PZ CUSSONS PLC

24 July 2012

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MAY 2012

PZ Cussons Plc, a leading international consumer products group, announces its preliminary results for the year ended 31 May 2012.

Reported Results (before exceptional items[1])	**Year ended 31 May 2012**	**Year ended 31 May 2011**	% change
Revenue	**£858.9m**	£820.7m	4.7%
Operating profit	**£93.4m**	£108.1m	(13.6%)
Profit before tax	**£92.3m**	£108.9m	(15.2%)
Adjusted basic earnings per share	**14.74p**	16.20p	(9.0%)
Statutory results			
Operating profit	**£49.6m**	£107.3m	(53.8%)
Profit before tax	**£48.5m**	£108.1m	(55.1%)
Basic earnings per share	**8.03p**	16.48p	(51.3%)
Total dividend per share	**6.717p**	6.61p	1.6%
Net (debt)/funds[2]	**(£17.9m)**	£51.8m	

[1] Exceptional items, totalling £43.8m before tax, are detailed in note 2.

[2] Net (debt)/funds, above and hereafter, is defined as cash, short-term deposits and current asset investments less borrowings (refer to note 9).

Highlights

Group

- Revenue growth of 4.7% despite challenging trading conditions during the year, particularly in Nigeria and Australia
- Profits impacted, as previously advised, by high raw material costs; a worsening trading environment in the Australian homecare category; and the social and economic tensions in Nigeria
- Major launch in the UK, post period end, of Cussons Mum & Me, a new brand of personal care products specifically designed for mothers and babies
- Extension of the Beauty division portfolio with the acquisition of the Fudge hair-care brand in January 2012
- Supply chain optimisation project underway to significantly reduce the overhead footprint of the Group's manufacturing activities
- Healthy balance sheet with only a small net debt position at the end of the year
- Total dividend increased 1.6% year on year reflecting the strong balance sheet and the Board's confidence in the future

Africa

- Overall increase in revenue of 6.8% reflecting a strong first half but a second half affected by the social unrest in the north of Nigeria and the impact from the fuel duty subsidy reduction
- Profits lower as a result of the above as well as higher raw material costs
- Construction of the palm oil refinery with Wilmar on track for completion by the end of the calendar year

Asia

- Continued positive momentum in Indonesia, with revenue and profit from the market leading Cussons Baby range ahead of the prior year
- Overall Asian revenue and profits lower due to the challenging trading conditions in the Australian homecare category

Europe

- Robust performance in the UK Washing and Bathing division driven by brand innovation and renovation despite competitive trading conditions
- Strong performance in the Beauty division with significant new product launches across the portfolio of Sanctuary, St Tropez, Charles Worthington and Fudge
- Strong trading in Poland across both homecare and personal wash

Commenting today, Richard Harvey (Chairman) said:

"The Group delivered revenue growth despite challenging trading conditions. Profits were lower with a robust performance in the UK, strong trading in the Beauty division and positive momentum in Indonesia, more than offset by specific market challenges in Nigeria and Australia, and the impact of the largest year-on-year increase in raw material costs we have experienced.

Despite the external challenges, the Group remains committed to driving profitable growth through brand renovation and innovation, and through further cost reduction. During the year, underlying revenue growth continued across the business, particularly in the UK, in the Beauty division and in Indonesia. As we start the current financial year this momentum, together with our new Cussons Mum & Me and Fudge ranges, will help to ensure this growth continues.

Our exciting joint venture with Wilmar is on track with the Nigerian palm oil refinery due to be completed by the end of the calendar year.

At the same time, we are working actively to reduce our cost base, and the supply chain optimisation project announced in March will significantly reduce the overhead base of our manufacturing activities.

Our balance sheet remains strong with only a small net debt position and this gives us the capacity to pursue further investment opportunities which fit our strategic aims.

Clearly the world remains uncertain and volatile. However, consumer demand for high quality innovative products serving day to day needs continues, and we are well placed to serve those needs with a strong distribution footprint in key geographic markets. Whilst the situation in the Group's important Nigerian market remains fragile, we are confident that the Group will return to profitable growth in the current financial year. Overall performance since the year-end has been in line with expectations."

Press Enquiries

PZ Cussons	Brandon Leigh (Group Finance Director)
MHP Communications	John Olsen, James White

On 24 and 25 July 2012 c/o MHP Communications on 020 3128 8100.

After 25 July to Brandon Leigh on 0161 435 1236.

An analysts' presentation will be held on 24 July 2012 at 9.30am at the offices of Panmure Gordon, Moorgate Hall, 155 Moorgate, London, EC2M 6XB.

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MAY 2012

Overview

Despite difficult trading conditions PZ Cussons recorded another year of revenue growth for the twelve months to 31 May 2012. Revenue was up 4.7% to £858.9m (2011: £820.7m). Significant increases in raw material costs and a difficult trading environment in Australia and Nigeria decreased profit before tax by 15.2% to £92.3m before exceptional items (2011: £108.9m). Adjusted for exceptional items, earnings per share fell by 9.0% to 14.74p (2011: 16.20p). As at 31 May 2012 the Group had net debt of £17.9m (2011: net funds of £51.8m).

The group has incurred pre-tax exceptional costs of £43.8m in the year (2011: £0.8m) mainly related to the major supply chain optimisation project, the Beauty division's acquisition and associated integration of Fudge, and the full impairment of one of our Australian Home Care brands due to the difficult market conditions.

