PZ Cussons Plc
Interim Statement for the half-year
to 30 November 2012

2013

PZ Cussons is an international consumer products group. We develop leading brands in selected mature and emerging markets that have potential for future growth. World class supply chain and distribution networks in Africa, Asia and Europe enable us to deliver our brands quickly and efficiently to local consumers.

Contents

Highlights

Results (before exceptional items[1])	**Half-year to 30 November 2012**	Half-year to 30 November 2011	Change %
Revenue	£414.8m	£414.0m	0.2%
Operating profit	£45.3m	£40.1m	13.0%
Profit before taxation	£44.1m	£40.2m	9.7%
Adjusted basic earnings per share	7.03p	6.54p	7.5%
Statutory results			
Operating profit	£41.8m	£39.2m	6.6%
Profit before taxation	£40.6m	£39.3m	3.3%
Basic earnings per share	6.42p	6.33p	1.4%
Interim dividend per share	2.35p	2.23p	5.4%
Net (debt)/funds[2]	(£55.2m)	£2.4m	

1 Exceptional items are detailed in note 4.
2 Net (debt)/funds, above and hereafter, are defined as cash, short-term deposits, and current asset investments less borrowings.

Group

- Operating profit growth of 13% driven in particular by improved performance in Australia and a robust performance in UK
- Revenue flat comprising growth in Europe and Asia, offset by decline in Africa as a result of tough trading conditions, particularly in Nigeria
- Strong balance sheet with only small net debt position at period end
- Interim dividend raised 5.4% to 2.35p per share reflecting confidence in the future

Africa

- Revenue and profits slightly lower in Nigeria as a result of impact of social unrest in the north, flooding in a number of states and impact from fuel duty subsidy reduction earlier in the year
- Construction of the palm oil refinery in Nigeria now complete with commissioning under way

Asia

- Continued positive momentum in Indonesia with revenue from the market leading Cussons Baby range ahead of the prior period
- A return to profitability in Australia with business improvement measures now successfully implemented

Europe

- Robust performance in UK Washing and Bathing division across Imperial Leather, Carex and Original Source
- Significant investment in launch of Cussons Mum & Me with encouraging early rates of sale
- Beauty division revenue and profitability ahead of the prior period with continued growth of Sanctuary and newly acquired Fudge hair-care brand performing well
- Strong performance in Poland, whilst conditions in Greece resulted in lower profitability

Business review

Following a tough year last year, the Group has responded quickly and effectively to deliver a 13% increase in operating profits. Our performance in the UK has been particularly robust, and the Australian business has been returned to profit.

Our focus continues to be on innovation and brand development, as illustrated by the successful launch of the new brand Cussons Mum & Me into the UK marketplace. At the same time our supply chain optimisation project is ensuring that our cost base is being further reduced.

Construction of the palm oil refinery in Nigeria with our partner Wilmar has recently been completed and this exciting new venture will begin to operate in the second half.

Our balance sheet remains strong and we have the appetite to pursue further investment opportunities which fit our strategic aims.

We would like to take this opportunity to thank John Pantelireis, Group Supply Chain Director, who retires at the end of March this year, for the fantastic contribution he has made during his 32 years of service to the Group.

Our overall performance since the period end has been in line with expectations. Whilst trading conditions in most markets are challenging we remain confident of a return to profitable growth for the full year, with the range of potential outcomes being largely dependent on trading in our largest market Nigeria during its peak season over the coming months.

Overview

PZ Cussons Plc reports that profit before tax and exceptional items for the six month period to 30 November 2012 was £44.1 million (30 November 2011: £40.2 million) on revenue of £414.8 million (30 November 2011: £414.0 million). There were exceptional charges in the period of £3.5 million (30 November 2011: £0.9 million). After exceptional items, profit before tax increased by 3.3% to £40.6 million (30 November 2011: £39.3 million). Basic earnings per share were 6.42p (30 November 2011: 6.33p). Adjusted for exceptional items, basic earnings per share increased by 7.5% to 7.03p (30 November 2011: 6.54p).

As at 30 November 2012 the Group had net debt of £55.2 million (30 November 2011: net funds £2.4 million).

The Board has declared an interim dividend of 2.35p per share (30 November 2011: 2.23p), an increase of 5.4% on the prior year. The interim dividend will be paid on 8 April 2013 to shareholders on the register at the close of business on 22 February 2013.

Financial performance – overview

Overall revenue for the period was 2.7% higher in constant currency and flat in sterling after a negative exchange impact of circa £10 million. Revenue growth was achieved in the UK, Poland, Indonesia and in the smaller markets of Kenya, Ghana, Thailand and the Middle East. Revenue was lower in Australia as a result of restructuring the business to focus on the most profitable lines; in Nigeria as a result of unrest in the north, flooding in a large number of states and the impact from the fuel duty subsidy reduction earlier in the year; and in Greece as a result of the continued economic downturn.

