PZ Cussons

OUR STRATEGY FOR GROWTH

Focus | Scale | Accelerate

ANNUAL REPORT & ACCOUNTS 2019

A NEW DIRECTION

This year, we launched a new strategy for PZ Cussons. This strategy provides us with a renewed clarity of purpose and a solid platform for growth. Through focusing and scaling up on selected activities that leverage what we do best, we will transform our Company into a leaner, more agile business and accelerate sustainable growth.

FOCUS
see page 16

SCALE
see page 18

ACCELERATE
see page 20

KEY STRATEGIC HIGHLIGHTS

- Full review of strategy undertaken by the Board
- New growth focus defined: **Focus**, **Scale**, **Accelerate**
- Focused investment behind core Personal Care and Beauty brands in existing and selected high-growth markets
- Disposal of non-core brands
- Nigeria business and portfolio to be simplified and costs controlled; continued investment in core Personal Care brands and partnerships that have the potential for disproportionate growth as the economy recovers

> FOR DETAILS SEE CHAIR'S STATEMENT ON PAGES 6 AND 7 AND A CONVERSATION WITH CEO ALEX KANELLIS ON PAGES 8 AND 9.

FINANCIAL HIGHLIGHTS

REVENUE

£689.4m

(2018: £739.8m[1])

ADJUSTED PROFIT BEFORE TAX

£69.8m

(2018: £80.1m)

REPORTED PROFIT BEFORE TAX (IFRS)

£37.0m

(2018: £59.2m[1])

AVERAGE NET WORKING CAPITAL AS % OF REVENUE

20.0%

(2018: 19.3%[1])

NET DEBT

(£152.2)m

(2018: (£165.4)m)

ADJUSTED BASIC EPS

13.01p

(2018: 13.39p)

DIVIDEND PER SHARE

8.28p

(2018: 8.28p)

ADJUSTED OPERATING MARGIN

11.1%

(2018: 11.6%[1])

> FOR FURTHER DETAILS AND DEFINITIONS OF KPIs SEE PAGES 22 TO 25.
> DETAILS ON PERFORMANCE SEE FINANCIAL REVIEW ON PAGES 32 TO 35.

1 The results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15 and prior year adjustments. Further details are set out in Note 1 to the Consolidated Financial Statements.

OUR PURPOSE

Enhancing everyday life,
creating moments of delight.

OUR AMBITION

To grow our business while staying
true to our authentic family spirit.

Focusing on our consumers and local markets
better than anyone else, so we can respond quickly.

Because we want to leave a legacy for the
next generation that we can all be proud of.

OUR PLAN

Building on our competitive advantage, we will accelerate our growth by focusing on a few key categories, brands and geographies, further simplifying our business and scaling those ideas with the best potential in order to accelerate our growth. Our streamlined Group will focus on Beauty and Personal Care brands in our key existing geographies and high-potential new geographies where we have the strongest right to win over our competitors.

In Nigeria, we will streamline our operations, control our costs, focus on a few core brands in Personal Care and Home Care, and continue to invest in our partnerships with Haier and Wilmar, as these initiatives have the potential for disproportionate growth as the economy recovers.

PZ Cussons is a dynamic consumer products group. We've created some of the world's best-loved and most trusted brands.

OUR CORE BRANDS

Our focus will be on ten core brands that will be optimised within our largest markets or across markets, and three core brands in our partnership businesses in Nigeria:

GLOBAL AND REGIONAL BRANDS

WHERE WE OPERATE

We have a direct presence in selected geographies in over 25 countries through distributor partnerships:

EUROPE & THE AMERICAS

UK, US, Poland, Greece

> SEE PAGES 36 AND 37

ASIA PACIFIC

Indonesia, Australia, Thailand

> SEE PAGES 38 AND 39

AFRICA

Nigeria, Ghana, Kenya

> SEE PAGES 40 AND 41

PARTNERSHIP BRANDS

OUR CATEGORIES

We operate in four categories:

- Personal Care, including Beauty (Europe & the Americas, Asia Pacific and Africa)
- Food & Nutrition (Europe & the Americas, Asia Pacific and Africa)
- Home Care (Asia Pacific and Africa)
- Electricals (Africa)

OUR PEOPLE

We collectively ***make our mark*** in serving our consumers, customers and communities by living our CANDO! values and behaviours.

CAN DO

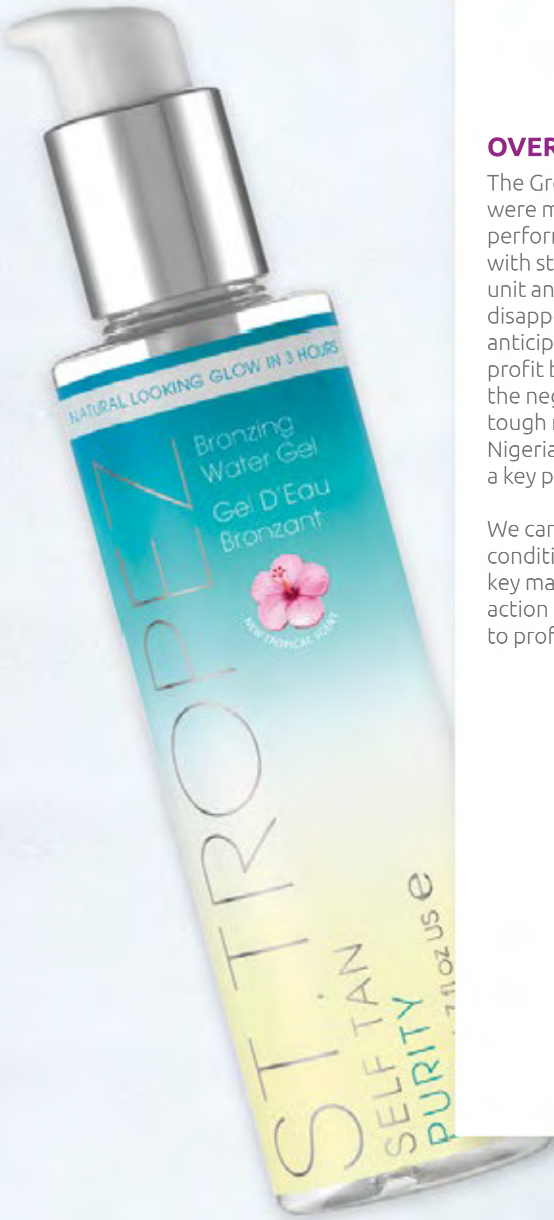
GOOD4BUSINESS

Sustainability principles are integrated within all aspects of our business:

- Business governance and ethics
- Environment
- Sourcing
- Community and charity

> SEE PAGE 51

"I believe we have set solid foundations for a return to sustainable growth and long-term success."



