

PZ CUSSONS PLC

27 July 2010

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MAY 2010

PZ Cussons Plc, the leading international consumer products group, announces its preliminary results for the year ended 31 May 2010.

Results (before exceptional items ¹)	Year ended 31 May 2010	Year ended 31 May 2009	% change
Revenue ²	£771.6m	£781.8m	- 1.3%
Operating profit	£101.4m	£90.6m	+11.9%
Profit before tax	£101.8m	£88.8m	+14.6%
Adjusted basic earnings per share	14.89p	12.39p	+20.2%
Statutory results			
Operating profit	£101.4m	£86.2m	+17.6%
Profit before tax	£101.8m	£84.4m	+20.6%
Basic earnings per share	14.89p	11.64p	+27.9%
Total dividend per share	5.90p	5.27p	+12.0%
Net funds ³	£86.5m	£23.2m	

¹ Exceptional items are detailed in note 2.

² The revenue figure has been restated due to a prior year adjustment detailed in note 9.

³ Net funds, above and hereafter, is defined as cash, short-term deposits and current asset investments less borrowings (refer to note 8).

Highlights

Group

- Strong trading performance delivering 11.9% increase in operating profit to £101.4m
- Operating margins improved despite revenue flat after currency impact
- Strong cash flow from operations benefited from continued reduction of working capital and resulted in a closing net funds position of £86.5m
- Major capital investment programme now complete with £44.3m expenditure in the year funded from cash flow
- Total dividend increased 12.0% year on year

Africa

- Main market Nigeria politically stable ahead of elections scheduled for Spring 2011
- Operating profit increased despite negative currency impact and a short-term liquidity squeeze which affected revenue and profitability in the second quarter
- Nutrition joint venture continues to trade profitably with new UHT factory performing well
- £39 million investment programme in Nigeria completed on schedule

Asia

- Increase in profitability across Australia, Indonesia and the Middle East
- Growth achieved through the roll out of both local and group-wide innovation pipeline

Europe

- Strong growth in UK profitability delivered through an effective brand renovation programme and despite an uncertain consumer outlook
- Continued progress in Poland through a particular focus on Personal Wash
- A good start to the year in Greece although trading in the second half became more difficult due to the deteriorating economic environment

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Commenting today, Richard Harvey (Chairman) said:

“The Group has delivered a strong performance with profitable growth in all three regions of Africa, Asia and Europe.

A clear focus on the strategy of selected markets, leading brands, a world class supply chain and a great team of people has enabled continued sustainable profitable growth through a challenging trading environment.

Cash generation has been extremely strong and even after £44.3 million of capital investment in the year, the closing net funds position of £86.5 million leaves the Group well-placed to pursue growth opportunities.

The 12.0% increase in the dividend marks another year of growth whilst maintaining excellent dividend cover at 2.5 times.

Overall performance since the year end has been in line with management expectations. We look ahead with cautious optimism and an entrepreneurial spirit despite an uncertain consumer outlook in a number of markets.”

Press Enquiries

PZ Cussons Brandon Leigh (Finance Director)

Hogarth Partnership John Olsen, Sarah MacLeod

On 27 and 28 July 2010 c/o Hogarth on 020 7357 9477.

After 28 July to Brandon Leigh on 0161 435 1000.

An analysts' presentation will be held on 27 July 2010 at 9.30am at the offices of Panmure Gordon, Moorgate Hall, 155 Moorgate, London, EC2M 6XB.

Overview

PZ Cussons is pleased to report another year of considerable progress for the twelve months to 31 May 2010. Profit before tax and exceptional items rose 14.6% to £101.8m (2009: £88.8m) on revenue down 1.3% to £771.6m (2009: £781.8m). After exceptional items, reported profit before tax increased by 20.6% to £101.8m (2009: £84.4m). Basic earnings per share were 14.89p (2009: 11.64p). Adjusted for exceptional items, earnings per share rose 20.2% to 14.89p (2009: 12.39p). As at 31 May 2010 the Group had net funds of £86.5m (2009: £23.2m).

The board is recommending a final dividend of 3.97p per share (2009: 4.085p) to give a total dividend of 5.90p per share (2009: 5.27p), a 12.0% increase for the year. As explained in the Interim Statement, the interim/final payment ratio for the year has been rebalanced in line with normal practice. Subject to approval at the annual general meeting, the final dividend will be paid on 6 October 2010 to shareholders on the register at the close of business on 20 August 2010.