The Board is recommending a maintained final dividend of 4.487p (2011: 4.487p) per share. This would give a total dividend of 6.717p per share (2011: 6.61p), a 1.6% increase for the year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 October 2012 to shareholders on the register at the close of business on 17 August 2012.

Trading performance – overview

The Group delivered revenue growth of 4.7% for the year despite challenging trading conditions in a number of markets. Profits before tax and exceptional items were 15.2% lower than the previous year reflecting a robust performance in the UK, strong trading in the Beauty division and positive momentum in Indonesia, more than offset by the impact of three factors: approximately £25m of increased costs from the significant year on year raw material cost inflation; a worsening environment in the Australian homecare category; and the social and economic tensions in Nigeria.

In Africa, revenue growth in Nigeria was strong during the first half of the financial year but then affected by the social unrest in the north and the impact of the partial removal of the fuel duty subsidy in January. Raw material cost increases dented margins in the first half although these began to improve during the second half as a result of price increases and margin improvement initiatives.

In Asia, continued positive momentum delivered another year of revenue and profit growth in Indonesia although this was more than offset by lower results in Australia as well as tough trading conditions in Thailand and the Middle East.

In Europe, continued brand innovation and renovation contributed to a robust performance from the UK Washing and Bathing division despite competitive trading conditions. The Beauty division delivered a strong performance in its first full year as a separate entity as well as completing the acquisition of Fudge in January. Trading in Poland has been strong across both Home Care and Personal Care, whilst profitability in Greece is lower as a result of the domestic economic situation although the results are immaterial to the Group as a whole.

The overall impact of exchange rate movements in the year resulted in a decrease in Group revenue and profitability of circa £16m and £2m respectively.

Financial position - overview

The Group's balance sheet remains strong with a net debt position of £17.9m at the year end despite higher working capital levels particularly in Nigeria.

Underlying capital expenditure continues to run at or below normal depreciation levels. Other key cash outflows during the year included £26.3m for the acquisition of Fudge, £16.8m for the investment in the Wilmar palm oil joint venture, £15.3m for contributions to the closed UK final salary schemes including the de-risking exercise, and £8.6m for the purchase of additional shares in our Nigerian listed subsidiary.

Major projects

Supply Chain Optimisation Project

As part of the Group's supply chain strategy, and following a number of years of rising raw material costs together with significant ongoing wage inflation in emerging markets, the Group has been developing programmes to ensure that its supply chain cost base remains at a competitive level.

As a result, a major supply chain optimisation project was initiated in March and will continue to be implemented over the remainder of this financial year. This will significantly reduce the overhead footprint of the Group's manufacturing activities. There are two components to the project:

First, in order to move to a variable cost model for its developed market homecare businesses, the Group is closing its manufacturing facilities in Australia with supply being moved to other group facilities as well as to third parties, and is also reviewing its manufacturing facilities in Poland.

Second, the Group intends to reduce the supply chain overhead at a number of other manufacturing facilities. This includes closing its manufacturing facilities in Ghana, with supply being moved to third parties as well as to the Group's existing Nigerian facilities, in addition to other optimisation projects in Africa and Asia.

The total cash cost of these initiatives will be approximately £19.9m for redundancy and other associated items, with payback expected within three years. There will be a further non-cash charge of approximately £19.0m for asset write downs. These have been treated as exceptional charges with £27.5m charged in the year to 31 May 2012 and the balance falling in the next financial year.

The benefits of this project will begin to be seen in the current financial year through lower supply chain overheads, the mitigation of the impact of further wage inflation and the avoidance of the high capital maintenance cost that would have been associated with any closed or restructured facilities.

Regional reviews

Performance by region

	Revenue (£m)		Operating profit before exceptional items[1] (£m)	
	2012	2011	**2012**	2011
Africa	**362.2**	339.1	**33.5**	41.0
Asia	**158.8**	176.1	**8.3**	17.5
Europe	**337.9**	305.5	**51.6**	49.6
Total	**858.9**	820.7	**93.4**	108.1

[1] Exceptional items are detailed in note 2.

Africa

In **Nigeria**, revenue growth was strong during the first half of the financial year underpinned by a stable economic and political environment following the presidential elections in April 2011. During the second half of the year, trading was significantly affected by two key issues. First, social instability in the north resulted in lower sales in those areas with trade affected by local disruption and uncertainty. Second, the partial removal of the fuel duty subsidy in January led to a week-long national strike which adversely affected sales and costs during the period. Whilst half of the fuel subsidy was subsequently reinstated, consumer disposable income has been affected by a doubling of fuel costs resulting in lower levels of demand. Despite the ongoing disruption in the north, the economic outlook for the country remains encouraging with positive GDP growth rates expected to continue. During the year, the Naira weakened slightly against the US dollar and sterling accounting for £1.5m of the Group's exchange loss of £2.0m.

During the year, the Group's holding in its listed Nigerian subsidiary was increased further from 66.8% to 68.8% at a cost of £8.6m.

The Group continues to operate in four categories in Nigeria, namely Personal Care, Home Care, Electricals and Food and Nutrition.

In Personal Care and Home Care, the focus has remained on brand renovation across the portfolio of soaps, detergents, babycare and medicaments. The significant year on year increase in raw material costs adversely affected margins in the first half although this began to ease during the second half as a result of price increases and margin improvement initiatives.