OVERVIEW

The Group's results for the year were mixed: a combination of solid performances in Europe & the Americas, with strong growth in the Beauty business unit and Asia Pacific, compared with very disappointing results in Africa. As we anticipated at the half year, the adjusted profit before tax of £69.8m reflects the negative impact of the extremely tough macroeconomic conditions in Nigeria, which has historically been a key profit driver.

We cannot rely upon short-term economic conditions improving significantly in our key markets and are therefore taking action to reposition the Group to return to profitable growth.

A NEW STRATEGIC DIRECTION

During the year, the Board undertook a comprehensive strategic review of the Group's operations. As part of this process, we consulted our key shareholders to ensure we understood their aspirations for the Group. We also engaged a third-party strategy consultant to provide an independent external perspective of the Group's opportunities for growth.

Following the review, the Board approved a new strategy for the Group: **Focus, Scale, Accelerate,** the key features of which are as follows:

1. **Focused investment in core Personal Care and Beauty brands in geographies that can scale growth**
   The Personal Care category, which includes Beauty, represents our strongest brands across the geographies that offer us the best opportunities for revenue and margin growth. By focusing on consumer needs, understanding which brands to drive, grow, transform or maintain, and accelerating our strategies for pursuing multiple and changing consumer channels, we can return the Group to sustainable, profitable growth.

2. **Simplification of Nigerian activities ready for the market recovery and continued investment in our partnerships with Haier and Wilmar**
   Nigeria has a large, young and growing population and, given our operating footprint, represents enormous potential. However, the country has endured a prolonged period of shrinking consumer disposable income and we must ensure our organisation fits current economic realities whilst still being ready to take advantage of future recovery. Along with prioritising our resources and investment in fewer categories and brands that have the best opportunity to scale in Nigeria, we will streamline our operations and control our costs. This will ensure we become more agile to deal with the risks and opportunities in Nigeria.

   Our Electricals and Oils businesses, run in conjunction with our partners Haier and Wilmar respectively, have the potential to deliver disproportionate growth as the economy recovers.

3. **Disposal of non-core brands**
   We are reviewing the growth potential of some of our non-core brands. This will allow us to remain focused on the opportunities that will drive the biggest return in the future. A more streamlined business will enable us to concentrate on growing PZ Cussons' core portfolio. This will ultimately result in a much greater proportion of Group earnings coming from Personal Care and Beauty. This category provides us with our sharpest competitive edge and offers the highest margin earnings potential.

We have already invested in a more streamlined operating model over the past five years. Continuing to improve the efficiency of that model and investing in a more focused portfolio will enable us to accelerate our growth.

DIVIDEND AND BALANCE SHEET

The Board reaffirmed its commitment to maintaining the strength of the Group's balance sheet. Low ongoing capital expenditure requirements mean that our net debt will remain below an internally set maximum threshold of two times EBITDA throughout the lifetime of the strategic plan.

We have a long track record of dividend growth over many years. More recently, whilst the Group's operating results have been under pressure, the dividend has been maintained but not increased. Reflecting good cash generation and confidence in our new strategy, the full year dividend is maintained in line with the prior year at 8.28p per share.

CORPORATE GOVERNANCE

Good corporate governance is an essential characteristic of a sustainable business. The Board is committed to maintaining the highest standards of governance, in line with our status as a listed company.

As announced on 13 June, Brandon Leigh stepped down from the Board as Chief Financial Officer. I would like to thank Brandon for his more than 20 years of service to PZ Cussons and to the Board. The Nomination Committee has initiated a process to appoint an appropriate successor for the role. In the meantime, Alan Bergin, Commercial Finance Director on the Executive Leadership Team, is performing the role on an interim basis.

Having joined the Board towards the end of the 2018 financial year, Dariusz Kucz and Tamara Minick-Scokalo have brought their considerable experience and fresh perspectives to our discussions. I am grateful to them and my fellow Directors for their insight and wise counsel during what has been a very busy year.

The relatively compact scale of the Group's operations, combined with its flat management structure, facilitates excellent communication between the non-executive members of the Board and the Executive Leadership Team. This sets the tone for a robust and open governance culture that is ingrained in the business.

Our commitment to 'doing the right thing' also remains as strong as ever. During the year we continued to ensure our products and our supply chain met our Good4Business objectives, which underpin everything we do.

OUR EMPLOYEES

The Board places great importance on ensuring the Group's culture and values are embedded in the organisation. We therefore reward people based on how their behaviour demonstrates adherence to our values as well as their day-to-day performance.

Developing the talent pool needed to achieve our goals is a high priority. Our mixed operating results combined with ongoing skill shortages in some of our markets mean that attracting and retaining the right depth of talent is a challenge. I believe that our new strategic direction will highlight the energy and vision in our business and prove attractive to potential applicants – as well as inspirational to our current employees.

All members of the Board travelled extensively during the year, spending time in and talking to employees in our key markets in the UK, Australia, Nigeria, the US, and Indonesia. My fellow Directors and I never fail to be impressed by the energy and enthusiasm our employees bring to their roles – and I thank them sincerely for all their hard work during the year.

LOOKING AHEAD

Throughout its history, PZ Cussons has embraced change and the opportunities it brings. Our new strategy – **Focus, Scale, Accelerate** – represents a significant milestone for the Group. Our resources and investment will be focused on fewer key categories and brands in only those geographies offering the best potential for scale. Our operations will be further streamlined, our cost base will be tightly managed and we will act at pace. The results from this will not be immediate, but we expect 2019/20 to be an important transitional year.

PZ Cussons is a remarkable company. We are fortunate to have talented and committed people, a wealth of cherished brands and enduring partnerships with loyal suppliers and customers. As we begin this next chapter in our story, I believe we have set solid foundations for a return to sustainable growth and long-term success.

Caroline Silver
Chair

"Everything we're doing now is directed towards making the business more sustainable, more profitable and more resilient."

Q: How would you sum up last year's performance?