Trading performance – overview

The Group has delivered a strong performance in the year despite challenging trading conditions in some markets.

Europe and Asia have performed particularly well through organic growth delivered by consistent execution of brand renovation strategies tailored for each local market.

In Africa, a tightening of banking controls in Nigeria led to a temporary lack of liquidity in the second quarter which affected sales, particularly of goods in the higher value electrical goods category. Liquidity began to return to more normal levels in the second half of the year. The US\$/ Naira exchange rate has also been stable during the year following a weakening towards the end of the previous year. Despite the liquidity and currency impact, and with the Nutrition joint venture returning to profitability, operating profits in Africa increased year on year.

Overall exchange rate impact for the Group in the year resulted in a reduction in revenue and profitability of circa £18m and £3m respectively. Revenue year on year was flat, due principally to the adverse currency impact and the effect of the liquidity squeeze in Nigeria.

During the year, in addition to delivery of operating profit in absolute terms, internal focus has also been placed on improving operating margins.

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Financial position - overview

The Group's balance sheet remains healthy with a closing net funds position of £86.5m versus a prior year close of £23.2m.

This has been achieved through continued focus on reducing working capital levels across all areas of the business. Having reduced levels from 26% to 16% of revenue last year, a further reduction to 13% of revenue has been achieved this year.

Cash generated from operations was significant at £160.8m (2009: £145.2m) as a result of strong profitability and the reduction in working capital levels. This has therefore funded capital expenditure of £44.3m in the final year of the Group's major capital investment programme whilst still increasing the net funds position to £86.5m.

Major projects

In Nigeria, Project Unity, which is the £39m investment in manufacturing and supply chain has been completed on schedule, with the final commissioning of the new detergent tower being carried out over the next few months.

During the last three years, this project has:

- Relocated and upgraded the personal care production facility;
- Constructed a world-class national distribution centre on the Ikorodu site;
- Upgraded the soap manufacturing capability at Aba;
- Constructed a new state-of-the-art detergent production facility at Ikorodu.

This has therefore laid the platform for sustainable long-term growth in our Personal Care and Home Care businesses as well as upgrading the distribution capability.

The Group's major capital investment programme is now complete with no significant further organic capital projects currently planned.

Regional reviews

Performance by region

	Revenue (£m)		Operating profit before exceptional items ¹ (£m)	
	2010	2009	2010	2009
Africa	325.2	358.7	42.2	39.5
Asia	165.6	135.0	13.0	10.2
Europe	280.8	288.1	46.2	40.9
Total	771.6	781.8	101.4	90.6

¹ Exceptional items are detailed in note 2.

Africa

In **Nigeria**, the political environment is now stable following the death of the former President and the appointment of the Vice-President as President a few months ago. Elections are currently scheduled for Spring 2011 and whilst the medium to long-term political outlook is healthy, some short-term risk of disruption from the election process exists towards the end of the 2011 financial year.

Economically, a strengthening of banking controls in the second quarter led to a short-term liquidity squeeze with distributors, mainly of higher value electrical goods, unable to access previous levels of credit for working capital. At a macro level, the Naira/US\$ exchange rate has been stable throughout the year and foreign

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exchange reserves should remain sustainable with the oil price at current levels. The outlook for the economy remains healthy with positive GDP rates continuing.

During the year the Group's holding in its listed Nigerian subsidiary was increased from 64% to 66.1% at a cost of £6.8m.

In Personal Care and Home Care, focus on the core categories of Skin Care, Hair Care, Baby Care, Medicaments and Fabric Care has ensured another year of profitable growth. In particular, effective renovation of our Personal Care brands Premier, Joy, Venus, Robb and Cussons Baby and our Home Care brands Rex, Zip, Canoe and Jet has reinforced their leading positions in these growing categories.

In Electricals, the HPZ joint venture with Haier suffered poor sales in the second quarter as a result of the liquidity squeeze previously mentioned. Since then, sales levels have recovered to pre-squeeze levels as liquidity has returned to the market. Haier Thermocool continues to hold the number one market share position in both refrigerators and freezers with a premium price position being maintained. The wider product range of air-conditioners and brown goods also continues to be successfully developed. In Harefield, the subsidiary incorporated last year to sell products in adjacent categories, sales of fuel powered generators have been strong and ahead of the prior year.