Operating profits were 15% higher than the prior period in constant currency and 13% higher in sterling after a negative exchange impact of circa £0.8 million. The increase was driven in particular by an improvement in the performance of the Australian business and a robust performance in the UK, and was achieved despite a significant investment in the period in the launch of the new mother and baby brand 'Cussons Mum & Me' into the UK marketplace.

Profit before tax increased by 9.7% after a net interest charge of £1.2 million.

Financial position – overview

The Group's balance sheet remains strong with only a small net debt position at the period end. The working capital outflow in the period, primarily to fund the seasonal stock build in Nigeria, was lower than the comparative period as a result of tight working capital control across the Group. Capital expenditure continues to be close to depreciation levels. Other cash outflows in the period include £2.3 million for a further stake in the Nigerian listed subsidiary.

Regional reviews

Performance by region

	Revenue (£m)		Operating profit before exceptional items (£m)	
	2012	2011	**2012**	2011
Africa	**156.9**	162.7	**13.0**	13.7
Asia	**81.0**	76.8	**7.9**	2.1
Europe	**176.9**	174.5	**24.4**	24.3
Total	**414.8**	414.0	**45.3**	40.1

Africa

In **Nigeria**, which accounts for approximately 90% of African revenues, the period was dominated by three external factors. First, social unrest in the north of the country continued to affect the business as a result of disruption to trade and transport routes. Second, Nigeria suffered its worst flooding in decades, particularly affecting the middle part of the country, and this affected trade during September and October. And third, consumers across the country continue to adjust to lower disposable incomes as a result of the removal of part of the fuel duty subsidy in January 2012. Despite these three challenging external factors, revenue and profits were only slightly lower than the prior period as a result of the continued focus on brand innovation, the development of new distribution points across the country and particularly in the east, and the benefit of margin improvement projects within the business.

Positive macro factors during the period included a stable naira to dollar exchange rate and continued investment by the government into the power sector in Nigeria, all of which contribute to an optimistic outlook for the country and its growing population of 160 million people, the largest by far within Africa.

Construction of the palm oil refinery in Nigeria with our partner Wilmar was completed on time and to budget just after the period end and the commissioning phase is now under way. Initial sales of refined oil will be B2B (business to business) followed by the launch of a new consumer brand into the market towards the end of the financial year.

During the period, the Group's holding in its listed Nigerian subsidiary has been increased further from 68.8% to 69.3% at a cost of £2.3 million. During the period, the regulations were changed in Nigeria to increase the maximum single holding in public companies from 75% to 80%.

Revenue and profit in **Ghana** and **Kenya** are ahead of the same period last year. The production facility in Ghana was closed just after the period end as part of the supply chain optimisation project with products now sourced either from the Group's facilities in Nigeria or from third parties.

Asia

Continued positive momentum in **Indonesia** has delivered another period of revenue growth largely from the market leading Cussons Baby range. Profits are slightly ahead in sterling despite an approximate 10% weakening in the rupiah to dollar exchange rate and a significant increase in wage costs as a result of government mandated rises. Further margin improvement initiatives are planned for the second half to counter additional wage increases announced for 2013.

In **Australia**, whilst trading conditions remain challenging, measures taken to improve the performance of the business have now been successfully implemented. The production facility was closed early in the period with all products now sourced either from the Group's facilities in Indonesia and Thailand or from third parties. Revenue is lower than the prior period as a result of continued focus on the two main brands of Radiant (fabric care) and Morning Fresh (dishcare) and this focus, together with the lower cost base, has resulted in a return to profitability in the period. Focus also continues to be placed around growing the personal care and beauty portfolios.

Revenue and profitability in **Thailand** and the **Middle East** were at a similar level to the comparative period.

Europe

Performance in the **UK Washing and Bathing** division has been robust despite continued high levels of promotional activity within the trade. Consumers are tending to choose within a basket of preferred brands and are making decisions based on a combination of brand preference and the best deal available. The business remains focussed on influencing that decision-making towards our portfolio through greater levels of brand innovation and renovation and through ensuring that both product and price are tailored specifically for the UK market. During the period all three brands of Imperial Leather, Carex and Original Source performed well. Imperial Leather will see the launch of a 'best ever' shower formulation in the second half, Carex continues to occupy the number one position in antibacterial handwash, and further new product launches will take place across the Original Source range. Focus also continues to be placed on expanding distribution points for all three brands across the UK.