In Electricals, the focus has continued to be on the core range of fridges, freezers and air conditioners sold through the HPZ joint venture with Haier, as well as the range of generators which are separately imported. During the year, a further HT Cool World store was opened taking the number to seven, with further stores planned in the new financial year.

Nutricima, the Food and Nutrition joint venture with Glanbia plc, has seen revenue growth of almost 20% in the year to £72m despite tough trading conditions. The brand portfolio has now been extended to five brands; Nunu, Coast, Bliss, Olympic and Yo! with all performing well. Continued increases in the cost of milk and the weaker exchange rate have adversely affected margins, with the Group's share of profit being broadly flat for the year at £0.3m (2011: £0.4m).

Construction of the palm oil refinery with Wilmar is on track with completion due by the end of the calendar year, with a new consumer food ingredients brand to be launched to coincide with the start of production in early 2013.

Ghana and **Kenya** have continued to perform well with revenue and profitability ahead of the prior year. In Ghana the Nutrition and Electricals portfolios have continued to grow and a further HT Cool World retail outlet was opened taking the number to four.

Asia

In **Australia**, the trading environment in the Home Care category worsened during the year as retailers devoted greater shelf space in store to private label products, resulting in branded suppliers having to trade with lower volumes and reduced margins. Revenue in Australia declined 27% resulting in the business moving from profit to loss for the year. Measures to address the underperformance of the Australian business have been underway for some months and are proving successful with the business moving back into profitability on a monthly basis towards the end of the financial year. These measures included moving to a variable cost model via the closure of the local manufacturing facility. Revenue and profitability of the Personal Care and Beauty portfolios grew year on year and these remain the focus growth areas for the future.

In **Indonesia**, the positive momentum has continued with another year of growth in revenue and profitability. The market leading Cussons Baby range has continued to grow through portfolio improvements and distribution expansion. Cussons Baby has clearly established itself as the number one brand in its segment with a market share significantly ahead of its closest competitor and is well placed to capitalise on the growth in the economy and a population of 240 million people. Other brands in the portfolio, namely Imperial Leather, Morning Fresh and Carex, have also performed well.

Of our smaller businesses within the Asian segment, revenue and profitability in **Thailand** were lower than the previous year as a result of disruption caused by the significant flooding that affected the country, whilst results in **The Middle East** were also adversely affected by social and political unrest in that region.

Europe

The **UK** business operated for the first full year as two divisions:

- The **PZ Cussons Washing and Bathing** division which manages the Imperial Leather, Carex and Original Source brands with the majority of products manufactured at the Group's Agecroft facility in North Manchester; and;
- The newly formed **PZ Cussons Beauty** division which manages the more premium brands of St Tropez, The Sanctuary, Charles Worthington and the newly acquired Fudge, and which operates out of offices in Covent Garden with all manufacture outsourced to third parties.

The **Washing and Bathing** division produced a robust performance with revenue and profitability ahead of the prior year despite competitive trading conditions in the retailers with high levels of promotions continuing. Whilst consumers remained cautious with lower disposable income, brand innovation and renovation across the portfolio resulted in another year of growth. Imperial Leather remains the largest brand in the portfolio and new packaging and fragrances were introduced during the year across the portfolio of bar soap, bath and shower gel ranges whilst the unique “foamburst” shower product continues to attract a loyal consumer following. Carex has continued to maintain its position as the UK’s leading anti-bacterial handwash with Carex ‘Protect Plus’ launched during the year with a new technology that kills bacteria for up to two hours after use. Original Source was the fastest growing brand in the portfolio with significant new product launches in the year across shower gel, handwash, bath, men’s and hair ranges.

Post period end, the division announced the launch of an important new brand, *‘Cussons Mum & Me’*, a range of personal care products specifically designed for mothers and babies. Designed in-house in conjunction with both experts and mothers, and accessing the Group’s existing expertise in babycare products in Indonesia, the range was taken from concept to shelf in fourteen months. *‘Cussons Mum & Me’* caters for the three life-stages of bump, new mum and baby and will be available in full UK national distribution by the end of July 2012. The comprehensive range has twenty two products across both haircare and skincare and is being marketed to consumers through a £6m campaign via press, sampling, TV and digital media. The reaction from retailers to the launch has been extremely positive.

The **Beauty division** has continued to perform well both in the UK and overseas, with particularly strong growth from St Tropez in the United States. St Tropez has also seen a number of significant new product launches including a dark tan product which is proving to be extremely popular. An exciting development for the Sanctuary was last month’s launch of a new range of skincare products called ‘Active Reverse’ with ballet star Darcey Bussell as brand ambassador. The Charles Worthington ‘Salon at Home’ range has achieved a step-change for the brand into a more premium differentiated offering. In January, the division acquired the Fudge hair care brand for £26.3m in cash. Fudge is a leading premium hair care brand, sold predominantly through salon distribution in the UK, Australia and New Zealand. It is best known for its styling range including the iconic hair shaper product.

Trading in **Poland** has been strong with growth in revenue and profitability across both the homecare brand ‘E’ and the personal wash portfolio of Luksja, Carex and Original Source.

Profitability in **Greece** is lower than the previous year due to weak consumer demand as a result of the domestic economic crisis, although the results are immaterial to the Group as a whole. Despite this, the focus continues to be on growing the value-added categories of butter, cheese and spreads.