In Nutrition, the joint venture with Glanbia returned to profitability in the year following the losses incurred last year as a result of high milk prices. The new UHT factory was commissioned at the beginning of the year with encouraging first year sales of the new Tetra Pak format products sold under the Nunu, Bliss and Yo! brands. Further new product launches such as Bliss Ice Tea are planned.

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 prior year as a result of good execution of brand strategy in market. New launches have taken place both in Dish Care (Morning Fresh) and Fabric Care (Radiant and Duo). Development of the Personal Wash category has continued through new launches under the Cussons Pure brand, whilst Original Source will be launched into the market for the first time in November.

In **Indonesia**, further extension of the number one position in the Baby Care category has resulted in revenue and profitability ahead of last year. This has been driven by new product launches across both the core Cussons Baby range and the more premium Cussons First Years range. A major relaunch of the Cussons Baby range is taking place shortly to maintain the positive momentum behind the brand. During the year, Carex was launched into the market to capitalise on heightened awareness of hand hygiene and initial sales have been encouraging.

Overall sales and profitability of the other Asian units, **Thailand** and the **Middle East**, were ahead of the prior year.

Europe

Performance in the **UK** has been strong as a result of excellent brand innovation across the portfolio of Imperial Leather, Carex, Original Source, Charles Worthington and The Sanctuary. This is despite the trading environment remaining difficult with high levels of promotional activity in the retailers and an uncertain consumer outlook.

Imperial Leather, the largest brand in the UK portfolio, continues to deliver innovative products in bar soap, handwash and shower gel formats. The newest range recently launched, Imperial Leather "Skin Kind", is a range of shower gels developed for sensitive skin but with a unique formula that allows fragrance to be added unlike other products in the sensitive skin category. A media campaign has just started including national TV advertising.

Original Source continues to perform well with a loyal consumer base supported in particular by sponsorship of high performance sports events such as 'Mountain Mayhem'. Carex continues to be the UK's leading antibacterial handwash and is currently being rebranded in an exciting new design and with a new unique formula for faster germ kill. The Charles Worthington haircare brand has maintained its number two position in the competitive professional haircare category through innovative product launches such as the "Front Row" high performance styling range. The core "Results" range is also being relaunched in attractive new packaging.

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The Sanctuary continues to perform well with product range extensions including new premium products and an exciting new skincare range. The spa at Covent Garden has also continued to perform well despite the economic conditions, with visitor numbers close to capacity. During the year a high street spa in Richmond was acquired as part of the "City Spa" concept to extend the reach of the brand to consumers. Two further units were secured in Cambridge and in Bristol, and will open as Sanctuary Spas during the next few months.

Also in the UK, a partnership with Ecolab is being developed which has initially seen Imperial Leather and Carex supplied into branded dispensers in Premier Inn and Holiday Inn hotel rooms.

The Personal Wash Centre of Excellence at Agecroft has operated well during the year with Original Source production now brought in-house following the installation of a fifth manufacturing line.

Finally in the UK, the Group moved into its new Head Office at Manchester Business Park, adjacent to Manchester Airport, providing a modern and innovative environment for the future.

Profitability in **Poland** is ahead of last year primarily as a result of strong sales of "E" (laundry powders and fabric conditioners). Luksja (bar soap and shower gel) also continues to perform well via utilisation of the Imperial Leather innovation developed in the UK, with Luksja "Skin Kind" currently being launched into the market.

In **Greece**, profitability was lower than the previous year due to the worsening economic conditions in the second half. Whilst olive oil sales were lower than the previous year, good progress has been made in the newer categories of margarine, butter and cheese.

Taxation

The effective tax rate before exceptional items was 28.6% (2009: 28.4%).

Pensions

The Group's three closed UK final salary schemes had a small deficit position at 31 May 2010 of £7.4m (2009: £4.3m). The Group is currently implementing a number of long term de-risking strategies including an enhanced transfer value programme which will commence in the next financial year.

Directors

Richard Harvey joined the board on 1 January 2010 as Non Executive Director and Non-Executive Chairman elect. Richard took over as Non-Executive Chairman on 1 July 2010 upon the retirement of Anthony Green, Executive Chairman. Graham Calder, Deputy Chairman, retired from the board on 31 March 2010.