During the period, a new brand was launched into the UK market. Cussons Mum & Me, a range of products for mother and baby, achieved full UK distribution by the end of July into all grocery channels. Offering a complete range of care solutions across bump, new mum and baby sub-categories, the brand has been extremely positively received by consumers. Significant investment is being made in a comprehensive marketing campaign across all forms of media and with a focus on driving trial. The campaign started in late August following the end of the Olympics and early sales rates are encouraging. Further new product launches are planned for the second half together with expansion of the brand into new distribution points.

The **Beauty Division** has also performed well with revenue and profitability ahead of the prior period. Whilst St Tropez was adversely affected by the poor UK summer, the brand has continued to grow in the US and Australia and is achieving new distribution in selected other geographies focussed wholly on the more premium distribution channels. Sanctuary has continued to grow boosted by the new Active Reverse skin care range with Darcey Bussell as brand ambassador and the Charles Worthington portfolio has now been completely redesigned with a more premium look and feel ahead of a major relaunch in the second half. The Fudge hair-care brand, acquired in January 2012, has performed well post acquisition and has quickly moved into e-commerce with the launch of the Fudge.com website during the period.

Performance in **Poland** has been very strong with revenue and profitability ahead of the prior period with both fabric care and personal care performing well. In **Greece**, the economic environment continues to worsen, and whilst the business is still trading profitably this is at lower levels than the previous period.

Exceptional items

The Group has incurred exceptional costs of £3.5 million in the period relating to restructuring costs associated with the supply chain optimisation project initiated and announced in the previous year. The remaining costs of approximately £9.0 million will be charged in the second half of the financial year to complete this project.

The cash outflow in the period relating to the supply chain optimisation project was circa £12 million.

Directors

John Pantelireis, Group Supply Chain Director, will retire from the Board at the end of March 2013 after 32 years service with the Group. John was appointed as an Executive Director in 2005. The Board extends its sincere thanks to John for the fantastic contribution he has made to the Group during his 32 years' service.

With effect from April 2013, the Group's senior leadership team will move to an Executive Committee structure, comprised mainly of the current PLC Executive as well as roles from within the existing Operational Board. Executive Committee roles will be structured to facilitate a move to a more category focussed approach to brand development as well as the continued optimisation of the Group's supply chain structure. John Pantelireis's responsibilities will be assumed within the new structure.

Taxation

The effective tax rate before exceptional items was 26.5% (30 November 2011: 27.1%).

Related parties

Related party disclosures are given in note 14.

Principal risks and uncertainties facing the Group

Our principal risks and uncertainties for the remaining six months of the financial year are explained in more detail in note 16 and remain as stated on pages 18 and 19 of our 2012 Annual Report which is available on our website at www.pzcussons.com.

Outlook

Trading conditions in most markets remain challenging with continued pressures on consumer disposable income. Nevertheless, the Group's focus remains on both brand innovation and renovation and also cost optimisation in all areas of the business. Exciting new product launches are planned in all portfolios and geographies in the second half of the year, reflecting the importance of new offerings to consumers as markets remain fiercely competitive.

Margin benefits are now being seen as a result of the factory closures in Australia and Ghana, and further initiatives will be completed in the second half as part of the supply chain optimisation project already announced. Whilst raw material costs are currently trending lower than the previous year the trading environment is such that the majority of the benefit is being invested in retaining our competitive position.

Trading conditions in the Group's largest market Nigeria remain fragile with unrest in the north continuing, although pleasingly since the period end no further fuel duty related impact is currently being seen.

Overall performance since the period end has been in line with expectations. The Board remains confident of a return to profitable growth for the full year with the range of potential outcomes being largely dependent on trading in the Group's largest market Nigeria during its peak season over the coming months.