Our results were mixed. We had a very tough trading year with challenges in Nigeria driven by weak economic conditions, uncertainty in the UK due to Brexit, and lower inflation growth in Asia. Despite these challenges, performance in Europe & the Americas was solid – especially for our US Beauty business. In Asia Pacific, we saw the Australian market recover and Indonesia also did well. Our Nigerian business showed some improvement in the second half, but it declined overall.

Q: How did you tackle the various challenges this year?

We have implemented an approach that focuses on all aspects of the business. We prioritised resources and investment on fewer initiatives, concentrating on those brands that show the potential to scale up and deliver significant revenue and good margin growth. Our popular Foamburst variants of our Imperial Leather and Original Source brands in the UK are great examples of this, and we saw excellent growth in St. Tropez in the US.

We also continued to improve the efficiency of our operating model that we have been working on for the past five years. This included reducing the number of depots in Nigeria and Indonesia and progressing the development of our regional finance shared service centres. With fewer, more efficient locations to process and control our transactional needs, we'll cut costs and improve our service levels.

Q: How will the new strategic direction drive the business forward?

Looking back at the last few years, we've found it difficult to grow the top line. We have been focused on streamlining our operating model and, as a leaner organisation, we now need to focus on only those activities that give us the best chance for growth. Also, some of the brands and geographies where we have historically done well offer little growth potential in the face of changing consumer needs. With our **Focus, Scale, Accelerate** strategy, we have clarity about which brands we want to back, what we want to do with them and where we want to do it. We don't need to be all things to everyone. Our strength has always been our ability to identify niche opportunities in our key markets and to act quickly to take advantage of those opportunities. We are renewing our focus on investing our time, energy and talent into the brands and markets that really hold promise for us.

Q: Would you define the new strategy as 'evolutionary' or 'revolutionary'?

It is a bit of both. The **Focus, Scale and Accelerate** strategy is the next evolution of the 'selected categories and geographies' strategy we have deployed for many years. However, we are now focusing on fewer core categories, brands and geographies. We have been streamlining our business model for the past few years, but we will now simplify even further, particularly in Nigeria, keep tight control of our costs, and dispose of non-core brands. The new strategy enables us to concentrate only on those categories, geographies and brands that we can scale, accelerating our growth for current and future market conditions. We are also stepping up a gear to apply even more urgency to our efforts.

Q: Which are your priority categories?

In recent years we've invested in too many categories and initiatives. Our Personal Care and Beauty brands are some of our strongest brands and offer the best opportunities for revenue and margin growth, so prioritising our resources and our investment in fewer initiatives within these categories is key to getting back to top line growth. We've been really pleased with the growth of Beauty, for example, which contributed over a quarter of Group operating profit during the year.

We will also continue to invest in our partnerships with Haier for our Electricals business, and with Wilmar for our Oils business. These businesses offer significant disproportionate long-term growth as the Nigerian economy recovers.

Our Home Care brands are also still important to us in specific local markets. They give us real scale and efficiency, both from a supply chain perspective and in terms of distribution and retailer engagement.

Q: What's the position regarding Nigeria? Do you still have faith in the country's ability to recover?

We can't ignore the fact that the country has endured multiple problems, not least a prolonged period of shrinking consumer disposable income. Hence we've carefully considered how best to organise our businesses.

Our trading heritage in Nigeria dates back over 120 years; historically it contributed the largest share of Group profits. But we're not staying for sentimental reasons. Nigeria has a very large, very young and growing population. Put that alongside our sizeable existing footprint and there's enormous potential. We have the number one and two brands in our markets, so why would we give that up? However, we have to further streamline our operations, and more tightly control our cost base, both to cope with the volatility and to position ourselves well for the economic recovery.

We run our Electricals and Oils businesses in conjunction with our partners Haier and Wilmar respectively; they effectively operate as standalone investments. We see genuine longevity in both these businesses – they're well positioned to deliver disproportionate growth in the long term as consumer spending levels rise. In Electricals, we've already seen some evidence of confidence returning at the premium end of the market.

Q: Are you planning any disposals?

We are reviewing the growth potential of some of our non-core brands and the cost of some of our operational activities. Some brands have done well for us historically, but as the landscape has changed, we may not be the best owners for them.

Q: How are you planning to grow new channels to market?

There's no point in us trying to create an online platform ourselves. We're great at understanding the consumer, but others are great at the technology. Hence the decision to build alliances instead. We've been developing relationships for some time with digital commerce partners and online retailers; and in Beauty, for example, digital commerce now accounts for a significant portion of our growth in the US.

Our lower-priced items generally reach the consumer as part of their retailers' grocery deliveries, whereas in Nigeria we've partnered with Jumia and Conga to handle our online sales in Electricals. So depending on the product and the market, we'll find the right digital avenues for it.

Q: How do you view the Group's financial position?

As we refine and realign our growth priorities across the Group, we'll reinvest some of the savings from our simplification programme into those key categories, brands and markets that will make the biggest difference to our growth. The combination of a strong balance sheet and an improved cashflow position means we'll be able to service the Group's investment needs – and deliver returns to our shareholders via the dividend.

Q: Does the Group's new strategy come with a new set of values?

We're essentially a family business – I always say we've got great genes! So we'll stay true to the values that have underpinned our success thus far. But the world is changing and we have to change with it. In returning PZ Cussons to sustainable, profitable growth we need to keep close ties with partners, stay accountable to our stakeholders and maintain an environment of trust. That's how we've always done business.

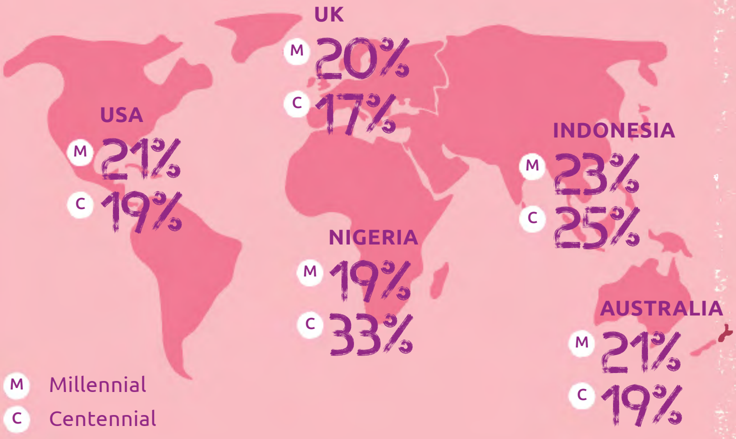
Q: What are your thoughts on the year ahead – and beyond?