Outlook

The outlook for the year remains positive with significant brand renovation programmes planned across Europe, Asia and Africa. With the major capital investment programmes in the UK and Nigeria now complete, the Group is well placed for efficient manufacturing and distribution in these territories.

Whilst the Group's innovation pipeline should provide the potential for continued profitable growth, we remain conscious of the competitive trading environment and fragile consumer confidence, particularly in the UK and Greece.

As previously mentioned, the Nigeria elections scheduled for Spring 2011 may cause some disruption to trading towards the end of the financial year.

Continued focus remains on cash generation through further reductions in working capital levels and with a smaller capital expenditure programme to fund.

The Group's balance sheet remains strong with a net funds position and the Group is well placed to pursue further growth opportunities.

Overall performance since the year-end has been in line with management expectations. We look ahead with cautious optimism and an entrepreneurial spirit despite an uncertain consumer outlook in a number of markets.

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Consolidated income statement for the year ended 31 May 2010

	Notes	Total 2010 £m	Before exceptional items £m (restated)	Exceptional items (note 2) £m	Total 2009 £m (restated)
Continuing operations					
Revenue	1	771.6	781.8	-	781.8
Cost of sales		(460.1)	(486.7)	(3.3)	(490.0)
Gross profit		311.5	295.1	(3.3)	291.8
Selling and distribution costs		(123.9)	(123.3)	-	(123.3)
Administrative expenses		(87.8)	(77.1)	(1.1)	(78.2)
Share of results of joint venture		1.6	(4.1)	-	(4.1)
Operating profit	1	101.4	90.6	(4.4)	86.2
Finance income		2.9	3.7	-	3.7
Finance cost		(2.5)	(5.5)	-	(5.5)
Net finance income / (cost)	3	0.4	(1.8)	-	(1.8)
Profit before taxation		101.8	88.8	(4.4)	84.4
Taxation	4	(29.1)	(25.2)	1.2	(24.0)
Profit for the year		72.7	63.6	(3.2)	60.4
Attributable to:					
Equity holders of the parent		63.7	52.8	(3.2)	49.6
Non controlling interest		9.0	10.8	-	10.8
		72.7	63.6	(3.2)	60.4
<hr/>					
Basic EPS (p)	6	14.89			11.64
Diluted EPS (p)	6	14.72			11.56
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Adjusted basic EPS (p)	6	14.89			12.39
Adjusted diluted EPS (p)	6	14.72			12.31

The results shown above for both 2010 and 2009 relate to continuing operations.

Consolidated statement of comprehensive income for the year ended 31 May 2010

	2010 £m	2009 £m
Profit for the period	72.7	60.4
Other comprehensive income		
Actuarial (losses) / gains on defined benefit pension schemes	(8.3)	19.1
Exchange differences on translation of foreign operations	39.5	(3.8)
Cash flow hedges – fair value (loss) / gain in period	(2.3)	0.6
Taxation on items taken directly to equity	4.4	(5.6)
Other comprehensive income for the period net of tax	33.3	10.3
Total comprehensive income for the period	106.0	70.7
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Attributable to:		
Equity holders of the parent	90.8	61.1
Non controlling interests	15.2	9.6

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Consolidated balance sheet as at 31 May 2010

	Notes	31 May 2010 £m	31 May 2009 (restated) £m
Assets			
Non-current assets			
Goodwill and other intangible assets	7	163.0	157.6
Property, plant and equipment		242.0	200.8
Other investments		0.7	0.6
Net investment in joint venture		24.9	19.0
Receivables		0.8	1.6
Retirement benefit surplus		32.0	20.6
		463.4	400.2
Current assets			
Inventories		142.1	154.6
Trade receivables and prepayments		124.6	113.7
Investments		0.3	0.3
Cash and cash equivalents		131.9	84.2
Current taxation receivable		4.8	0.8
		403.7	353.6
Total assets		867.1	753.8
Equity			
Ordinary share capital		4.3	4.3
Capital redemption reserve		0.7	0.7
Hedging reserve		(1.3)	0.3
Currency translation reserve		53.8	20.4
Retained earnings		397.3	364.2
Equity attributable to equity holders of the Company		454.8	389.9
Equity non controlling interest		67.3	59.9
Total equity		522.1	449.8
Liabilities			
Non-current liabilities			
Borrowings		30.0	44.9
Other liabilities		0.4	1.0
Deferred tax liabilities		48.8	47.2
Retirement benefit obligations		46.7	29.6
		125.9	122.7
Current liabilities			
Borrowings		15.7	16.4
Trade and other payables		172.4	140.8
Current taxation payable		27.9	20.3
Provisions		3.1	3.8
		219.1	181.3
Total liabilities		345.0	304.0
Net equity and liabilities		867.1	753.8