Exceptional items

A net exceptional charge of £43.8m before tax was recorded during the year (2011: £0.8m). The exceptional charge relates to the net effect of: the cost of the supply chain optimisation project (£27.5m); the Beauty division’s acquisition and integration costs (£6.3m); the full impairment of one of our Australian Home Care brands (£9.7m); and the pension scheme de-risking charge (£0.3m).

Of the pre-exceptional charge of £43.8m, £17.7m relates to cash and £26.1m relates to non-cash items. The majority of the cash items will impact cash flow in the 12 months to 31 May 2013.

Taxation

The effective tax rate before exceptional items was 27.0% (2011: 27.8%) and is lower principally due to decreased UK corporation tax rates.

Dividend

The Company aims to pay an attractive, sustainable and growing dividend. The board is recommending a maintained final dividend of 4.487p (2011: 4.487p) per share making a total of 6.717p (2011: 6.61p) per share for the year, a 1.6% increase and the 39th successive year of dividend increases. The overall dividend remains some 2.2 times covered by earnings per share before exceptional items. Subject to approval at the AGM, the final dividend will be paid on 1 October 2012 to shareholders on the register at the close of business on 17 August 2012.

Pensions

The Group’s three closed UK defined benefit schemes had a surplus position at 31 May 2012 of £8.9m (2011: surplus of £2.8m). The Group has continued its de-risking strategy, resulting in an exceptional charge before tax of £0.3m (2011: £2.4m). Further details are provided in note 2.

Directors

Derek Lewis, who has served the Board as a Non-executive Director since 2004, has indicated his intention to retire with effect from the 2012 Annual General Meeting on 19 September. Following Mr Lewis’ retirement, James Steel, a Non-executive Director since 2005, will be appointed Senior Independent Director in his place.

Outlook

Across the Group, the focus remains on driving profitable growth through brand innovation and renovation, and through improving margins via further cost reduction initiatives. The major supply chain optimisation project, announced in March, is on track to significantly reduce the overhead footprint of the Group's manufacturing activities, and the benefits will be seen in the current financial year.

Whilst input costs have shown signs of short term easing, they remain volatile and in some cases close to their highest levels.

The balance sheet remains strong with only a small net debt position and the Group is well placed to pursue further growth opportunities which fit its strategic aims.

Last year's underlying revenue growth across the business, particularly in the UK, in the Beauty division and in Indonesia, together with the new Cussons Mum & Me and Fudge ranges, have provided encouraging momentum into the current financial year. As a result, overall performance since the year-end has been in line with expectations.

Clearly the world remains uncertain and volatile. However, consumer demand for high quality innovative products serving day to day needs continues, and we are well placed to serve those needs with a strong distribution footprint in key geographic markets. Whilst the situation in the Group's important Nigerian market remains fragile, the Board is confident of a return to profitable growth in the current financial year.

PZ CUSSONS PLC

Consolidated income statement for the year ended 31 May 2012

		Year ended 31 May 2012			Year ended 31 May 2011		
		Before exceptional items	**Exceptional items (note 2)**	**Total**	Before exceptional items	Exceptional items (note 2)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Continuing operations							
Revenue	1	858.9	**-**	**858.9**	820.7	-	820.7
Cost of sales		(549.7)	**-**	**(549.7)**	(495.5)	-	(495.5)
Gross profit		309.2	**-**	**309.2**	325.2	-	325.2
Selling and distribution costs		(134.0)	**-**	**(134.0)**	(135.0)	-	(135.0)
Administrative expenses		(81.6)	(43.8)	**(125.4)**	(82.5)	(0.8)	(83.3)
Share of results of joint ventures		(0.2)	-	**(0.2)**	0.4	-	0.4
Operating profit		93.4	(43.8)	**49.6**	108.1	(0.8)	107.3
Finance income		2.5	-	**2.5**	3.4	-	3.4
Finance costs		(3.6)	-	**(3.6)**	(2.6)	-	(2.6)
Net finance (expense)/income	3	(1.1)	-	**(1.1)**	0.8	-	0.8
Profit before taxation		92.3	(43.8)	**48.5**	108.9	(0.8)	108.1
Taxation	4	(24.9)	14.4	**(10.5)**	(30.2)	2.0	(28.2)
Profit for the year		67.4	(29.4)	**38.0**	78.7	1.2	79.9
Attributable to:							
Equity holders of the company		63.1	(28.7)	**34.4**	69.2	1.2	70.4
Non-controlling interests		4.3	(0.7)	**3.6**	9.5	-	9.5
		67.4	(29.4)	**38.0**	78.7	1.2	79.9
Basic EPS (p)	6			**8.03**			16.48
Diluted EPS (p)	6			**7.99**			16.29
Adjusted basic EPS (p)	6			**14.74**			16.20
Adjusted diluted EPS (p)	6			**14.65**			16.02

PZ CUSSONS PLC
Consolidated statement of comprehensive income for the year ended 31 May 2012

	2012 £m	2011 £m
Profit for the year	**38.0**	79.9
Other comprehensive expense		
Actuarial losses on defined benefit pension schemes	**(11.5)**	(3.3)
Exchange differences on translation of foreign operations	**2.1**	(33.6)
Cash flow hedges – fair value (loss)/gain in year	**(0.7)**	1.8
Taxation on items taken directly to equity	**2.8**	0.4
Other comprehensive expense for the year net of taxation	**(7.3)**	(34.7)
Total comprehensive income for the year	**30.7**	45.2
Attributable to:		
Equity holders of the Company	**23.3**	45.6
Non-controlling interests	**7.4**	(0.4)