The pleasing performance from Europe & the Americas and Asia Pacific last year gives us confidence for the future in these regions. We'll maintain our investment in a few key categories and brands in Nigeria pending the return of economic growth.

Our new strategy is sharpening our focus right across the portfolio. Everything we're doing now is directed towards making the business more sustainable, more profitable and more resilient. PZ Cussons is a fantastic business – and it has a very bright future.

Alex Kanellis
Chief Executive Officer

POPULATION : MILLENNIALS VS CENTENNIALS



Source: Macroeconomic Indicators Database – 12 July 2019 – GlobalData.

FOOD AND PERSONAL CARE PRODUCTS PURCHASED ONLINE (ANNUAL CHANGE)

Source: Digital Around The World In 2019 – January 2019 – Wearesocial (www.wearesocial.com/global-digital-report-2019)

PZ Cussons operates in fast-moving consumer goods (FMCG) categories. These generally deliver good growth in countries experiencing economic and population expansion. However, some of our markets have experienced subdued or declining growth in recent years.

EVOLVING CONSUMER LANDSCAPES

All our markets exhibit their own unique characteristics. There is an explosion of youth in Nigeria, with over 20,000 births a day. Elsewhere there are ageing populations; in Europe, for example, 25% of the population is now over 60. Over half the world's population now lives in urban areas – and the global middle class is expected to double to almost five billion people by 2030.

Changing consumer behaviour accompanies these developments – and shapes new trends. In Nigeria, inflation and low wage growth have squeezed family budgets. In Indonesia, the economy has been softer and pricing up has been more difficult. In the UK, discount channels and promotions have become significant sales drivers; all of which mean the value equation for consumers has changed.

Getting the right brand, the right product offering, at the right price and through the right channel have therefore never been more important.

CHANGING NEEDS AND PREFERENCES

The commoditisation of many everyday products presents manufacturers with multiple challenges. PZ Cussons' brands compete for shelf space with other household names, as well as retail chains' own-brand and private label goods.

Consumers are faced with a vast array of choices – and depending on the category, they have different priorities. With Personal Care and Beauty brands, they are generally more discerning – and prefer branded offerings. With household goods, however, consumers are often simply seeking a product of acceptable quality to clean their clothing or house well.

Yet, in a turbulent world, consumers also seek out new sensations, flavours and fragrances that give them moments of comfort, escape and indulgence. With increasing emphasis being placed on individuals' physical and mental wellbeing, there is also a growing trend towards improved 'self care'.

BRINGING NEW IDEAS TO MARKET

Wherever they live, consumers respond well to innovation. Whether shopping in a developed market grocer or in an emerging market traditional stall, they have an appetite for new ideas and stand-out products. We therefore maintain high levels of consumer interest with selected innovation focused on delivering to a consumer need that enhances everyday life and creates moments of delight. Tailoring our offerings to specific geographies also means we are able to directly address local needs and tastes.

Our relatively small geographic footprint gives us a deeper understanding of our regional and local markets than our competitors. This enables us to forge close ties with digital commerce partners, retailers, and active distributors – and helps secure their ongoing loyalty to PZ Cussons brands.

Early recognition of trends, working with external partners to develop innovation, and our smaller size mean we can bring products to market faster than our competitors. We also identify opportunities that larger competitors would not necessarily spot – and exploit those market niches that they decide against.

INCREASED ENVIRONMENTAL AWARENESS

Consumers are increasingly mindful of their personal environmental impact. In addition to seeking transparency and authenticity in their purchases, they examine the environmental credentials of products and their manufacturers. They have also become more knowledgeable and inquisitive. They scrutinise ingredients and packaging, and want to know about their product's journey from factory to shelf. Issues such as single-use plastic for packaging and palm oil production are high on many consumers' awareness agenda – and are proactively addressed directly by our Plastic and Palm Oil Promises.

The issue of plastic has taken centre stage in the past year – and is changing the way manufacturers think. Alternative packaging materials are being developed and buying patterns are also changing. For example, some consumers are reverting to using bar soap. PZ Cussons has embraced this challenge, initially through the inclusion of more refills in our portfolio, developing lighter weight bottles and ensuring that they are recyclable, and introducing post-consumer recycled material into our packaging. But we are also working on more novel packaging solutions and innovative ways of delivering our products to consumers without using any plastic. In that way, we can help address the critical problem of plastic pollution while also finding new ways to delight our consumers.

DIGITAL COMMERCE

The way consumers shop is changing rapidly and the digital commerce revolution is underway, driven by online-only retailers who are offering diverse brand and category choices coupled with convenient shipping and payment options. In Europe & the Americas, many products with higher price points – such as our Beauty ranges – have seen a significant shift towards online sales, particularly in the US. Less expensive items, such as handwash and shower gels, have also experienced online sales growth, principally via retailers' own grocery delivery services. In Asia Pacific, traditional retailers are collaborating with digital commerce operators to drive better coverage and lower last-mile cost. In Nigeria, digital commerce is still an emerging channel but there has been a noticeable shift towards buying online in the fashion and electronics categories. We work with our partners to ensure our brands have exactly the right online presence to connect with consumers, however they choose to buy. This is particularly important for our Beauty brands, where we focus investment on those retailers with growing digital commerce businesses.

MOVING FORWARD

More than ever, established brands must have a clear vision and voice, consistent across everything they do. Consumers remain under pressure in all our markets, but we are confident that our new strategic initiatives will help us anticipate – and better respond to – the ongoing changes in the FMCG landscape.

OUR BUSINESS MODEL

Our people, brands, geographies and partnering capabilities combine to deliver competitive advantage and differentiate us in our chosen markets. Our unique business model incorporates our new strategy to help us create shared, sustainable value for all our stakeholders.

OUR KEY INPUTS

OUR PEOPLE

Diverse, skilled, and passionate employees

OUR BRANDS

High-quality, trusted and well-loved brands

OUR SUPPLY CHAIN

World-class manufacturing facilities and owned distribution facilities in selected geographies where in-house manufacturing is a competitive advantage

OUR RELATIONSHIPS

Business, supply and innovation partners that enhance our offering and share our values

OUR FINANCIALS

Strong balance sheet reflecting our disciplined approach

HOW WE CREATE VALUE

OUR PURPOSE

ENHANCING EVERYDAY LIFE, CREATING MOMENTS OF DELIGHT.

