PZ CUSSONS PLC

26 July 2011

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MAY 2011

PZ Cussons Plc, a leading international consumer products group, announces its preliminary results for the year ended 31 May 2011.

Results (before exceptional items[1])	**Year ended 31 May 2011**	**Year ended 31 May 2010**	% change
Revenue	**£820.7m**	£771.6m	+6.4%
Operating profit	**£108.1m**	£101.4m	+6.6%
Profit before tax	**£108.9m**	£101.8m	+7.0%
Adjusted basic earnings per share	**16.20p**	14.89p	+8.8%
Statutory results			
Operating profit	**£107.3m**	£101.4m	+5.8%
Profit before tax	**£108.1m**	£101.8m	+6.2%
Basic earnings per share	**16.48p**	14.89p	+10.7%
Total dividend per share	**6.61p**	5.90p	+12.0%
Net funds[2]	**£51.8m**	£86.5m	

[1] Exceptional items are detailed in note 2.

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

Highlights

Group

- 7% increase in pre-tax profits and 8.8% increase in adjusted earnings per share despite challenging trading conditions in a number of markets and high raw material costs
- Healthy balance sheet with a net funds position of £51.8m even after the £62.5m acquisition of St Tropez
- Good cash generation from operations and a lower level of capital expenditure following completion of the Group's major projects last year
- Total dividend increased 12% year on year reflecting our confidence in the future and strong net funds position

Africa

- Broadly flat performance in Africa despite tough trading conditions in Nigeria due to tight liquidity provision and disruption ahead of the presidential elections
- Improvement in trading conditions in Nigeria following completion of the election process in April
- Initial groundwork completed for palm oil refinery as part of the new JV with Wilmar announced in the year

Asia

- Good increase in revenue and profitability across the Asia region
- Strong underlying growth in Indonesia in the second half following the major relaunch of the Cussons Baby range earlier in the year
- Launch of Original Source in Australia in the year as part of strategy to grow personal wash in that market

Europe

- Market shares in UK core washing and bathing sector increased in the second half following new product launches and despite competitive trading conditions
- Good performance in the newly formed Beauty division with growth in revenue and profitability across the newly acquired St Tropez brand, as well as The Sanctuary and Charles Worthington
- Competitive trading conditions in fabric care in Poland whilst Original Source also launched into the market to complement personal wash portfolio
- Lower profitability in Greece due to tough trading conditions as a result of the domestic economic crisis

Commenting today, Richard Harvey (Chairman) said:

"The Group has delivered a 7% increase in pre-tax profits and almost 9% growth in earnings per share. This has been achieved despite difficult trading conditions in a number of markets and significant increases in raw material costs.

Last year we completed a number of major capital projects. This year we have made an investment of £62.5m in the St Tropez brand which, along with Charles Worthington and The Sanctuary, has enabled us to form the Beauty Division specialising in higher value products.

Other strategic initiatives, such as the new joint venture in Nigeria with Wilmar International, are laying broader foundations for our longer term ambitions. Our balance sheet remains strong with a net funds position of £51.8m giving us the capacity to pursue further investment opportunities which fit our strategic aims.

Initiatives are underway to counter the impact of higher raw material prices and, with the spending power of consumers under increasing pressure in a number of our markets, new product and pricing strategies are being tailored accordingly. The positive growth rates seen in the second half in a number of our key businesses have continued into the new financial year, giving cause for confidence as we look ahead."

Press Enquiries

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

On 26, 27 and 28 July 2011 c/o MHP Communications on 020 3128 8100.

After 28 July to Brandon Leigh on 0161 435 1000.

An analysts' presentation will be held on 26 July 2011 at 9.30am at the offices of Panmure Gordon, Moorgate Hall, 155 Moorgate, London, EC2M 6XB.

Overview

PZ Cussons is pleased to report another year of profitable growth for the twelve months to 31 May 2011. Profit before tax and exceptional items rose 7.0% to £108.9m (2010: £101.8m) on revenue up 6.4% to £820.7m (2010: £771.6m). After exceptional items, profit before tax increased by 6.2% to £108.1m (2010: £101.8m). Basic earnings per share were 16.48p (2010: 14.89p). Adjusted for exceptional items, earnings per share rose 8.8% to 16.20p (2010: 14.89p). As at 31 May 2011 the Group had net funds of £51.8m (2010: £86.5m).