Consolidated income statement

	Notes	Unaudited Half-year to 30 November 2012 Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Unaudited Half-year to 30 November 2011 Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Audited Year to 31 May 2012 Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations										
Revenue	3	**414.8**	**–**	**414.8**	414.0	–	414.0	858.9	–	858.9
Cost of sales		**(257.3)**	**–**	**(257.3)**	(268.3)	–	(268.3)	(549.7)	–	(549.7)
Gross profit		**157.5**	**–**	**157.5**	145.7	–	145.7	309.2	–	309.2
Selling and distribution costs		**(66.3)**	**–**	**(66.3)**	(65.5)	–	(65.5)	(134.0)	–	(134.0)
Administrative expenses		**(45.3)**	**(3.5)**	**(48.8)**	(40.1)	(0.9)	(41.0)	(81.6)	(43.8)	(125.4)
Share of results of joint ventures		**(0.6)**	**–**	**(0.6)**	–	–	–	(0.2)	–	(0.2)
Operating profit	3	**45.3**	**(3.5)**	**41.8**	40.1	(0.9)	39.2	93.4	(43.8)	49.6
Finance income		**0.6**	**–**	**0.6**	1.2	–	1.2	2.5	–	2.5
Finance costs		**(1.8)**	**–**	**(1.8)**	(1.1)	–	(1.1)	(3.6)	–	(3.6)
Net finance (expense)/income	5	**(1.2)**	**–**	**(1.2)**	0.1	–	0.1	(1.1)	–	(1.1)
Profit before taxation		**44.1**	**(3.5)**	**40.6**	40.2	(0.9)	39.3	92.3	(43.8)	48.5
Taxation	7	**(11.7)**	**0.9**	**(10.8)**	(10.9)	–	(10.9)	(24.9)	14.4	(10.5)
Profit for the period		**32.4**	**(2.6)**	**29.8**	29.3	(0.9)	28.4	67.4	(29.4)	38.0
Attributable to:										
Equity holders of the Company		**30.1**	**(2.6)**	**27.5**	28.0	(0.9)	27.1	63.1	(28.7)	34.4
Non-controlling interests		**2.3**	**–**	**2.3**	1.3	–	1.3	4.3	(0.7)	3.6
		32.4	**(2.6)**	**29.8**	29.3	(0.9)	28.4	67.4	(29.4)	38.0
Basic EPS (p)	9			**6.42**			6.33			8.03
Diluted EPS (p)	9			**6.40**			6.27			7.99
Adjusted basic EPS (p)	9			**7.03**			6.54			14.74
Adjusted diluted EPS (p)	9			**7.00**			6.48			14.65

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated statement of comprehensive income

	Notes	Unaudited Half-year to 30 November 2012 £m	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
Profit for the period		**29.8**	28.4	38.0
Other comprehensive income/(expense)				
Actuarial gains/(losses) on defined benefit pension schemes	12	**3.1**	(0.3)	(11.5)
Exchange differences on translation of foreign operations		**(9.7)**	3.8	2.1
Cash flow hedges – fair value gain/(loss) in period		**0.8**	(0.8)	(0.7)
Taxation on items taken directly to equity		**–**	–	2.8
Other comprehensive (expense)/income for the period net of tax		**(5.8)**	2.7	(7.3)
Total comprehensive income for the period		**24.0**	31.1	30.7
Attributable to:				
Equity holders of the Company		**24.2**	28.7	23.3
Non-controlling interests		**(0.2)**	2.4	7.4

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to equity owners of the Company						
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Non-controlling interests £m	Total £m
At 1 June 2011	4.3	30.1	0.7	438.6	0.3	61.1	535.1
Total comprehensive income/(expense) for the period	–	2.7	–	26.8	(0.8)	2.4	31.1
Transactions with owners:							
Ordinary dividends	–	–	–	(19.2)	–	–	(19.2)
Acquisition of shares for ESOT	–	–	–	(2.2)	–	–	(2.2)
Share-based payments charge	–	–	–	0.3	–	–	0.3
Acquisition of non-controlling interests	–	–	–	(1.6)	–	(1.2)	(2.8)
Non-controlling interests dividend paid	–	–	–	–	–	(3.6)	(3.6)
At 30 November 2011	4.3	32.8	0.7	442.7	(0.5)	58.7	538.7
At 1 June 2011	4.3	30.1	0.7	438.6	0.3	61.1	535.1
Total comprehensive income/(expense) for the period	–	(1.7)	–	25.4	(0.4)	7.4	30.7
Transactions with owners:							
Ordinary dividends	–	–	–	(28.8)	–	–	(28.8)
Acquisition of shares for ESOT	–	–	–	(2.8)	–	–	(2.8)
Share-based payments credit	–	–	–	(0.5)	–	–	(0.5)
Acquisition of non-controlling interests	–	–	–	(5.5)	–	(3.1)	(8.6)
Deferred tax on share-based payments	–	–	–	(1.4)	–	–	(1.4)
Non-controlling interests dividend paid	–	–	–	–	–	(4.2)	(4.2)
At 31 May 2012	4.3	28.4	0.7	425.0	(0.1)	61.2	519.5
At 1 June 2012	4.3	28.4	0.7	425.0	(0.1)	61.2	519.5
Total comprehensive income/(expense) for the period	–	(7.2)	–	30.6	0.8	(0.2)	24.0
Transactions with owners:							
Ordinary dividends	–	–	–	(19.2)	–	–	(19.2)
Acquisition of shares for ESOT	–	–	–	(4.5)	–	–	(4.5)
Share-based payments credit	–	–	–	(1.0)	–	–	(1.0)
Acquisition of non-controlling interests	–	–	–	(1.6)	–	(0.7)	(2.3)
Non-controlling interests dividend paid	–	–	–	–	–	(2.1)	(2.1)
At 30 November 2012	**4.3**	**21.2**	**0.7**	**429.3**	**0.7**	**58.2**	**514.4**