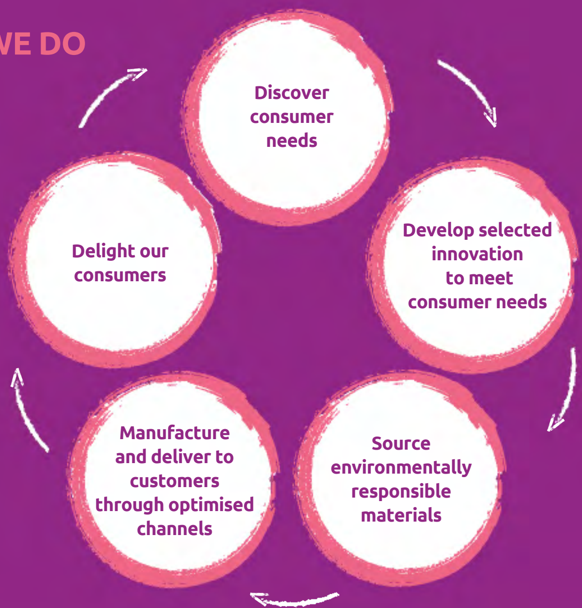
OUR AMBITION

TO GROW OUR BUSINESS WHILE STAYING TRUE TO OUR AUTHENTIC FAMILY SPIRIT.

FOCUSING ON OUR CONSUMERS AND LOCAL MARKETS BETTER THAN ANYONE ELSE, SO WE CAN RESPOND QUICKLY.

BECAUSE WE WANT TO LEAVE A LEGACY FOR THE NEXT GENERATION THAT WE CAN ALL BE PROUD OF.

WHAT WE DO



UNDERPINNED BY OUR CULTURE, VALUES, STRONG GOVERNANCE AND ETHICS

OUR STRATEGY

FOCUS
> SEE PAGE 16

SCALE
> SEE PAGE 18

ACCELERATE
> SEE PAGE 20

WHAT MAKES US DIFFERENT

- CATEGORY-LEADING BRANDS
- IN-DEPTH LOCAL MARKET KNOWLEDGE
- UNIQUE ONE PZC CULTURE
- FOCUSED PRODUCT INNOVATION
- AGILE AND FAST TO MARKET
- STRONG BALANCE SHEET

CREATING SHARED VALUE

FOR INVESTORS
Sustainable dividend and Earnings Per Share, experienced leadership

FOR EMPLOYEES
Training and development, strong teams and relationships, living CANDO! values

FOR CONSUMERS
Innovative, high quality, trusted brands

FOR SOCIETY
Good4Business, community and charitable initiatives

FOR THE ENVIRONMENT
Sustainable sourcing, Plastic and Palm Oil Promises, reduced carbon emissions

CANDO! ONE PZC GOOD4BUSINESS

OUR STRATEGY FOR GROWTH

Sustainable, profitable growth is essential to the future of our business. Throughout its 135-year history, PZ Cussons has successfully evolved and adapted to constantly changing consumer, market and economic environments. We are an international consumer goods group with an established portfolio of trusted brands across a range of markets. We have an unrivalled heritage and entrepreneurial culture, robustly supported by our CANDO! values.

We have streamlined our business model and become more efficient; however, our performance in recent years has fallen short of expectations. With our leaner organisation and in the face of changing consumer needs, our portfolio had become too fragmented and complex for the resources we have, which had made it difficult to maximise the growth potential of our core brands. We therefore undertook a thorough review of our business, categories and brands, and geographic presence.

EVOLVING PZ CUSSONS

We have a new strategy that focuses our resources and investment on key categories and core brands across selected geographies in Europe & the Americas, Asia Pacific and Africa that offer the best potential for scale and can return the Group to sustainable, profitable growth.

Founded on strong principles of sustainability, our strategy for growth emphasises **Focus, Scale, Accelerate**. The following pages explain how we will evolve PZ Cussons into a more streamlined and dynamic business, fit for the future and ready to take advantage of the significant opportunities that lie ahead.

> FOCUS

> SCALE

> ACCELERATE

FOCUS

OUR OBJECTIVES

- Place the consumer at the centre of our innovation strategy
- Simplify the business and our channels
- Focus on our high-margin brands in core categories and geographies:
  - Beauty and Personal Care focus
  - Home Care maintained in selected geographies to provide in-market scale
  - Continue to invest in our partnerships that offer disproportionate growth as the Nigerian economy recovers
  - Divest non-core brands
- Deploy different strategies for each brand:
  - Drive
  - Grow
  - Transform
  - Maintain

SCALE

OUR OBJECTIVES

- Selectively innovate to scale brands in existing markets
- Scale brands in high-potential new markets
- Leverage distribution partnerships to scale in selected channels with the right consumers
- Add scale through digital commerce

ACCELERATE

OUR OBJECTIVES

- Beauty and Personal Care to drive largest share of revenue and profit growth
- US and Asia Pacific to create biggest opportunity for revenue growth
- Increase UK and Australia profitability through premium innovation across Beauty and Personal Care
- Leverage our knowledge and expertise in Nigeria to rebuild scale in selected categories and brands and through business partnerships

> SEE THE PRINCIPAL RISKS TO DELIVERY OF STRATEGY ON PAGES 44 TO 49.

> FOCUS

Improving Group performance and maintaining profitability

To improve Group performance and maintain profitability, we are focusing on the brands, categories and geographies that have the strongest potential for high-margin growth. Above all, the consumer remains the focus of everything we do.

We are simplifying our portfolio by focusing primarily on a few key brands in Personal Care and in Beauty in our existing geographies and in selected new geographies that will offer high growth. We will also continue to invest in our partnerships with Haier for Electricals and with Wilmar for Oils. We will review and divest non-core brands.

This focus will help us to maximise our marketing investment and resource allocation so we can scale those initiatives and accelerate our growth. Personal Care and Beauty in all our existing geographies should deliver more than 80%[1] of our revenue within five years, and partnerships will deliver additional disproportionate high growth as the Nigerian economy recovers.

Within these categories we have identified ten core brands to prioritise across all markets, and three partnership brands in Africa. These brands offer the best potential to deliver sustained, high-margin growth. To deliver this growth, the strategy prioritises marketing investment based on growth opportunity, brand proposition and presence.