The Board is recommending a final dividend of 4.487p per share (2010: 3.970p) to give a total dividend of 6.61p per share (2010: 5.90p), a 12.0% increase for the year. Subject to approval at the annual general meeting, the final dividend will be paid on 5 October 2011 to shareholders on the register at the close of business on 19 August 2011.

Trading performance – overview

The Group has delivered good growth in revenue and profitability despite difficult trading conditions in a number of markets and significant increases in the cost of raw materials.

In Africa, liquidity remained tight in Nigeria throughout the year ahead of the presidential elections in April, with some disruption to trade occurring during the election process. Whilst sales rates improved after the elections, overall performance for the year was broadly flat.

In Asia, profitability increased significantly in the year particularly as a result of underlying growth in Indonesia following the successful relaunch of the Cussons Baby range and also from favourable foreign exchange movements.

In Europe, successful new product launches in the UK contributed to increased market shares in the core washing and bathing sector in the second half, although higher promotional and raw material costs have impacted profitability. The more premium brands in the newly formed Beauty division have performed strongly and are benefiting from alternative distribution and higher margins. Trading conditions in Poland have been competitive particularly in fabric care and both revenue and profitability in Greece are lower as a result of the domestic economic situation.

St Tropez has contributed revenue of £13.8m and operating profit of £5.4m to the Group's result in the eight months since acquisition.

Overall exchange rate impact for the Group in the year resulted in an increase of revenue and profitability of circa £11m and £1m respectively.

Financial position - overview

The Group's balance sheet is strong with a closing net funds position of £51.8m versus a prior year close of £86.5m even after the acquisition of the St Tropez brand for £62.5m.

This has been achieved as a result of the lower capital expenditure programme following the completion of the Group's major capital projects last year and as a result of continued focus on optimising working capital levels.

Major projects

Formation of PZ Cussons Beauty Division

Following the acquisition of the St Tropez self tanning brand in September 2010, a new London based Beauty division has been formed to manage the more premium brands of St Tropez, The Sanctuary and Charles Worthington. This division became fully operational from 1 June 2011 and is performing well both in the UK and also overseas, where the St Tropez range is delivering good growth both in the US and in Australia.

Joint venture in Nigeria with Wilmar International Limited

In December 2010, the Group announced plans to expand its presence in the Food and Nutrition category in Nigeria through the establishment of a food ingredients joint venture with the Singapore based Wilmar International, Asia's leading agribusiness group. The intention is to develop a range of branded products including edible oils and nutritional spreads. The joint venture will secure the availability, quality and cost of the oil ingredients through the construction of a palm oil refinery in Nigeria, expected to be completed by the end of the calendar year 2012. PZ Cussons's share of the investment will be approximately US$27m (£17m) over two years.

Regional reviews

Performance by region

	Revenue (£m)		Operating profit before exceptional items[1] (£m)	
	2011	2010	**2011**	2010
Africa	**339.1**	325.2	**41.0**	42.2
Asia	**176.1**	165.6	**17.5**	13.0
Europe	**305.5**	280.8	**49.6**	46.2
Total	**820.7**	771.6	**108.1**	101.4

[1] Exceptional items are detailed in note 2.

Africa

In **Nigeria**, the presidential elections were completed by the end of April 2011 and saw the re-election of the incumbent president. Whilst some unrest occurred before and after the elections, the outcome provides a positive political platform for the country to build upon the progress made by previous governments. Economically, high oil costs bode well for the country enabling foreign exchange reserves to be accumulated to fund future investments by the new government. The Naira has remained relatively stable against the US dollar throughout the year and the economic outlook for the country remains encouraging with positive GDP growth rates expected to continue.

During the year, pre-election uncertainty translated into liquidity in the market remaining tight with the banks operating conservative lending policies to the trade. As a result, performance in Nigeria has been broadly flat versus the prior year although sales post election have been encouraging.