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Consolidated statement of changes in equity for the year ended 31 May 2010

	Attributable to owners of the Company						Total £m
	Share capital	Currency translation reserve	Capital redemption reserve	Retained earnings	Hedging reserve	Non controlling interests	
	£m	£m	£m	£m	£m	£m	
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
Exchange differences on translation of foreign operations	-	(2.6)	-	-	-	(1.2)	(3.8)
Cash flow hedges - Fair value gains in year	-	-	-	-	0.6	-	0.6
Cash flow hedges - Tax on fair value gains	-	-	-	-	(0.3)	-	(0.3)
Deferred tax on share based payments	-	-	-	0.6	-	-	0.6
Tax on actuarial gains on defined benefit schemes	-	-	-	(5.9)	-	-	(5.9)
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 Employee Share Option Trust	-	-	-	(0.7)	-	-	(0.7)
Share based payments charge	-	-	-	1.3	-	-	1.3
Acquisition of non controlling interest	-	-	-	-	-	(3.7)	(3.7)
Non controlling 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	-	-	-	63.7	-	9.0	72.7
Actuarial losses on defined benefit pension schemes	-	-	-	(8.3)	-	-	(8.3)
Exchange differences on translation of foreign operations	-	33.4	-	-	(0.1)	6.2	39.5
Cash flow hedges - Fair value losses in year	-	-	-	-	(2.3)	-	(2.3)
Cash flow hedges - Tax on fair value losses	-	-	-	-	0.8	-	0.8
Deferred tax on share based payments	-	-	-	1.6	-	-	1.6
Tax on actuarial gains on defined benefit schemes	-	-	-	2.0	-	-	2.0
Total comprehensive income/(expense) for the period	-	33.4	-	59.0	(1.6)	15.2	106.0
Transactions with owners:							
Ordinary dividends	-	-	-	(25.7)	-	-	(25.7)
Acquisition of shares for Employee Share Option Trust	-	-	-	(3.0)	-	-	(3.0)
Share based payments charge	-	-	-	2.8	-	-	2.8
Acquisition of non controlling interest	-	-	-	-	-	(3.3)	(3.3)
Non controlling interest dividend paid	-	-	-	-	-	(4.5)	(4.5)
At 31 May 2010	4.3	53.8	0.7	397.3	(1.3)	67.3	522.1

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Consolidated cash flow statement for the year ended 31 May 2010

	2010 £m	2009 £m
Operating activities		
Cash generated from operations	160.8	145.2
Taxation	(22.1)	(16.7)
Net cash flow generated from operating activities	138.7	128.5
Cash flows from investing activities		
Investment income received	2.9	3.7
Purchase of property, plant and equipment	(44.3)	(46.0)
Proceeds from sale of property, plant and equipment	0.6	4.1
Proceeds from sale of intangible assets	-	4.3
Acquisition of intangible assets	(0.3)	(3.6)
Acquisition of non controlling interest	(6.8)	(5.2)
Acquisition of subsidiary	(0.8)	-
Loans granted to joint ventures	(2.2)	(0.5)
Net cash used in investing activities	(50.9)	(43.2)
Financing activities		
Interest paid	(2.5)	(5.5)
Dividends paid to non controlling interests	(4.1)	(2.3)
Purchase of shares for Employee Share Option Trust	(3.0)	(0.7)
Dividends paid to Company shareholders	(25.7)	(20.5)
Net decrease in borrowings	(15.0)	(10.5)
Net cash flow used in financing activities	(50.3)	(39.5)
Net increase in cash, cash equivalents and bank overdrafts	37.5	45.8
Cash, cash equivalents and bank overdrafts at the beginning of the year	82.8	38.1
Effect of foreign exchange rates	10.9	(1.1)
Cash, cash equivalents and bank overdrafts at the end of the year	131.2	82.8

