(0.9)
	1.2	1.9	3.4

5. Taxation

	Half-year to 30th November 2006 £m	Half-year to 30th November 2005 £m	Year to 31st May 2006 £m
United Kingdom	2.9	3.0	6.3
Overseas	6.1	5.9	12.3
	9.0	8.9	18.6

6. Dividends

An interim dividend of 1.00p per share for the half-year to 30th November 2006 (2005 – 0.93p*) has been declared totalling £4.2 million (2005 – £3.9 million) payable on 10th April 2007 to ordinary shareholders on the register on 2nd March 2007. The proposed final dividend for the year ended 31st May 2006 of 2.95p* per share, totalling £12.5 million, was approved by shareholders at the annual general meeting of the company and paid on 27th September 2006.

*The comparative figures have been restated following the ten for one share split on 25th September 2006.

7. Earnings per share

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

	Half-year to 30th November 2006	Half-year to 30th November 2005*	Year to 31st May 2006*
Basic weighted average (000)	424,810	423,730	423,750
Diluted weighted average (000)	428,720	428,720	428,720

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

	Half-year to 30th November 2006	Half-year to 30th November 2005*	Year to 31st May 2006*
Basic earnings per share:			
– Adjusted basic earnings per share	4.17p	3.85p	8.90p
– Exceptional items	–	–	(0.57)p
– Basic earnings per share	4.17p	3.85p	8.33p
Diluted earnings per share:			
– Adjusted diluted earnings per share	4.13p	3.81p	8.79p
– Exceptional items	–	–	(0.56)p
– Diluted earnings per share	4.13p	3.81p	8.23p

*The comparative figures have been restated following the ten for one share split on 25th September 2006.

8. Reconciliation of operating profit to net cash generated from operating activities

	Half-year to 30th November 2006 £m	Half-year to 30th November 2005 £m	Year to 31st May 2006 £m
Profit before taxation	30.2	28.9	61.2
Adjustment for finance income	(1.2)	(1.9)	(3.4)
Operating profit	29.0	27.0	57.8
Depreciation and adjustments on disposals	6.5	7.1	10.1
Impairment of property, plant and equipment	–	–	3.3
Add back charge for shares purchased for ESOT	–	0.6	0.8
Operating cash flows before movements in working capital	35.5	34.7	72.0
Movements in working capital:			
Inventories	(21.9)	(19.6)	(14.0)
Receivables	(11.9)	(20.8)	(18.2)
Payables	24.0	8.1	(1.9)
Provisions	0.2	0.6	(2.1)
Cash generated from operations	25.9	3.0	35.8

9. Reconciliation of movement in consolidated equity

	Half-year to 30th November 2006 £m	Half-year to 30th November 2005* £m	Year to 31st May 2006 £m
Total net income recognised for the period	12.4	29.8	38.2
Ordinary dividends	(12.5)	(11.3)	(15.2)
Preference dividends	–	(0.1)	(0.1)
Shares purchased for ESOT	(0.5)	(2.4)	(2.6)
Shares to be awarded from ESOT	–	–	0.8
Share-based payments	–	0.2	0.4
Minority interest dividend charged	(2.4)	(2.9)	(2.9)
Repayment of preference share capital	–	(15.5)	(15.5)
Increased investment from minority interest	–	–	5.3
Net (decrease)/increase in equity for the period	(3.0)	(2.2)	8.4
Opening equity	338.4	328.0	328.0
Adoption of IAS 39	–	2.0	2.0
Closing equity	335.4	327.8	338.4
Attributable to:			
Equity shareholders of the parent	290.6	287.3	292.0
Minority interests	44.8	40.5	46.4

*£7.6 million which related to the repayment of the preference share capital, previously reported in the consolidated statement of recognised income and expense for the period ended 30th November 2005, has now been included in the reconciliation of movement in consolidated equity for that period within the £15.5 million repayment of preference share capital, as this more fairly reflects the substance of the transaction.

Directors**Chairman**

A J Green

Deputy Chairman

A G Calder

Chief Executive

G A Kanellis

J A Arnold* (appointed on 1st January 2007)

C G Davis

B H Leigh

D W Lewis*

C Nicoloulis

J Pantelireis

R H Sellers OBE*

J D M Smith*

P J Smyth

J T J Steel*

*Non-executive

Secretary

B H Leigh

Registered office

PZ Cussons House

Bird Hall Lane

Stockport SK3 0XN

Registered number

Company registered number 19457

Registrars

Computershare Investor Services PLC

PO Box 82

The Pavilions

Bridgwater Road

Bristol BS99 7NH

Website

www.pzcussons.com