During the year, the Group's holding in its listed Nigerian subsidiary has been increased further from 66.1% to 66.8% at a cost of £2.9m.

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 respectively, the investment in more efficient soap manufacturing at the site in Aba and in a new detergent tower at Ikorodu, are positively impacting margins to partially offset the significant increase in raw material costs which have been experienced in the year. Selling prices have also been raised where possible although these still lag the on-cost from raw material increases. There have been a number of successful new product launches in the year including Premier 'Cool Deo' soap, Morning Fresh all purpose cleaner and a new wrapped version of Canoe laundry soap. In addition, products relaunched with new formulations and packaging include Zip detergents and Robb medicaments.

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 imported and sold through our wholly owned Harefield subsidiary. During the year, two further HT Cool World stores were opened taking the number to six, with two further stores planned in the first half of the new year.

Nutricima, the joint venture with Glanbia plc, has seen revenue growth of almost 20% in the year to circa £60m despite tough trading conditions with the new UHT range from the second factory contributing well. These products are being sold under the core Nunu and Yo! brands as well as the new Bliss brand which was launched into the market last year. Continued significant increases in the cost of milk have however adversely affected profitability with the Group's share of profit for the year being £0.4m (2010: £1.6m).

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 three HT Cool World retail outlets have now been opened.

Asia

In **Australia**, underlying revenue and profitability for the year were lower as a result of reduced listings in the competitive trade, increased promotional costs, and a tightening consumer environment particularly in the second half of the year, although favourable exchange rate movements have resulted in higher reported profitability. Despite the competitive environment, new product launches have taken place across all three categories of fabric care, dish care and personal wash, with Original Source launched into the market earlier in the year as part of the strategy to broaden the Group's presence in Personal Care.

In **Indonesia**, second half performance has been particularly strong following the relaunch of the Cussons Baby range towards the end of the first half of the year leading to a further strengthening of our number one share of the baby care market. The range was relaunched with new formulations and packaging resulting in improved margins. Whilst smaller, the other brands in the portfolio, Imperial Leather, Morning Fresh and Carex have also performed well.

Revenue and profitability in the other Asian units of **The Middle East** and **Thailand** were also ahead of the prior year.

Europe

By the end of the financial year the **UK** business was operating 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: St Tropez, The Sanctuary and Charles Worthington out of new offices in Covent Garden with all manufacture outsourced to third parties.

The trading environment in the grocery trade for **Washing and Bathing** has remained challenging with continued high levels of promotional activity and weak consumer demand resulting in a broadly flat market overall. Despite this, the Group's strategy of continuing to renovate and innovate its brand portfolios has ensured market shares have continued to increase. Examples of new product launches in the year include Imperial Leather limited edition shower and bath variants and further new products under the unique Imperial Leather Skin Kind range. The Carex range was completely relaunched earlier in the year with new formulations and packaging and a further extension to the Carex range is planned for early in the new financial year. Further range extensions to the Original Source brand have also taken place. This strategy of range renovation, facilitated by the Personal Wash Centre of Excellence at Agecroft, is helping to produce higher quality products at improved margins which are helping to mitigate higher raw material and promotional costs. Margins are also being helped by higher efficiencies at Agecroft where annualised output has now reached 150 million units per

year versus the output of 100 million units per year when the facility was commissioned, resulting in a 'best in class' unit cost of manufacture.

The acquisition of St Tropez in September 2010 provided the catalyst for the formation of the PZ Cussons **Beauty Division**. The existing brands of The Sanctuary and Charles Worthington have the opportunity to benefit from St Tropez's wider distribution footprint in the UK and small but growing footprint in the US and Australia. All three brands performed well during the year in a less promotionally intense trading environment and remain relatively unaffected by increased raw material costs given the higher margin nature of the range. During the year, distribution of The Sanctuary was extended into the Debenhams chain whilst new product launches such as the new Essentials range have proved successful. The main spa in Covent Garden and the new boutique spas in Richmond, Cambridge and Bristol continue to build footfall despite a challenging consumer environment. New product launches under the St Tropez brand include a new Naturals range and exciting new Sun Protection products, whilst earlier in the year, the Charles Worthington range was completely relaunched resulting in record market shares with an exciting new product range planned for launch early in the new financial year.