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated balance sheet

	Notes	Unaudited 30 November 2012 £m	Unaudited 30 November 2011 £m	Audited 31 May 2012 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	6	**248.4**	233.7	248.4
Property, plant and equipment	6	**207.1**	223.6	209.5
Other investments		**0.5**	0.6	0.5
Net investment in joint ventures		**41.0**	26.7	38.7
Receivables		**3.6**	0.9	1.0
Retirement benefit surplus	12	**40.6**	43.5	39.1
		541.2	529.0	537.2
Current assets				
Inventories		**183.4**	211.2	173.6
Trade and other receivables		**171.1**	169.6	141.0
Other investments	11	**4.6**	6.6	7.0
Cash and cash equivalents	11	**72.2**	55.6	65.9
Current taxation receivable		**8.6**	4.9	5.8
		439.9	447.9	393.3
Total assets		**981.1**	976.9	930.5
Equity				
Ordinary share capital		**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Currency translation reserve		**21.2**	32.8	28.4
Hedging reserve		**0.7**	(0.5)	(0.1)
Retained earnings		**429.3**	442.7	425.0
Equity attributable to equity holders of the Company		**456.2**	480.0	458.3
Non-controlling interests		**58.2**	58.7	61.2
Total equity		**514.4**	538.7	519.5
Liabilities				
Non-current liabilities				
Borrowings	11	**33.8**	3.7	–
Other liabilities		**0.5**	1.1	0.9
Deferred tax liabilities		**47.3**	58.7	50.6
Retirement benefit obligations	12	**32.5**	39.4	37.1
		114.1	102.9	88.6
Current liabilities				
Borrowings	11	**98.2**	56.1	90.8
Trade and other payables		**211.9**	250.7	192.0
Current income tax liabilities		**27.9**	27.2	22.7
Provisions for other liabilities and charges		**14.6**	1.3	16.9
		352.6	335.3	322.4
Total liabilities		**466.7**	438.2	411.0
Total equity and liabilities		**981.1**	976.9	930.5

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Consolidated cash flow statement

	Notes	**Unaudited Half-year to 30 November 2012 £m**	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
Operating activities				
Cash generated from/(used in) operations	10	**14.6**	(1.0)	57.5
Taxation		**(5.7)**	(9.0)	(21.6)
Net cash inflow/(outflow) from operating activities		**8.9**	(10.0)	35.9
Cash flows from investing activities				
Investment income received	5	**0.6**	1.2	2.5
Purchase of property, plant and equipment	6	**(12.0)**	(7.7)	(18.9)
Proceeds on sale of property, plant and equipment		**–**	0.2	2.4
Purchase of intangible assets		**–**	–	(0.1)
Acquisition of non-controlling interests	13	**(2.3)**	(2.8)	(8.6)
Acquisition of business		**–**	–	(26.3)
Repayment of short-term deposits from joint ventures		**2.4**	4.1	3.6
Loans granted to joint ventures		**(3.7)**	(5.1)	(16.8)
Net cash used in investing activities		**(15.0)**	(10.1)	(62.2)
Cash flows from financing activities				
Interest paid	5	**(1.8)**	(1.1)	(3.6)
Dividends paid to non-controlling interests		**(2.1)**	(3.6)	(4.2)
Purchase of shares for ESOT		**(4.5)**	(2.2)	(2.8)
Dividends paid to Company shareholders	8	**(19.2)**	(19.2)	(28.8)
Net increase in borrowings	11	**41.2**	4.6	44.4
Net cash generated from/(used in) financing activities		**13.6**	(21.5)	5.0
Net increase/(decrease) in cash and cash equivalents	11	**7.5**	(41.6)	(21.3)
Cash and cash equivalents at the beginning of the period	11	**65.9**	87.6	87.6
Effect of foreign exchange rates	11	**(1.2)**	0.8	(0.4)
Cash and cash equivalents at the end of the period	11	**72.2**	46.8	65.9

The notes on pages 9 to 14 are an integral part of these interim consolidated financial statements.

Notes

1. Basis of preparation
The Company is a public limited company incorporated and domiciled in England. It has a primary listing on the London Stock Exchange.

These condensed consolidated interim financial statements for the six months ended 30 November 2012, which have been reviewed but not audited, have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union (EU). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 May 2012 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The interim financial statements for the period ended 30 November 2012 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information set out in this statement relating to the year ended 31 May 2012 does not constitute statutory accounts for that period. Full audited accounts of the Group in respect of that financial period were approved by the Board of Directors on 24 July 2012 and have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

1.1 Going concern basis
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group and liquidity position are also described within the Financial Position section of that review.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Statement.