Reconciliation of profit before tax to cash generated from operations for the year ended 31 May 2010

	2010 £m	2009 £m
Profit before tax	101.8	84.4
Adjustment for net finance (income) / cost	(0.4)	1.8
Operating profit	101.4	86.2
Depreciation	18.8	17.5
Loss on sale of tangible fixed assets	1.2	1.0
Difference between pension charge and cash contributions	(4.1)	(2.6)
Share of results from joint venture	(1.6)	4.1
Share based payment charges	2.8	1.3
Operating cash flows before movements in working capital	118.5	107.5
Movements in working capital:		
Inventories	24.8	7.0
Receivables	(5.4)	(2.0)
Payables	24.0	30.7
Provisions	(1.1)	2.0
Cash generated from operations	160.8	145.2

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NOTES

1 Segmental analysis

2010	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	325.2	192.3	446.1	(192.0)	771.6
Inter segment revenue	-	(26.7)	(165.3)	192.0	-
Revenue	325.2	165.6	280.8	-	771.6
Segmental operating profit before exceptional items and share of results in joint venture	40.6	13.0	46.2	-	99.8
Share of results of joint venture	1.6	-	-	-	1.6
Segmental operating profit	42.2	13.0	46.2	-	101.4
Finance income					2.9
Finance cost					(2.5)
Profit before taxation					101.8

2009 (restated)	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	358.7	173.9	500.6	(251.4)	781.8
Inter segment revenue	-	(38.9)	(212.5)	251.4	-
Revenue	358.7	135.0	288.1	-	781.8
Segmental operating profit before exceptional items and share of results in joint venture	43.6	10.2	40.9	-	94.7
Share of results of joint venture	(4.1)	-	-	-	(4.1)
Segmental operating profit before exceptional items	39.5	10.2	40.9	-	90.6
Exceptional items (note 2)	-	-	(4.4)	-	(4.4)
Segmental operating profit	39.5	10.2	36.5	-	86.2
Finance income					3.7
Finance cost					(5.5)
Profit before taxation					84.4

2 Exceptional items

The Group adopts a columnar income statement format to highlight significant items within the Group's results for the period. Such items are considered by the directors to be exceptional in nature rather than being representative of the underlying trading of the Group, and may include such items as restructuring costs, material impairments of non-current assets, material profits and losses on disposal of property, plant and equipment, material pension curtailments and profit or loss on disposal or termination of operations. The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be disclosed in a separate column of the income statement and notes to the financial statements as 'Exceptional items'. The directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Year to 31 May 2010

There were no exceptional items in 2010.

Year to 31 May 2009

	Exceptional item before taxation £m	Taxation £m	Exceptional item after taxation £m
Exceptional items included within operating profit:			
Restructuring of UK operations	(4.4)	1.2	(3.2)

Restructuring of UK operations

This item relates to a significant restructuring of the UK business, associated with the relocation of manufacturing from two sites to one site, made up of redundancy and other associated costs.

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3 Net finance income / (cost)

	2010 £m	2009 £m
Current asset investment income:		
Net investment gains	0.4	0.4
Interest receivable from associated companies	0.1	0.3
Interest and dividends receivable	2.4	1.6
Gains on financial instruments	-	1.4
	2.9	3.7
Interest payable on bank loans and overdrafts	(2.5)	(5.5)
Total	0.4	(1.8)

4 Taxation

	2010 £m	2009 £m
Current tax		
UK corporation tax charge for the year	7.7	4.5
Adjustments in respect of prior periods	(1.5)	(2.1)
	6.2	2.4
Overseas corporation tax charge for the year	17.4	18.9
Adjustments in respect of prior periods	1.0	0.1
	18.4	19.0
Total current tax charge	24.6	21.4
Deferred tax		
Temporary differences, origination and reversal	3.9	2.3
Adjustments in respect of prior periods	0.6	0.3
Total deferred tax	4.5	2.6
Total tax charge	29.1	24.0