Trading conditions in **Poland** have been challenging particularly in fabric care although the relaunch of the E brand in the second half of the year is resulting in improved market shares. The personal wash portfolio continues to grow under the Luksja and Carex brands and has been broadened further in the year with the launch of Original Source into selected distribution channels.

Revenue and profitability in **Greece** is lower than the previous year as a result of significant competitor promotional activity in the olive oil category and weak consumer demand as a result of the domestic economic crisis. Despite this, the business has focussed on growing the value added parts of the portfolio namely butter, spreads and cheeses and new product launches in the year included a range of low fat and cholesterol reducing white cheeses.

Exceptional items

A net exceptional charge of £0.8m before tax (credit of £1.2m after tax) has been recorded during the year (2010: nil). The exceptional items relate to the net effect of: the cost of de-risking the UK defined benefit pension scheme and the effect of the change in the statutory basis for determining minimum pension increases from RPI to CPI; the costs arising from the acquisition of St Tropez and subsequent formation of the Beauty Division; and, an exceptional deferred tax credit relating to acquired brands as a result of the reduction in the standard rate of UK corporation tax. Further details are provided in note 2.

Taxation

The effective tax rate before exceptional items was 27.8% (2010: 28.6%) and is trending downwards principally due to lower UK corporation tax rates.

Pensions

The Group's three closed UK defined benefit schemes had a small surplus position at 31 May 2011 of £2.3m (2010: deficit of £7.4m). The Group has commenced implementing a number of long term de-risking strategies including an enhanced transfer value programme. This has resulted in an exceptional charge of £2.4m (2010: nil). Further details are provided in note 2.

Outlook

Positive growth rates experienced in the second half of the year in a number of markets and particularly in the UK Beauty division, Indonesia and post elections in Nigeria have continued into the new financial year and give cause for optimism.

Selective further selling price increases are planned and other margin improvement initiatives are under way to counter the significant on cost arising from higher raw material prices. At the same time the Group recognises that the consumer in a number of markets is experiencing a significant deterioration in discretionary income and therefore new product and pricing strategies must be tailored accordingly.

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

Overall performance since the year end has been in line with management expectations.

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Consolidated income statement for the year ended 31 May 2011

	Notes	Before exceptional items £m	Exceptional items (note 2) £m	**Total 2011 £m**	Total 2010 £m
Continuing operations					
Revenue	1	820.7	-	**820.7**	771.6
Cost of sales		(495.5)	-	**(495.5)**	(460.1)
Gross profit		325.2	-	**325.2**	311.5
Selling and distribution costs		(135.0)	-	**(135.0)**	(123.9)
Administrative expenses		(82.5)	(0.8)	**(83.3)**	(87.8)
Share of results of joint ventures		0.4	-	**0.4**	1.6
Operating profit/(loss)		108.1	(0.8)	**107.3**	101.4
Finance income		3.4	-	**3.4**	2.9
Finance cost		(2.6)	-	**(2.6)**	(2.5)
Net finance income	3	0.8	-	**0.8**	0.4
Profit/(loss) before taxation		108.9	(0.8)	**108.1**	101.8
Taxation	4	(30.2)	2.0	**(28.2)**	(29.1)
Profit for the year		78.7	1.2	**79.9**	72.7
Attributable to:					
Equity holders of the Company	6	69.2	1.2	**70.4**	63.7
Non controlling interest		9.5	-	**9.5**	9.0
		78.7	1.2	**79.9**	72.7
Basic EPS (p)	6			**16.48**	14.89
Diluted EPS (p)	6			**16.29**	14.72
Adjusted basic EPS (p)	6			**16.20**	14.89
Adjusted diluted EPS (p)	6			**16.02**	14.72