2. Accounting policies
The accounting policies are consistent with those of the annual financial statements for the year ended 31 May 2012, except as described below:
- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 June 2012:
- Amendment to IAS12 'Income taxes' on deferred tax (effective 1 January 2012).

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 June 2012 and have not been early adopted:
- IFRS 9 'Financial instruments' (effective 1 January 2015)
- IFRS 10 'Consolidated financial statements' (effective 1 January 2014)
- IFRS 11 'Joint arrangements' (effective 1 January 2014)
- IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2014)
- IFRS 13 'Fair value measurement' (effective 1 January 2013)
- IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013)
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2014)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2014)
- Amendments to IAS 32 on Financial instruments asset and liabilities offsetting (effective 1 January 2014)

3. Segmental analysis
The chief operating decision-maker has been identified as the Executive Board which comprises the four Executive Directors.

The Executive Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate.

The Executive Board considers the business from a geographic perspective, with Africa, Asia and Europe being the reporting segments. The Executive Board assesses the performance based on operating profit before any exceptional items. Other information provided, except as noted below, to the Executive Board is measured in a manner consistent with that of the financial statements.

3. Segmental analysis continued
Business segments

Half year to 30 November 2012	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	163.8	87.8	238.2	(75.0)	414.8
Inter segment revenue	(6.9)	(6.8)	(61.3)	75.0	–
Revenue	156.9	81.0	176.9	–	414.8
Segmental operating profit before exceptional items and share of results of joint ventures	13.6	7.9	24.4	–	45.9
Share of results of joint ventures	(0.6)	–	–	–	(0.6)
Segmental operating profit before exceptional items	13.0	7.9	24.4	–	45.3
Exceptional Items	(0.8)	(1.6)	(1.1)	–	(3.5)
Segmental operating profit	12.2	6.3	23.3	–	41.8
Finance income					0.6
Finance cost					(1.8)
Profit before taxation					40.6

Half year to 30 November 2011	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	166.7	84.2	286.2	(123.1)	414.0
Inter segment revenue	(4.0)	(7.4)	(111.7)	123.1	–
Revenue	162.7	76.8	174.5	–	414.0
Segmental operating profit before exceptional items and share of results of joint ventures	13.7	2.1	24.3	–	40.1
Share of results of joint ventures	–	–	–	–	–
Segmental operating profit before exceptional items	13.7	2.1	24.3	–	40.1
Exceptional Items	–	–	(0.9)	–	(0.9)
Segmental operating profit	13.7	2.1	23.4	–	39.2
Finance income					1.2
Finance cost					(1.1)
Profit before taxation					39.3

Year to 31 May 2012	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	375.2	171.3	512.5	(200.1)	858.9
Inter segment revenue	(13.0)	(12.5)	(174.6)	200.1	–
Revenue	362.2	158.8	337.9	–	858.9
Segmental operating profit before exceptional items and share of results of joint ventures	33.7	8.3	51.6	–	93.6
Share of results of joint ventures	(0.2)	–	–	–	(0.2)
Segmental operating profit before exceptional items	33.5	8.3	51.6	–	93.4
Exceptional Items	(6.1)	(30.1)	(7.6)	–	(43.8)
Segmental operating profit	27.4	(21.8)	44.0	–	49.6
Finance income					2.5
Finance cost					(3.6)
Profit before taxation					48.5

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit.

4. Exceptional items

Half year to 30 November 2012

The Group has incurred exceptional costs of £3.5 million relating to continuing restructuring costs associated with the supply chain optimisation project that was initiated in the year to 31 May 2012.

Half year to 30 November 2011

The Group incurred exceptional costs of £0.9 million as follows:

- Final costs relating to the Enhanced Transfer Value exercise for deferred members of the main UK pension scheme (£0.5 million).
- Beauty division restructuring costs (£0.4 million).

Year to 31 May 2012

The Group incurred exceptional costs of £43.8 million as follows:

- Supply chain optimisation project with associated restructuring costs (charge of £27.5 million).
- Pension scheme de-risking charge (charge of £0.3 million).
- Beauty division acquisition and integration costs (charge of £6.3 million).
- Australian Home Care brand impairment (charge of £9.7 million).