PZ CUSSONS PLC
Consolidated balance sheet as at 31 May 2012

	Notes	**31 May 2012 £m**	31 May 2011 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	7	**248.4**	233.9
Property, plant and equipment		**209.5**	225.7
Other investments		**0.5**	0.6
Net investment in joint ventures		**38.7**	20.8
Receivables		**1.0**	0.8
Retirement benefit surplus		**39.1**	39.3
		537.2	521.1
Current assets			
Inventories		**173.6**	151.7
Trade receivables and prepayments		**141.0**	155.8
Investments		**7.0**	10.6
Cash and cash equivalents		**65.9**	88.7
Current taxation receivable		**5.8**	10.6
		393.3	417.4
Total assets		**930.5**	938.5
Equity			
Ordinary share capital		**4.3**	4.3
Capital redemption reserve		**0.7**	0.7
Hedging reserve		**(0.1)**	0.3
Currency translation reserve		**28.4**	30.1
Retained earnings		**425.0**	438.6
Equity attributable to equity holders of the Company		**458.3**	474.0
Non-controlling interests		**61.2**	61.1
Total equity		**519.5**	535.1
Liabilities			
Non-current liabilities			
Borrowings		**-**	15.0
Other liabilities		**0.9**	2.2
Deferred taxation liabilities		**50.6**	58.7
Retirement benefit obligations		**37.1**	41.9
		88.6	117.8
Current liabilities			
Borrowings		**90.8**	32.5
Trade and other payables		**192.0**	219.3
Current taxation payable		**22.7**	30.1
Provisions		**16.9**	3.7
		322.4	285.6
Total liabilities		**411.0**	403.4
Total equity and liabilities		**930.5**	938.5

PZ CUSSONS PLC
Consolidated statement of changes in equity for the year ended 31 May 2012

	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 2010	4.3	53.8	0.7	397.3	(1.3)	67.3	522.1
Profit for the year	-	-	-	70.4	-	9.5	79.9
Actuarial losses on defined benefit pension schemes	-	-	-	(3.3)	-	-	(3.3)
Exchange differences on translation of foreign operations	-	(23.7)	-	-	-	(9.9)	(33.6)
Cash flow hedges - fair value gains in year	-	-	-	-	1.8	-	1.8
Cash flow hedges – tax on fair value gains	-	-	-	-	(0.2)	-	(0.2)
Deferred tax on actuarial losses on defined benefit pension schemes	-	-	-	0.6	-	-	0.6
Total comprehensive income/(expense) for the year	-	(23.7)	-	67.7	1.6	(0.4)	45.2
Transactions with owners:							
Ordinary dividends	-	-	-	(26.0)	-	-	(26.0)
Acquisition of shares for ESOT	-	-	-	(2.3)	-	-	(2.3)
Share based payments charges	-	-	-	2.3	-	-	2.3
Deferred tax on share based payments	-	-	-	1.2	-	-	1.2
Acquisition of non-controlling interests	-	-	-	(1.6)	-	(1.3)	(2.9)
Non-controlling interests dividend paid	-	-	-	-	-	(4.5)	(4.5)
At 31 May 2011	4.3	30.1	0.7	438.6	0.3	61.1	535.1
At 1 June 2011	**4.3**	**30.1**	**0.7**	**438.6**	**0.3**	**61.1**	**535.1**
Profit for the year	**-**	**-**	**-**	**34.4**	**-**	**3.6**	**38.0**
Actuarial losses on defined benefit pension schemes	**-**	**-**	**-**	**(11.5)**	**-**	**-**	**(11.5)**
Exchange differences on translation of foreign operations	**-**	**(1.7)**	**-**	**-**	**-**	**3.8**	**2.1**
Cash flow hedges - fair value losses in year	**-**	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Cash flow hedges – tax on fair value losses	**-**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Deferred tax on actuarial losses on defined benefit pension schemes	**-**	**-**	**-**	**2.5**	**-**	**-**	**2.5**
Total comprehensive income/(expense) for the year	**-**	**(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 charges	**-**	**-**	**-**	**(0.5)**	**-**	**-**	**(0.5)**
Deferred tax on share based payments	**-**	**-**	**-**	**(1.4)**	**-**	**-**	**(1.4)**
Acquisition of non-controlling interest	**-**	**-**	**-**	**(5.5)**	**-**	**(3.1)**	**(8.6)**
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**