Consolidated statement of comprehensive income for the year ended 31 May 2011

	Notes	**2011 £m**	2010 £m
Profit for the year		**79.9**	72.7
Other comprehensive income/(expense)			
Actuarial losses on defined benefit pension schemes		**(3.3)**	(8.3)
Exchange differences on translation of foreign operations		**(33.6)**	39.5
Cash flow hedges – fair value gain/(loss) in year		**1.8**	(2.3)
Taxation on items taken directly to equity	4	**0.4**	4.4
Other comprehensive (expense)/income for the year net of taxation		**(34.7)**	33.3
Total comprehensive income for the year		**45.2**	106.0
Attributable to:			
Equity holders of the Company		**45.6**	90.8
Non controlling interest		**(0.4)**	15.2

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Consolidated balance sheet as at 31 May 2011

	Notes	31 May 2011 £m	31 May 2010 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	7	**233.9**	163.0
Property, plant and equipment		**225.7**	242.0
Other investments		**0.6**	0.7
Net investment in joint ventures		**20.8**	24.9
Receivables		**0.8**	0.8
Retirement benefit surplus		**39.3**	32.0
		521.1	463.4
Current assets			
Inventories		**151.7**	142.1
Trade receivables and prepayments		**155.8**	124.6
Investments		**10.6**	0.3
Cash and cash equivalents		**88.7**	131.9
Current taxation receivable		**10.6**	4.8
		417.4	403.7
Total assets		**938.5**	867.1
Equity			
Ordinary share capital		**4.3**	4.3
Capital redemption reserve		**0.7**	0.7
Hedging reserve		**0.3**	(1.3)
Currency translation reserve		**30.1**	53.8
Retained earnings		**438.6**	397.3
Equity attributable to equity holders of the Company		**474.0**	454.8
Non controlling interest		**61.1**	67.3
Total equity		**535.1**	522.1
Liabilities			
Non-current liabilities			
Borrowings		**15.0**	30.0
Other liabilities		**2.2**	0.4
Deferred taxation liabilities		**58.7**	48.8
Retirement benefit obligations		**41.9**	46.7
		117.8	125.9
Current liabilities			
Borrowings		**32.5**	15.7
Trade and other payables		**219.3**	172.4
Current taxation payable		**30.1**	27.9
Provisions		**3.7**	3.1
		285.6	219.1
Total liabilities		**403.4**	345.0
Net equity and liabilities		**938.5**	867.1

PZ CUSSONS PLC

Consolidated statement of changes in equity for the year ended 31 May 2011

	Attributable to owners of the Company						
	Share capital £m	**Currency translation reserve £m**	**Capital redemption reserve £m**	**Retained earnings £m**	**Hedging reserve £m**	**Non controlling interest £m**	**Total £m**
At 1 June 2009	4.3	20.4	0.7	364.2	0.3	59.9	449.8
Profit for the year	-	-	-	63.7	-	9.0	72.7
Actuarial losses on defined benefit pension schemes	-	-	-	(8.3)	-	-	(8.3)
Exchange differences on translation of foreign operations	-	33.4	-	-	(0.1)	6.2	39.5
Cash flow hedges - fair value losses in year	-	-	-	-	(2.3)	-	(2.3)
Cash flow hedges - tax on fair value losses	-	-	-	-	0.8	-	0.8
Deferred tax on share based payments	-	-	-	1.6	-	-	1.6
Deferred tax on actuarial losses on defined benefit pension schemes	-	-	-	2.0	-	-	2.0
Total comprehensive income/(expense) for the year	-	33.4	-	59.0	(1.6)	15.2	106.0
Transactions with owners:							
Ordinary dividends	-	-	-	(25.7)	-	-	(25.7)
Acquisition of shares for ESOT	-	-	-	(3.0)	-	-	(3.0)
Share based payments charges	-	-	-	2.8	-	-	2.8
Acquisition of non controlling interest	-	-	-	-	-	(3.3)	(3.3)
Non controlling interest dividend paid	-	-	-	-	-	(4.5)	(4.5)
At 31 May 2010	**4.3**	**53.8**	**0.7**	**397.3**	**(1.3)**	**67.3**	**522.1**
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 period	**-**	**(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 interest	**-**	**-**	**-**	**(1.6)**	**-**	**(1.3)**	**(2.9)**
Non controlling interest dividend paid	**-**	**-**	**-**	**-**	**-**	**(4.5)**	**(4.5)**
At 31 May 2011	**4.3**	**30.1**	**0.7**	**438.6**	**0.3**	**61.1**	**535.1**