Our core brands are:

Global and Regional brands
- Carex
- Cussons Baby
- Fudge
- Imperial Leather
- Morning Fresh
- Original Source
- Premier Cool
- Rafferty's Garden
- St. Tropez
- Sanctuary Spa

Partnership brands
- Mamador
- King's
- Thermocool

As part of the strategy, we will maintain some Food & Nutrition and Home Care brands in selected local geographies to provide in-market scale where necessary, supported by limited investment.

Nigeria is an integral part of the PZ Cussons story, where we will focus on three core brands and our joint venture businesses, with both elements set to deliver significant growth over the long term as the economy recovers.

1 Excluding revenue from partnerships.

CUSSONS BABY: TOP BRAND FOR KIDS 2019

Cussons Baby confirmed its status as the undisputed babycare brand leader in Indonesia. It claimed top brand in eight out of ten key baby categories including Baby Powder, Lotion, Shampoo, Cotton Buds and Wipes, according to an independent survey conducted by Frontier Research across five cities in Indonesia. Presented annually by *Marketing* magazine, the Top Brand award takes into account 'top of mind' awareness, the brand last used and future intention to purchase.

BIGGER CHOICE, SMALLER BILLS

With almost 50 years' experience, our Thermocool brand continues to win accolades as Nigeria's most trusted white goods brand. We continue to grow our offer with new energy-saving washing machines, which cut electricity bills and reduce the need for large generators. The recently launched Haier Thermocool GenPAL Inverter Air Conditioning Unit is also gaining rapid momentum. Other products under the Haier Thermocool umbrella include high-quality cookers, generators, water dispensers and microwave ovens; all of which combine performance, safety and style.

ST. TROPEZ – A FOCUS FOR GROWTH

St. Tropez is America's number one premium tanning brand. Sales grew significantly in this market last year by 30%, driven mainly by close strategic retail relationships. Online sales increased by 41% and our first social media marketing programme, entitled 'You Set the Tone', helped to boost brand awareness. This strategically important market will be the key focus for the brand growth over the coming year.

> SCALE

The second element of our strategy is to scale growth of selected categories and brands

We will prioritise investment behind a smaller group of existing brands, which have a greater impact in terms of revenue and margin growth. Focusing on fewer brands will enable us to scale growth in our key existing markets and selected high-potential new markets and channels.

In our existing markets, we will focus our innovation, investing in products with strategic growth propositions for both consumers and customers, primarily in Personal Care and Beauty. This will include leveraging trends across fragrance, formats and ingredients and incorporating our Plastic and Palm Oil Promise.

We will maximise our distribution in key established and high-potential new markets. In geographies where we already have strong presence we will leverage our local expertise and established customer partnerships to introduce additional high-margin brands. We will also accelerate growth of our brands in selected new markets where we identify good prospects for success.

We will accelerate growth through digital commerce for high-value brands that consumers want and need, through increased use of influencers and digital marketing strategies, by leveraging the successful digital partnerships that we already have, and by selectively developing new partnerships.

FOAMING SUCCESS

Original Source Foaming Shower is a top performer – driving the highest sales of all new entrants to the shower category. Around three-quarters of a million consumers used Original Source Foaming Shower in the past year. We 'Unleashed The Foam' across several media platforms, including a partnership with the stars of 'Made In Chelsea' across TV and social channels. We also promoted our '10x More Foam' message with a new film starring our very own 'Foamy Man' via video-on-demand and Facebook.

PREMIER COOL – OFFERING FRESH CHOICES

In a highly competitive Nigerian bar soap market, our Premier Cool brand is being strengthened through the introduction of new 'Ultimate', 'Odour Defence' and 'Sports' variants. The new product range features better cooling, improved fragrances and a new design, as well as the addition of a new 150g pack size. The enhanced Premier Cool mix shows strong growth potential. It is set to improve the buying rate from existing customers – and significantly grow our market share through attracting new users to the brand.

IMPERIAL LEATHER FOAMBURST – DESTINED FOR GROWTH

A patented technology, unique to PZ Cussons, Foamburst is a treat for the senses – with more lather than any other shower gel on the market. Foamburst has been a considerable focus for the Imperial Leather brand over the past year; we see significant opportunities to raise awareness, drive trial of the range and unlock further growth – in the UK and beyond.

> ACCELERATE

Our new five-year strategy will accelerate the transformation of our business, enabling growth from our highest margin, highest potential brands

Personal Care, including Beauty, will drive the largest share of revenue and profit growth in all of our geographies, as we increase our focus on high-margin brands. Within five years we aim to deliver the majority of our revenue from these categories.

We will continue to invest in our partnerships with Haier and Wilmar in Nigeria, aiming to drive disproportionate growth for the long term as the Nigerian economy recovers.

The US and Asia Pacific offer the best opportunities for revenue growth in Personal Care, including Beauty. We will therefore build on our existing presence and experience to drive growth, both from established brands and from the launch of carefully selected additional brands from our portfolio. In Asia, where the population is growing, we will focus on improving distribution for Rafferty's Garden.

In more established markets with lower percentage growth rates, such as the UK and Australia, we will increase profitability principally through targeted premium innovation across our Beauty and Personal Care brands.

In Nigeria, we will continue to simplify our business and target growth by streamlining and refreshing our core Personal Care brands – and driving our established partnerships with Haier and Wilmar.

CAREX – HELPING US DELIVER ON OUR PLASTIC PROMISE

During the year we successfully drove sales of refills for our market-leading Carex handwash. The 500ml refill pack uses 75% less plastic than the standard packaging – and the one-litre refill uses 85% less plastic. The popularity of refills with consumers delivered sales growth of 200% year on year – and resulted in a saving of 4.3 million pumps.

EXTENDING OUR REACH: CUSSONS KIDS

We created an exciting limited edition range of Cussons Kids Body Wash, Shampoo and Cologne linked to Naura – the Indonesian child singer and social media sensation. The launch was supported by promotional activity across a variety of digital media including YouTube, Instagram and Facebook, maximising awareness of – and engagement with – the Cussons Kids brand across the star's huge fanbase.

RAFFERTY'S GARDEN: POISED FOR FURTHER GROWTH

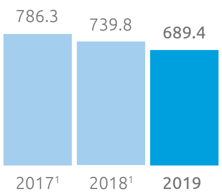
Rafferty's Garden is Australia's leading baby food brand, and this year we began to roll out a wide range of innovative snacks. The first bundle-baked Wafer Bites launched in June 2019, featuring two exciting variants – Beetroot & Shallots and Cheese – and we're also on track to roll out a major innovation agenda in September 2019. This is set to accelerate growth in market share for Rafferty's Garden in Australia and New Zealand. The programme includes a new look for the brand, strengthening our superior product claims, and the launch of first-to-market wholegrain and plant protein recipes.