PZ CUSSONS PLC

Consolidated cash flow statement for the year ended 31 May 2012

	2012 £m	2011 £m
Operating activities		
Cash generated from operations	**57.5**	113.0
Taxation paid	**(21.6)**	(23.0)
Net cash generated from operating activities	**35.9**	90.0
Cash flows from investing activities		
Investment income received	**2.5**	3.4
Purchase of property, plant and equipment	**(18.9)**	(22.1)
Proceeds from sale of property, plant and equipment	**2.4**	0.3
Purchase of intangible assets	**(0.1)**	(0.4)
Acquisition of non-controlling interests	**(8.6)**	(2.9)
Acquisition of business	**(26.3)**	(62.5)
Repayment/(advance) of short-term deposits to joint ventures	**3.6**	(10.3)
Loans (granted to)/repaid by joint ventures	**(16.8)**	1.0
Net cash used in investing activities	**(62.2)**	(93.5)
Financing activities		
Interest paid	**(3.6)**	(2.6)
Dividends paid to non-controlling interests	**(4.2)**	(3.8)
Purchase of shares for ESOT	**(2.8)**	(2.3)
Dividends paid to Company shareholders	**(28.8)**	(26.0)
Repayment of term loan	**(15.0)**	(15.0)
Increase in borrowings	**59.4**	16.4
Net cash generated from/(used in) financing activities	**5.0**	(33.3)
Net decrease in cash, cash equivalents and bank overdrafts	**(21.3)**	(36.8)
Cash, cash equivalents and bank overdrafts at the beginning of the year	**87.6**	131.2
Effect of foreign exchange rates	**(0.4)**	(6.8)
Cash, cash equivalents and bank overdrafts at the end of the year	**65.9**	87.6

Reconciliation of profit before tax to cash generated from operations for the year ended 31 May 2012

	2012 £m	2011 £m
Profit before tax	**48.5**	108.1
Adjustment for net finance expense/(income)	**1.1**	(0.8)
Operating profit	**49.6**	107.3
Depreciation	**22.5**	21.6
Impairment loss on intangible assets	**9.7**	-
Impairment loss of tangible fixed assets	**12.4**	-
(Profit)/loss on sale of tangible fixed assets	**(0.5)**	0.1
Pension scheme contributions paid	**(15.3)**	(6.7)
Net pension credit for the year	**(0.2)**	(6.0)
Share of results from joint ventures	**0.2**	(0.4)
Share based payments (credit)/charges	**(0.5)**	2.3
Operating cash flows before movements in working capital	**77.9**	118.2
Movements in working capital:		
Inventories	**(18.3)**	(21.5)
Receivables	**12.2**	(36.8)
Payables	**(26.1)**	52.0
Provisions	**11.8**	1.1
Cash generated from operations	**57.5**	113.0

NOTES

1 Segmental analysis

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/(loss)	**27.4**	**(21.8)**	**44.0**	**-**	**49.6**
Finance income					**2.5**
Finance cost					**(3.6)**
Profit before taxation					**48.5**
Depreciation	**8.4**	**5.8**	**8.3**	**-**	**22.5**

2011	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	343.4	189.0	480.0	(191.7)	820.7
Inter segment revenue	(4.3)	(12.9)	(174.5)	191.7	-
Revenue	339.1	176.1	305.5	-	820.7
Segmental operating profit before exceptional items and share of results of joint ventures	40.6	17.5	49.6	-	107.7
Share of results of joint ventures	0.4	-	-	-	0.4
Segmental operating profit before exceptional items	41.0	17.5	49.6	-	108.1
Exceptional items	-	-	(0.8)	-	(0.8)
Segmental operating profit	41.0	17.5	48.8	-	107.3
Finance income					3.4
Finance cost					(2.6)
Profit before taxation					108.1
Depreciation	8.3	5.6	7.7	-	21.6

2 Exceptional items

The Group adopts a columnar income statement format to highlight significant items within the Group's results for the year. 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, acquisition related costs, material impairments of non-current assets, material profits and losses on disposal of property, plant and equipment, material pension settlements and amendments 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 2012	**Exceptional item before taxation**	**Taxation**	**Exceptiona l item after taxation**
Exceptional items included within operating profit:	**£m**	**£m**	**£m**
Supply chain optimisation	27.5	(9.7)	17.8
Pension scheme de-risking charge	0.3	(0.1)	0.2
Beauty division acquisition & integration costs	6.3	(1.6)	4.7
Australian Home Care brand impairment	9.7	-	9.7
Deferred tax benefit of reduction in UK Corporation tax rate principally relating to brands	-	(3.0)	(3.0)
	43.8	**(14.4)**	**29.4**

Year to 31 May 2011	**Exceptional item before taxation**	**Taxation**	**Exceptiona l item after taxation**
Exceptional items included within operating profit:	**£m**	**£m**	**£m**
Pension scheme de-risking charge	2.4	(0.7)	1.7
Pension schemes - benefit of change from RPI to CPI	(7.5)	2.0	(5.5)
Acquisition expenses – St Tropez	1.7	(0.2)	1.5
Beauty division formation costs	4.2	(1.0)	3.2
Deferred tax benefit of reduction in UK Corporation tax rate principally relating to brands	-	(2.1)	(2.1)
	0.8	(2.0)	(1.2)

Explanation of exceptional items

Year to May 2012

Supply chain optimisation

To ensure that the supply chain cost base remains at a competitive level a supply chain optimisation project has been implemented to significantly reduce the overhead footprint of the Group's manufacturing activities. The main activities involved in this project are the closing of manufacturing facilities in Australia and Ghana, in addition to other optimisation projects in Africa and Asia. Exceptional costs principally relating to the write down of manufacturing facilities and certain other restructuring costs have therefore been incurred.

Pension scheme de-risking charge

The Group has finalised the de-risking exercise that was commenced in the prior year in relation to the enhanced transfer value exercise for deferred members of the main UK defined benefit pension scheme.