Consolidated cash flow statement for the year ended 31 May 2011

	2011 £m	2010 £m
Operating activities		
Cash generated from operations	**113.0**	160.8
Taxation paid	**(23.0)**	(22.1)
Net cash generated from operating activities	**90.0**	138.7
Cash flows from investing activities		
Investment income received	**3.4**	2.9
Purchase of property, plant and equipment	**(22.1)**	(44.3)
Proceeds from sale of property, plant and equipment	**0.3**	0.6
Purchase of intangible assets	**(0.4)**	(0.3)
Acquisition of non controlling interest	**(2.9)**	(6.8)
Acquisition of subsidiary	**(62.5)**	(0.8)
Advance of short-term deposits to joint ventures	**(10.3)**	-
Loans repaid by/(granted to) joint ventures	**1.0**	(2.2)
Net cash used in investing activities	**(93.5)**	(50.9)
Financing activities		
Interest paid	**(2.6)**	(2.5)
Dividends paid to non controlling interest	**(3.8)**	(4.1)
Purchase of shares for ESOT	**(2.3)**	(3.0)
Dividends paid to Company shareholders	**(26.0)**	(25.7)
Net increase/(decrease) in borrowings	**1.4**	(15.0)
Net cash used in financing activities	**(33.3)**	(50.3)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(36.8)**	37.5
Cash, cash equivalents and bank overdrafts at the beginning of the year	**131.2**	82.8
Effect of foreign exchange rates	**(6.8)**	10.9
Cash, cash equivalents and bank overdrafts at the end of the year	**87.6**	131.2

Reconciliation of profit before tax to cash generated from operations for the year ended 31 May 2011

	2011 £m	2010 £m
Profit before tax	**108.1**	101.8
Adjustment for net finance income	**(0.8)**	(0.4)
Operating profit	**107.3**	101.4
Depreciation	**21.6**	18.8
Loss on sale of tangible fixed assets	**0.1**	1.2
Pension scheme contributions paid	**(6.7)**	(5.2)
Net pension (credit)/charge for the year	**(6.0)**	1.1
Share of results from joint venture	**(0.4)**	(1.6)
Share based payments charges	**2.3**	2.8
Operating cash flows before movements in working capital	**118.2**	118.5
Movements in working capital:		
Inventories	**(21.5)**	24.8
Receivables	**(36.8)**	(5.4)
Payables	**52.0**	24.0
Provisions	**1.1**	(1.1)
Cash generated from operations	**113.0**	160.8

NOTES

1 Segmental analysis

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**

2010	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	325.2	192.3	446.1	(192.0)	771.6
Inter segment revenue	-	(26.7)	(165.3)	192.0	-
Revenue	325.2	165.6	280.8	-	771.6
Segmental operating profit before exceptional items and share of results of joint ventures	40.6	13.0	46.2	-	99.8
Share of results of joint ventures	1.6	-	-	-	1.6
Segmental operating profit	42.2	13.0	46.2	-	101.4
Finance income					2.9
Finance cost					(2.5)
Profit before taxation					101.8
Depreciation	7.9	5.0	5.9	-	18.8

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 2011

Exceptional items included within operating profit:	**Exceptional item before taxation £m**	**Taxation £m**	**Exceptiona l item after taxation £m**
Pension de-risking charge	2.4	(0.7)	1.7
Pension – 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 relating to brands	-	(2.1)	(2.1)
	0.8	(2.0)	(1.2)

Explanation of exceptional items

Pension scheme

The Group has commenced a de-risking exercise in relation to the UK defined benefit pension schemes in order to reduce the impact of future volatility of changes in the valuation of the schemes' assets and liabilities. The first element of this de-risking exercise is 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 represents an assessment of the likely cost based on expected take-up rates. A further charge in relation to this exercise is likely in the next financial year.