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation on items taken directly to equity was a credit of £4.4 million (2009: debit of £5.6 million) and relates to deferred tax on actuarial losses, deferred tax on share option schemes and deferred tax on financial derivatives recognised in the hedging reserve.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2010 £m	2009 £m
Profit before tax	101.8	84.4
Tax at the UK corporation tax rate of 28% (2009: 28%)	28.5	23.6
Tax effect of revenue / expenses that are not deductible	0.1	-
Effect of different tax rates of subsidiaries in overseas jurisdictions	0.8	1.0
Tax effect of share of results of joint ventures	(0.4)	1.1
Prior period adjustment	0.1	(1.7)
Tax charge for the year	29.1	24.0

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5 AGM and dividend

The board is recommending a dividend increase of 12% for the year with a proposed final dividend of 3.970p (2009: 4.085p) per share for a total of 5.90p (2009: 5.27p). The gross amount for the proposed final dividend is £17.1 million (2009: £17.5 million).

The date of the annual general meeting has been fixed for 13 September 2010 and dividend warrants in respect of the proposed final dividend, subject to shareholders' approval, will be posted on 4 October 2010 to members on the register at 5.00 pm on 20 August 2010.

6 Earnings per share

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

	2010	2009
Basic weighted average (000)	427,232	426,212
Diluted weighted average (000)	432,391	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 Scheme and the Performance Share Plan.

The profit attributable to equity holders for the period is as follows:

	2010	2009
	£m	£m
Profit attributable to ordinary equity shareholders	63.7	49.6
Exceptional items (note 2)	-	3.2
Adjusted profit	63.7	52.8

	2010	2009
Basic earnings per share	14.89p	11.64p
Exceptional items (note 2)	-	0.75p
Adjusted basic earnings per share	14.89p	12.39p
Diluted earnings per share	14.72p	11.56p
Exceptional items (note 2)	-	0.75p
Adjusted diluted earnings per share	14.72p	12.31p

7 Goodwill and other intangible assets

	Goodwill ¹	Other intangible assets ²	Total
	£m	£m	£m
Cost			
At 1 June 2008	29.3	122.9	152.2
Acquired during the year	1.5	3.6	5.1
Currency retranslation	-	0.3	0.3
At 31 May 2009	30.8	126.8	157.6
Acquired during the year	3.9	-	3.9
Additions	-	0.3	0.3
Currency retranslation	-	1.2	1.2
At 31 May 2010	34.7	128.3	163.0

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¹ During the year the Group acquired additional share capital of PZ Cussons Nigeria Plc increasing its stake from 64.0% to 66.1%. This generated goodwill of £3.5 million. The acquisition of the Body Experience Limited, a day spa in Richmond, also generated £0.4 million of goodwill.

² Intangible assets include the Group's acquired brands: Charles Worthington, Original Source, The Sanctuary and Trix.

8 Net funds

	2010 £m	2009 £m
Cash at bank and in hand	57.3	38.9
Short-term deposits	74.6	45.3
Overdrafts	(0.7)	(1.4)
Cash, cash equivalents and bank overdrafts	131.2	82.8
Current asset investments	0.3	0.3
Loans due within one year	(15.0)	(15.0)
Loans due after one year	(30.0)	(44.9)
Net funds	86.5	23.2

9 Accounting policies

Whilst the financial information in this preliminary announcement has been computed in accordance with IFRS this announcement does not itself contain sufficient information to comply with IFRS.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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).

The financial statements have been prepared on a historical cost basis, modified for fair values under IFRS.

The accounting policies are consistent with those presented in the Annual Report and Financial Statements for 2009 with the exception of the following:

Prior year adjustment

During the year to 31 May 2010 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* 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 than 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. There is no impact on the historic or future profitability or net assets of the Group.

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.

*the operating entity within the Group's nutritional foods joint venture

IFRS 8 'Operating Segments'

The Group has implemented IFRS 8 'Operating segments' with effect from 1 June 2009. IFRS 8 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.

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10 Basis of financial statements

The 2010 results are an abridged version of the statutory financial statements for the year ended 31 May 2010 which have been approved by the board of directors and which carry an unqualified audit report. The results for the year ended 31 May 2009 which were prepared in accordance with IFRS carry an unqualified audit report and have been filed with the Registrar of Companies. The 2010 and 2009 financial statements do not contain a statement in respect of s.498(2) or (3) of the Companies Act 2006.

Approved by the board of directors on 27 July 2010.