Beauty division acquisition & integration costs

The Group incurred £1.1m of acquisition and related costs for the purchase of the Fudge hair care brand and associated inventory. Details of the acquisition are given in note 8. In addition, charges totalling £3.2m were incurred in integrating the Fudge brand selling and logistics activities into the Beauty division. Further costs totalling £2.0m have been incurred rationalising the activities of the Beauty division post Fudge integration.

Australian Home Care brand impairment

The current year performance and forward projections of our value dish-care brand in Australia, Trix, have been significantly affected by both market competition and rationalisation by key retailers resulting in significant uncertainty over future expected cash-flows. Therefore a decision was made to fully impair the brand at 31 May 2012.

Deferred tax benefit of reduction in UK Corporation tax rate principally relating to brands

The UK corporation tax rate reduced to 24% from 26% on 1 April 2012. As a result of this change, the deferred tax balances relating to UK assets and liabilities have been reduced to take account of the substantively enacted rate change. The largest single effect of the rate change is in relation to the deferred tax liabilities recognised when the Sanctuary, St Tropez and Charles Worthington brands were acquired and this has been disclosed as an exceptional item due to its size and the fact that it relates to previous acquisitions.

Year to 31 May 2011

Pension scheme de-risking charge

The Group commenced a de-risking exercise in relation to the UK defined benefit pension schemes in order to reduce the impact of future volatility in the valuation of the schemes' assets and liabilities. The first element of this de-risking exercise was an enhanced transfer value exercise for deferred members of the main UK pension scheme. This exercise commenced in May 2011 and the charge in the year of £2.4m represented an assessment of the likely cost based on expected take-up rates.

Pension schemes - benefit of change from RPI to CPI

The Government announced in December 2010 that the inflation measure for determining minimum pension increases would move from RPI to CPI. In general the CPI index is lower than RPI and this led to a reduction in the scheme liabilities as at 31 May 2011. The effect of this change on the liabilities was reported through the income statement as a past service credit of £7.5m due to it being a change in benefit.

Acquisition expenses – St Tropez

The Group incurred £1.7m of acquisition and related costs for the purchase of St Tropez Holdings Limited.

Beauty division formation costs

In February 2011, the Group announced the formation of the Beauty division, bringing the Group's more premium brands - The Sanctuary, Charles Worthington and St Tropez - together as one strategic business unit. The formation of the Beauty division led to the consolidation of the operations into a new Central London office and resulted in the closure of St Tropez's Nottingham site and the closure of the Sanctuary offices in London. The Charles Worthington business, previously integrated into the PZ Cussons UK operating unit, was also transferred. The exceptional costs principally related to restructuring costs and certain other costs of integrating the three brands into a new single operating unit.

Deferred tax benefit of reduction in UK Corporation tax rate principally relating to brands

The UK corporation tax rate reduced to 26% from 28% on 1 April 2011. As a result of this change, the deferred tax balances relating to UK assets and liabilities were reduced to take account of the substantively enacted rate change. The largest single effect of the rate change was in relation to the deferred tax liability recognised when the Sanctuary and Charles Worthington brands were acquired and this was disclosed as an exceptional item due to its size and the fact that it related to previous acquisitions.

3 Net finance (expense)/income

	2012 £m	2011 £m
Finance income:		
Net investment gains	**0.5**	0.2
Interest receivable from joint ventures	**-**	0.1
Interest and dividends receivable	**2.0**	3.1
	2.5	3.4
Interest expense:		
Interest payable on bank loans and overdrafts	**(3.6)**	(2.6)
Net finance (expense)/income	**(1.1)**	0.8

4 Taxation

	2012 £m	2011 £m
Current tax		
UK corporation tax charge for the year	**8.3**	7.4
Adjustments in respect of prior periods	**(2.4)**	(1.0)
	5.9	6.4
Overseas corporation tax charge for the year	**12.3**	16.6
Adjustments in respect of prior periods	**(0.4)**	(0.4)
	11.9	16.2
Total current tax charge	**17.8**	22.6
Deferred tax		
Temporary differences, origination and reversal	**(7.3)**	4.5
Adjustments in respect of prior periods	**-**	1.1
Total deferred tax	**(7.3)**	5.6
Total tax charge	**10.5**	28.2

UK corporation tax is calculated at 25.69% (2011: 27.69%) 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 £1.4m (2011: £1.6m) and relates to deferred tax on actuarial losses, on share option schemes and 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:

	2012 £m	2011 £m
Profit before tax	**48.5**	108.1
Tax at the UK corporation tax rate of 25.69% (2011: 27.69%)	**12.5**	29.9
Tax effect of revenue / expenses that are not taxable / deductible	**3.9**	0.4
Effect of different tax rates of subsidiaries in overseas jurisdictions	**(2.0)**	(0.6)
Effect of UK rate change on deferred taxation	**(3.0)**	(2.0)
Tax effect of share of results of joint ventures	**0.1**	(0.1)
Overseas withholding tax suffered on dividends	**1.8**	0.9
Prior period adjustment	**(2.8)**	(0.3)
Tax charge for the year	**10.5**	28.2

5 AGM and dividend

The Board is recommending a maintained final dividend of 4.487p (2011: 4.487p) per share, making a total dividend for the year of 6.717p (2011: 6.61p) per share. The gross amount for the proposed final dividend is £19.2m (2011: £19.2m).