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

Acquisition of St Tropez

The Group incurred £1.7m of acquisition and related costs for the purchase of St Tropez Holdings Limited. Details of the acquisition are given in note 8.

Formation of the Beauty Division

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 has led to the consolidation of the operations into a new Central London office and will result in the closure of St Tropez's Nottingham site, Sanctuary's Hemel site and the Sanctuary offices in London. The Charles Worthington business, previously integrated into the PZ Cussons UK operating unit, is also being transferred. The exceptional costs principally relate to restructuring costs and certain other costs of integrating the three brands into a new single operating unit.

Tax effect of change in UK Corporation tax rate 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 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 liability recognised when the Sanctuary 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 a previous acquisition.

Year to 31 May 2010

There were no exceptional items in 2010.

3 Net finance income

	2011 £m	2010 £m
Finance income:		
Net investment gains	**0.2**	0.4
Interest receivable from joint ventures	**0.1**	0.1
Interest and dividends receivable	**3.1**	2.4
	3.4	2.9
Interest expense:		
Interest payable on bank loans and overdrafts	**(2.6)**	(2.5)
Net finance income	**0.8**	0.4

4 Taxation

	2011 £m	2010 £m
Current tax		
UK corporation tax charge for the year	**7.4**	7.7
Adjustments in respect of prior periods	**(1.0)**	(1.5)
	6.4	6.2
Overseas corporation tax charge for the year	**16.6**	17.4
Adjustments in respect of prior periods	**(0.4)**	1.0
	16.2	18.4
Total current tax charge	**22.6**	24.6
Deferred tax		
Temporary differences, origination and reversal	**4.5**	3.9
Adjustments in respect of prior periods	**1.1**	0.6
Total deferred tax	**5.6**	4.5
Total tax charge	**28.2**	29.1

UK corporation tax is calculated at 27.69% (2010: 28.00%) 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 £1.6m (2010: £4.4m) 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:

	2011 £m	2010 £m
Profit before tax	**108.1**	101.8
Tax at the UK corporation tax rate of 27.69% (2010: 28.00%)	**29.9**	28.5
Tax effect of revenue / expenses that are not taxable / deductible	**0.4**	0.1
Effect of different tax rates of subsidiaries in overseas jurisdictions	**(0.6)**	0.2
Effect of UK rate change on deferred taxation	**(2.0)**	-
Tax effect of share of results of joint ventures	**(0.1)**	(0.4)
Overseas withholding tax suffered on dividends	**0.9**	0.6
Prior period adjustment	**(0.3)**	0.1
Tax charge for the year	**28.2**	29.1

5 AGM and dividend

The Board is recommending a dividend increase of 12.0% for the year with a proposed final dividend of 4.487p (2010: 3.970p) per share for a total of 6.61p (2010: 5.90p). The gross amount for the proposed final dividend is £19.2m (2010: £17.1m).

The date of the annual general meeting has been fixed for 19 September 2011 and dividend warrants in respect of the proposed final dividend, subject to shareholders' approval, will be posted on 5 October 2011 to members on the register at 5.00 pm on 19 August 2011.

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.

	2011	2010
Basic weighted average (000)	**427,215**	427,232
Diluted weighted average (000)	**432,048**	432,391

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Deferred Annual Share Bonus Scheme, Executive Share Option Scheme and the Performance Share Plan.

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

	2011	2010
	£m	£m
Profit attributable to equity holders of the Company	**70.4**	63.7
Exceptional items (note 2)	**(1.2)**	-
Adjusted profit	**69.2**	63.7

	2011	2010
Basic earnings per share	**16.48p**	14.89p
Exceptional items	**(0.28)p**	-
Adjusted basic earnings per share	**16.20p**	14.89p
Diluted earnings per share	**16.29p**	14.72p
Exceptional items	**(0.27)p**	-
Adjusted diluted earnings per share	**16.02p**	14.72p