5. Net finance (expense)/income

	Unaudited Half-year to 30 November 2012 £m	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
Net investment gains	**0.1**	0.1	0.5
Interest and dividends receivable	**0.5**	1.1	2.0
	0.6	1.2	2.5
Interest payable on bank loans and overdrafts	**(1.8)**	(1.1)	(3.6)
	(1.2)	0.1	(1.1)

6. Property, plant and equipment and intangible assets

	Intangible assets £m	Property, plant and equipment £m
Opening net book amount as at 1 June 2011	233.9	225.7
Additions	–	7.7
Disposals	–	(0.2)
Depreciation and amortisation	–	(11.4)
Currency retranslation	(0.2)	1.8
Closing net book amount as at 30 November 2011	233.7	223.6
Opening net book amount as at 1 June 2012	248.4	209.5
Additions	–	12.0
Disposals	–	(0.4)
Depreciation and amortisation	–	(10.3)
Currency retranslation	–	(3.7)
Closing net book amount as at 30 November 2012	**248.4**	**207.1**

At 30 November 2012, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £2.3 million (30 November 2011: £2.4 million). At 30 November 2012, the Group's share in the capital commitments of the joint ventures was nil (30 November 2011: £2.8 million).

7. Taxation charge

	Unaudited Half-year to 30 November 2012 £m	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
United Kingdom	**5.8**	6.7	5.7
Overseas	**5.0**	4.2	4.8
	10.8	10.9	10.5

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate to be used for the year ending 31 May 2013 before exceptional items is 26.5% (the tax rate for the half-year ended 30 November 2011 was 27.1%).

8. Dividends

An interim dividend of 2.35p per share for the half-year to 30 November 2012 (30 November 2011: 2.23p) has been declared totalling £10.1 million (30 November 2011: £9.6 million) and is payable on 8 April 2013 to ordinary shareholders on the register on 22 February 2013. This interim dividend has not been recognised in this half yearly report. The proposed final dividend for the year ended 31 May 2012 of 4.487p per share, totalling £19.2 million, was approved by shareholders at the Annual General Meeting of the Company and paid on 1 October 2012.

9. 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 following weighted average number of shares in issue:

	Unaudited Half-year to 30 November 2012 £m	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
Basic weighted average (000)	428,487	427,954	428,195
Diluted weighted average (000)	429,883	432,197	430,629

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Deferred Annual Share Bonus Scheme, Executive Share Option Schemes and Performance Share Plan. The basic and diluted earnings per share for the period are as follows:

	Unaudited Half-year to 30 November 2012 £m	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
Basic earnings per share:			
– Adjusted basic earnings per share	**7.03p**	6.54p	14.74p
– Exceptional items	**(0.61)p**	(0.21)p	(6.71)p
– Basic earnings per share	**6.42p**	6.33p	8.03p
Diluted earnings per share:			
– Adjusted diluted earnings per share	**7.00p**	6.48p	14.65p
– Exceptional items	**(0.60)p**	(0.21)p	(6.66)p
– Diluted earnings per share	**6.40p**	6.27p	7.99p

10. Reconciliation of profit before taxation to cash generated from/(used in) operations

	Notes	**Unaudited Half-year to 30 November 2012 £m**	Unaudited Half-year to 30 November 2011 £m	Audited Year to 31 May 2012 £m
Profit before taxation		**40.6**	39.3	48.5
Net finance expense/(income)		**1.2**	(0.1)	1.1
Operating profit		**41.8**	39.2	49.6
Depreciation	6	**10.3**	11.4	22.5
Impairment loss on intangible assets – exceptional		**–**	–	9.7
Impairment loss on tangible fixed assets – exceptional		**–**	–	12.4
Loss/(profit) on sale of tangible fixed assets		**0.4**	–	(0.5)
Difference between pension charge and cash contributions		**(2.8)**	(7.1)	(15.5)
Share of result from joint ventures		**0.6**	–	0.2
Share-based payment (credit)/charge		**(1.0)**	0.3	(0.5)
Operating cash flows before movements in working capital		**49.3**	43.8	77.9
Movements in working capital:				
Inventories		**(13.8)**	(57.9)	(18.3)
Receivables		**(34.2)**	(13.7)	12.2
Payables		**21.1**	26.7	(26.1)
Provisions		**(7.8)**	0.1	11.8
Cash generated from/(used in) operations		**14.6**	(1.0)	57.5

11. Net debt reconciliation

Group net debt comprises the following:

	Audited 1 June 2012 £m	Unaudited Cash flow £m	Unaudited Foreign exchange movements £m	Unaudited Non-cash items £m	**Unaudited 30 November 2012 £m**
Cash at bank and in hand	34.2	0.7	(0.9)	–	**34.0**
Short-term deposits	31.7	6.8	(0.3)	–	**38.2**
Cash and cash equivalents	**65.9**	**7.5**	**(1.2)**	**–**	**72.2**
Current asset investments	7.0	(2.4)	–	–	**4.6**
Bank loans less than one year	(90.8)	(7.4)	–	–	**(98.2)**
Bank loans greater than one year	–	(33.8)	–	–	**(33.8)**
Net debt	**(17.9)**	**(36.1)**	**(1.2)**	**–**	**(55.2)**

12. Retirement benefits

The Group operates retirement benefit schemes for most of its UK and overseas subsidiaries. The basis and assumptions for the measurement of these obligations has not been altered from 31 May 2012.