HOW WE MEASURE OUR PROGRESS

We measure our progress against a set of key performance indicators and our own internal targets.

FINANCIAL

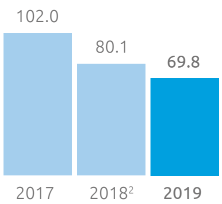
REVENUE £m



Definition
Revenue net of discounts, rebates and sales taxes (does not include JV revenue)

Why we measure
Revenue growth is a key strategic aim

ADJUSTED PROFIT BEFORE TAX £m



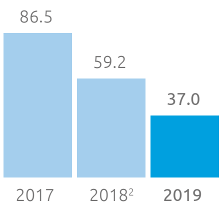
Definition
Profit before tax and exceptional items

Why we measure
Measures operating performance prior to exceptional items and taxation costs

Basis of calculation

	2017 £m	2018[2] £m	**2019 £m**
Profit before tax (IFRS)	86.5	59.2	**37.0**
Exceptional items	15.5	20.9	**32.8**
Adjusted profit before tax	102.0	80.1	**69.8**

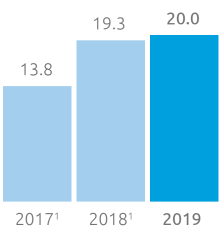
REPORTED PROFIT BEFORE TAX (IFRS) £m



Definition
Profit before tax after exceptional items

Why we measure
Measures operating performance after exceptional items prior to taxation costs

AVERAGE NET WORKING CAPITAL as % of revenue



Definition
Average net working capital (defined as trade receivables and inventory less trade payables) as a % of revenue

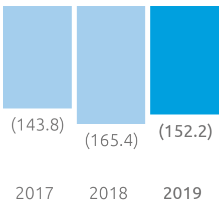
Why we measure
Indicator of the working capital (stock, debtors, creditors) required to support the sales that we make

Basis of calculation

	2017[1]	2018[1]	**2019**
Average net working capital £m	108.7	142.5	**137.9**
Total revenue £m	786.3	739.8	**689.4**
%	13.8%	19.3%	**20.0%**

1 Revenue for the years ended 31 May 2017 and 31 May 2018 has been restated to reflect the application of IFRS 15. See Note 1 of the Consolidated Financial Statements for details.
2 Results for the year ended 31 May 2018 have been restated to reflect prior year adjustments. See Note 1 of the Consolidated Financial Statements for details.

NET DEBT £m



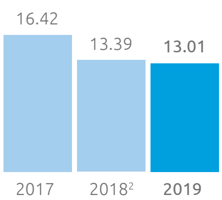
Definition
Cash, short-term deposits and current asset investments, less bank overdrafts and borrowings

Why we measure
Indicator of the overall debt position of the Company and a way to evaluate the financial fitness of the Group

Basis of calculation

	2017	2018	2019
Cash and short-term deposits	150.6	102.7	**53.5**
Overdrafts	(34.5)	(16.5)	**–**
Current asset investments	0.3	0.3	**0.3**
Borrowings	(260.2)	(251.9)	**(206.0)**
Net debt	(143.8)	(165.4)	**(152.2)**

ADJUSTED BASIC EPS pence



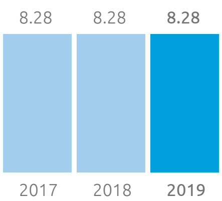
Definition
Adjusted earnings per share

Why we measure
A key indicator of value enhancement to shareholders

Basis of calculation

	2017	2018[2]	2019
Basic earnings per share	14.91	9.63	**6.24**
Impact of exceptional items	1.51	3.76	**6.77**
Adjusted basic earnings per share	16.42	13.39	**13.01**

DIVIDEND PER SHARE pence



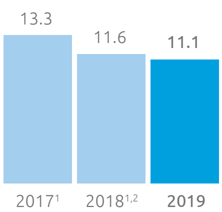
Definition
Dividend per share

Why we measure
Dividend growth is a key performance indicator in terms of tangible return to shareholders

Basis of calculation

	2017	2018	2019
Dividend payment to shareholder £m	34.6	34.6	**34.6**
Number of shares (millions)	418	418	**418**
Dividend per share	8.28p	8.28p	**8.28p**

ADJUSTED OPERATING MARGIN %



Definition
Operating profit before exceptional items, as a % of revenue

Why we measure
Indicator of the return on sales prior to exceptional items, financing and taxation costs

Basis of calculation

	2017[1]	2018[1,2]	2019
Operating profit (IFRS)	89.3	64.8	**43.7**
Exceptional items	15.5	20.9	**32.8**
Adjusted operating profit	104.8	85.7	**76.5**
Revenue	786.3	739.8	**689.4**
Adjusted operating margin %	13.3%	11.6%	**11.1%**

1 Revenue for the years ended 31 May 2017 and 31 May 2018 has been restated to reflect the application of IFRS 15. See Note 1 of the Consolidated Financial Statements for details.
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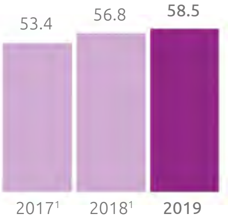
OPERATIONAL

PERSONAL CARE AND BEAUTY as % of revenue



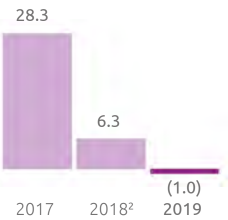
Definition
The revenues generated from the Personal Care category (including Beauty) as a % of overall Group revenue

Why we measure
A key part of our strategy is to increase our Personal Care business including Beauty

Basis of calculation

	2017[1] £m	2018[1] £m	**2019 £m**
Personal Care revenue (including Beauty) £m	419.8	420.1	**403.5**
Revenue for the Group £m	786.3	739.8	**689.4**
%	53.4%	56.8%	**58.5%**

AFRICA ADJUSTED OPERATING PROFIT £m



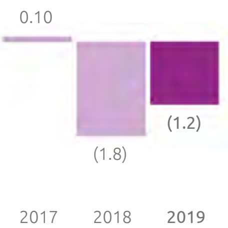
Definition
The adjusted operating profit of Africa

Why we measure
A key focus of our strategy is to recover our operating performance in Africa

Basis of calculation

	2017	2018[2]	**2019**
Africa operating profit	16.0	1.6	**(2.6)**
Impact of exceptional items	12.3	4.7	**1.6**
Adjusted Africa operating profit	28.3	6.3	**(1.0)**

ASIA PACIFIC REVENUE GROWTH at constant rates %



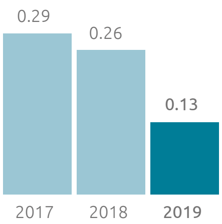
Definition
Revenue growth of Asia Pacific at constant currency

Why we measure
Asia Pacific represents a key opportunity for growth in our business in the future

1 Revenue for the years ended 31 May 2017 and 31 May 2018 has been restated to reflect the application of IFRS 15. See Note 1 to the Consolidated Financial Statements for details.
2 Results for the year ended 31 May 2018 have been restated to reflect prior year adjustments. See Note 1 of the Consolidated Financial Statements for details.