7 Goodwill and other intangible assets

	Goodwill	**Other intangible assets [1]**	**Total**
Cost	**£m**	**£m**	**£m**
At 1 June 2009	30.8	126.8	157.6
Acquired during the year	3.9	-	3.9
Additions	-	0.3	0.3
Currency retranslation	-	1.2	1.2
At 31 May 2010	**34.7**	**128.3**	**163.0**
Acquired during the year (note 8)	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**

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

8 Business combinations

2011

Cost of acquisitions	**£m**
0.7% of share capital of PZ Cussons Nigeria Plc	**2.9**
Entire share capital of St Tropez Holdings Limited	**62.5**
	65.4

i) Acquisition of 0.7% of share capital of PZ Cussons Nigeria Plc

Throughout the year to 31 May 2011, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 66.1% to 66.8%. The consideration for these additional shares was £2.9m, resulting in the acquisition of a non-controlling interest of £1.3m and an amount debited to the consolidated statement of changes in equity of £1.6m.

ii) Acquisition of St Tropez Holdings Ltd

On 27 September 2010, the Group, through its subsidiary PZ Cussons Holdings Ltd, acquired the entire share capital of St Tropez Holdings Ltd, a company registered in the UK whose principal activity is the provision of sunless tanning products. Details of the acquisition are as follows:

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

	£m
Total purchase consideration	**62.5**

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

	Book value	**Fair value adjustments**	**Provisional fair value**
	£m	**£m**	**£m**
Property, plant and equipment	**0.2**	**(0.1)**	**0.1**
Inventories	**2.0**	**-**	**2.0**
Receivables	**3.1**	**-**	**3.1**
Payables	**(2.2)**	**(2.2)**	**(4.4)**
Corporation taxation	**1.7**	**(0.3)**	**1.4**
Deferred taxation	**-**	**(9.2)**	**(9.2)**
St Tropez brand	**-**	**58.4**	**58.4**
Net identifiable assets acquired	**4.8**	**46.6**	**51.4**
Goodwill			**11.1**
Consideration paid			**62.5**

The fair value adjustments relate to: the recognition of a deferred taxation liability on the recognition of the St Tropez brand; the impairment of property, plant and equipment, additional provision for corporation taxation; additional accruals and provision for other taxes and social security.

8 Business combinations continued

b) Goodwill

The Goodwill of £11.1m arising from the acquisition is attributable to the acquired customer base and synergies expected from combining the operations of the acquired business and the Group.

c) Acquisition related costs

Acquisition related costs of £1.7m are included in the income statement and are treated as exceptional.

d) Revenue and profit contribution

The acquired business contributed revenues of £13.8m and profit before tax of £5.4m to the Group for the period from 27 September 2010 to 31 May 2011. If the acquisition had occurred on 1 June 2010, consolidated revenue and consolidated profit for the year ended 31 May 2011 would have been £828.1m and £82.1m respectively.

9 Net funds

	2011 £m	2010 £m
Cash at bank and in hand	**24.0**	57.3
Short-term deposits	**64.7**	74.6
Overdrafts	**(1.1)**	(0.7)
Cash, cash equivalents and bank overdrafts	**87.6**	131.2
Current asset investments	**10.6**	0.3
Loans due within one year	**(31.4)**	(15.0)
Loans due after one year	**(15.0)**	(30.0)
Net funds	**51.8**	86.5

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 2010 except as described below:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

10 Accounting policies continued

- As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the current period, as none of the non-controlling interests have a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity. During the period the Group has acquired additional share capital in PZ Cussons Nigeria PLC that has resulted in a debit of £1.6m being recognised in the Consolidated Statement of Changes in Equity. Prior to the introduction of IAS 27 (revised) this would have been recognised as an addition to goodwill. The amendment does not require the restatement of previous transactions.

11 Basis of financial statements

The 2011 results are an abridged version of the statutory financial statements for the year ended 31 May 2011 which have been approved by the Board of Directors and which carry an unqualified audit report. The results for the year ended 31 May 2010 which were prepared in accordance with IFRS carry an unqualified audit report and have been filed with the Registrar of Companies. The 2011 and 2010 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 26 July 2011.