	Unaudited 30 November 2012 £m	Unaudited 30 November 2011 £m	Audited 31 May 2012 £m
UK schemes in surplus	**40.6**	43.5	39.1
UK schemes in deficit	**(25.6)**	(33.9)	(30.2)
	15.0	9.6	8.9
Overseas schemes	**(6.9)**	(5.5)	(6.9)
	8.1	4.1	2.0

The Group has three main defined benefit schemes which are based and administered in the UK and are now closed to future accural.

12. Retirement benefits continued

The movements during the period in the UK schemes based on the 31 May 2012 assumptions are as follows:

	Unaudited £m
Retirement benefit surplus as at 1 June 2012	8.9
Expected return on scheme assets	6.3
Interest cost	(6.4)
Plan settlements	–
Employer contributions	3.1
Actuarial gain	3.1
Retirement benefit surplus as at 30 November 2012	**15.0**

The total income statement loss of £0.1 million (30 November 2011: £0.5 million gain) relating to the expected return on pension scheme assets less the interest cost on liabilities has been recognised within administrative expenses.

13. Business combinations

Throughout the period from 1 June 2012 to 30 November 2012, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 68.8% to 69.3%. The consideration for these additional shares was £2.3 million and the amount debited to retained earnings was £1.6 million.

14. Related party transactions

The following related party transactions were entered into by subsidiary companies during the period under the terms of a joint venture agreement with Glanbia Plc:

- At 30 November 2012 the outstanding long-term balance receivable from Milk Ventures (UK) Ltd was £23.7 million (30 November 2011: £23.7 million) (31 May 2012: £23.7 million).
- The Group sourced and then sold fixed assets, power and raw materials to Nutricima Ltd to the value of £14.9 million (30 November 2011: £25.9 million). In addition the Group received distribution fee income of £2.0 million (30 November 2011: £2.6 million).
  At 30 November 2012 the amount outstanding from Nutricima Ltd was £8.6 million (30 November 2011: £9.7 million) (31 May 2012: £4.4 million).

The following related party transactions were entered into by subsidiary companies during the period under the terms of a joint venture agreement with Wilmar International Limited:

- At 30 November 2012 the outstanding long-term loan balance receivable from PZ Wilmar was £20.0 million (30 November 2011: £6.4 million) (31 May 2012 £18.0 million).

There were no provisions for doubtful related party receivables at 30 November 2012 (30 November 2011: nil) (31 May 2012: nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2011: nil).

15. Seasonality

Certain individual business units have a degree of seasonality with the biggest factors being the weather and Christmas. However, no individual reporting segment is seasonal as a whole and therefore no further analysis is provided.

16. Principal risks and uncertainties

The principal risks affecting the Group and measures taken to reduce these risks are explained in detail on pages 18 and 19 of our 2012 Annual Report which is available on our website at www.pzcussons.com. The risks were categorised as market risk, financial risk and operational risk and are summarised as follows:

Market risks identified are: political and economic stability due to substantial operations in emerging markets; demand risk arising from changes in consumer preferences and the competitive environment in which the Group operates; and raw material risk relating to price and supply fluctuations in raw materials used in production.

The major financial risk identified is foreign currency and treasury risk due to the international nature of the Group.

Operational risks identified are: the ability to retain and recruit the right calibre of people at all levels; and reputational risk as a result of failure to meet safety, social, environmental and ethical standards in all operations and activities.

The Group Risk Committee is responsible for ensuring, where possible, actions are taken to manage and mitigate the risks identified.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors of PZ Cussons Plc are listed on page 17. A list of current Directors is maintained on the PZ Cussons Plc website: www.pzcussons.com.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Mr S P Plant
Company Secretary
29 January 2013

Independent review report to PZ Cussons Plc

Introduction
We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 November 2012, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated balance sheet, Consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
29 January 2013
Manchester

Directors

Chairman
R J Harvey *

Chief Executive
G A Kanellis

J A Arnold *
C G Davis
N Edozien *
S J N Heale *
B H Leigh
D W Lewis * (retired 19 September 2012)
H Owers *
J Pantelireis
J T J Steel *

* Non-executive

Secretary
S P Plant

Registered Office
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

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

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG
0161 435 1000