The date of the Annual General Meeting has been fixed for 19 September 2012. Subject to shareholder approval dividend warrants in respect of the proposed final dividend will be posted on 1 October 2012 to members on the register at 5.00 pm on 17 August 2012.

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.

	2012	2011
Basic weighted average (000)	**428,195**	427,215
Diluted weighted average (000)	**430,629**	432,048

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 year is as follows:

	2012	2011
	£m	£m
Profit attributable to equity holders of the Company	**34.4**	70.4
Exceptional items	**28.7**	(1.2)
Adjusted profit	**63.1**	69.2

	2012	2011
Basic earnings per share	**8.03p**	16.48p
Exceptional items	**6.71p**	(0.28)p
Adjusted basic earnings per share	**14.74p**	16.20p
Diluted earnings per share	**7.99p**	16.29p
Exceptional items	**6.66p**	(0.27)p
Adjusted diluted earnings per share	**14.65p**	16.02p

7 Goodwill and other intangible assets

	Goodwill	**Other intangible assets [1]**	**Total**
	£m	**£m**	**£m**
At 1 June 2010	34.7	128.3	163.0
Acquired during the year	11.1	58.4	69.5
Additions	-	0.4	0.4
Currency retranslation	-	1.0	1.0
At 31 May 2011	45.8	188.1	233.9
Acquired during the year (note 8)	-	24.6	24.6
Additions	-	0.1	0.1
Disposals	-	(0.1)	(0.1)
Impairment loss	-	(9.7)	(9.7)
Currency retranslation	-	(0.4)	(0.4)
At 31 May 2012	**45.8**	**202.6**	**248.4**

[1] Other intangible assets include the Group's acquired brands: Charles Worthington, Original Source, The Sanctuary, St Tropez, Fudge and Trix.

Acquisition of Fudge Brand

On 24 January 2012, the Group, through its subsidiary PZ Cussons Beauty LLP, acquired the Fudge hair care brand and associated inventory from the Australian-based Sabre Group for a consideration of £26.3m. On acquisition the brand was deemed to have a fair value of £24.6m.

8 Business combinations

Cost of acquisitions	£m
2% of share capital of PZ Cussons Nigeria Plc	**8.6**
Fudge	**26.3**
	34.9

i) Acquisition of 2% of share capital of PZ Cussons Nigeria Plc

Throughout the year to 31 May 2012, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 66.8% to 68.8%. The consideration for these additional shares was £8.6m, resulting in the acquisition of a non-controlling interest of £3.1m and an amount debited to the consolidated statement of changes in equity of £5.5m.

ii) Acquisition of Fudge hair care brand and related inventory

The Fudge brand, intellectual property, inventory and certain other business assets were acquired from Sabre Corporation (Aus) Pty Ltd and Sabre Europe (UK) Ltd in an asset deal which completed on 24 January 2012. No legal entities were acquired. The consideration paid at completion was £26.0m and was settled in cash. A further £0.3m was paid after completion. No further consideration is due and there are no clauses for contingent consideration at a future date. Fudge brand sales have contributed revenue of £5.0m and operating profit of £1.0m to the Group's result in the four months since acquisition. Details of the acquisition are as follows:

a) Purchase consideration and provisional fair value of net assets acquired

	£m
Total purchase consideration	**26.3**

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional fair value £m
Intangible assets	**24.6**
Inventories	**2.1**
Other creditors	**(0.4)**
Net identifiable assets acquired	**26.3**
Goodwill	**-**
Consideration paid	**26.3**

b) Acquisition related costs

Acquisition related costs of £1.1m are included in the income statement and are treated as exceptional.

9 Net (debt)/funds

	2012 £m	2011 £m
Cash at bank and in hand	**34.2**	24.0
Short-term deposits	**31.7**	64.7
Overdrafts	**-**	(1.1)
Cash, cash equivalents and bank overdrafts	**65.9**	87.6
Current asset investments	**7.0**	10.6
Loans due within one year	**(90.8)**	(31.4)
Loans due after one year	**-**	(15.0)
Net (debt)/funds	**(17.9)**	51.8

10 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 Accounts for 31 May 2011 except as described below:

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory and have been applied for the first time for the financial year beginning 1 June 2011:

- Revised IAS 24, 'Related party disclosures', issued in November 2009 and superseding IAS 24, 'Related party disclosures', issued in 2003.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem.

(b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

(c) 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 2011 and have not been early adopted:

- IFRS 9 'Financial instruments' (effective 1 January 2015).
- IFRS 10 'Consolidated financial statements' (effective 1 January 2013).
- IFRS 11 'Joint arrangements' (effective 1 January 2013).
- IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2013).
- IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013).
- IFRS 13 'Fair value measurement' (effective 1 January 2013).

11 Basis of financial statements

The 2012 results are an abridged version of the statutory financial statements for the year ended 31 May 2012 which have been approved by the Board of Directors and which carry an unqualified audit report. The results for the year ended 31 May 2011 which were prepared in accordance with IFRS carry an unqualified audit report and have been filed with the Registrar of Companies. The 2012 and 2011 financial statements do not contain a statement in respect of s.498(2) or (3) of the Companies Act 2006.

12 Statement of Directors' Responsibilities

Each of the Directors confirms that, to the best of their knowledge:

- The financial statements within the full Annual Report and Accounts from which the financial information within this Final Results announcement has been extracted, have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The outlook, trading performance overview and regional reviews include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approved by the board of directors on 24 July 2012.