NON-FINANCIAL

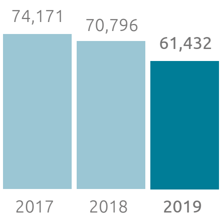
HEALTH AND SAFETY LTIFR



Definition
Lost Time Incident Frequency Rate (LTIFR) is the number of health & safety occurrences which result in one or more days' absence from work (excluding the day of the incident) per 200,000 hours worked

Why we measure
To monitor the safety of our operations

CARBON EMISSIONS Total absolute tonnes of CO_2



Definition
Total absolute tonnes of CO_2

Why we measure
To monitor the impact of our operations on the environment

Our approach to doing business is founded on the principle of creating sustainable value for all. We believe that PZ Cussons thrives when the interests of different stakeholders are aligned so that they all share in our success. It is therefore important that we fully understand all stakeholders' priorities, expectations and concerns.

PALM OIL

Our palm oil business in Nigeria exemplifies the benefits of understanding and aligning the interest of our stakeholders. Palm oil is a staple of the Nigerian diet and our Mamador and King's brands provide consumers with a safe, healthy and high-quality product which was not previously widely available. Our investment in a vertically integrated business – a 'plantation to plate' approach which includes palm oil plantations and investment in smallholdings, a new refinery and distribution channels – has supported the Nigerian government's focus on developing agriculture in the country while also creating new jobs and skilled workers and local wealth. The regeneration of old plantations has developed local sources of palm, without any of the negative environmental issues often associated with production in other parts of the world. PZ Cussons' and Wilmar's investment in local schools and infrastructure is also improving the lives of local people.

STAKEHOLDERS	HOW WE ENGAGE
CUSTOMERS AND CONSUMERS 	One of our key strengths is the ability to build close, long-term relationships with our customer base. Many of these relationships are built on loyalty and trust that derive from decades of trading together – in both developed and emerging markets – and they operate as genuinely collaborative partnerships. As we evolve new channels to extend our reach, we continue to focus on forging and maintaining strong links with customers – and building loyalty with the consumers who buy our products.
INVESTORS 	The Chair meets privately with our largest shareholders on an annual basis to discuss business performance and leadership succession. The CEO and CFO (or interim CFO) deliver the Group's interim and final results in person, with presentations, Q&A sessions and roadshows for our major shareholders. We also organise ad-hoc investor events and an Annual General Meeting in September to provide an opportunity for shareholders to meet the Directors and discuss the year's results.
EMPLOYEES 	ONE PZC defines the essence of our business. We are one family, working together with one purpose, towards one ambition. Our compact size, flat structure and open culture foster genuinely open communication between employees across the Company, regardless of seniority or geography. We have worked hard to create a supportive environment in which everyone's ideas are valued equally. We communicate to employees regularly through local 'town hall' meetings, global functional webcasts, and at functional and leadership events. We also monitor employee engagement through various means.
COMMUNITIES 	Ever since the business was founded in the 1880s, we have recognised the importance of developing good relations with local communities in the vicinity of our operations. We are committed to making a positive contribution to society and to minimising any negative impacts from our operations, and we believe that investment in our communities also helps create enthusiastic consumers and advocates for our brands, as well as developing loyal employees. Wherever we operate, we contribute to local community initiatives, from helping to build schools or roads in some of our developing markets, to donating products or mentoring and supporting local children to improve their life chances.
PARTNERS AND SUPPLIERS 	We work with partners and suppliers whose values and ethical standards align with our own – and who we know to be diligent, responsible, honest and fair. We prefer to treat our supplier relationships as long-term alliances, working in partnership to create and sustain robust, lasting and mutually beneficial relationships. The specialists in our Singapore-based central procurement function are dedicated to sourcing the Group's key materials; a key aspect of their role is the maintenance of open, dynamic communication with our supplier base.

one PZC

Make your mark

Big enough to make a mark, small enough to make it yours.

"What sets us apart and makes us unique is the way we go about doing things: the passion people have to drive the business, the ownership they take."

ALEX KANELLIS
CEO

OUR PEOPLE

We are intensely proud of the unique factors that give PZ Cussons a competitive edge over its competitors. Our brands make us special – but it's our people and our culture that make us different.

We are smaller and more agile than our multinational competitors. Our relative size, flat structure and open culture mean that our people at all levels of the business are able to share their opinions and have a real influence.

It's essential that we operate and think differently, to ensure we stay relevant to consumers and ahead of the competition. We encourage all our employees to share their ideas, speak their minds, challenge convention and experiment.

We recently updated the language we use to describe what makes us different – both within the Group and to attract new talent to the organisation. 'Big enough to make a mark, small enough to make it yours' or more concisely, 'ONE PZC Make Your Mark' is the powerful banner we use for our employee engagement activities – but also translates externally through our recruitment campaigns and increasing digital presence. It sums up the category-leading positions we have in our markets – and the fact that individual contributions at every level of the business are recognised and valued.

OUR VALUES AND BEHAVIOURS

CANDO! stands for Courage, Accountability, Networking, Drive, Oneness. These values are inspired by our founders' spirit and vision for the Company and are integral to the way we do business and deliver on our purpose of 'Enhancing everyday life, creating moments of delight'. They are at the very heart of PZ Cussons, epitomising our culture and what makes us unique.

To help us thrive as a business and in our individual roles, our CANDO! values are realised by demonstrating our behaviours.

We call them the ABCs of how we behave; which at PZ Cussons is as important as what is delivered. Our behaviours dictate our ways of working and operating and are embedded in all of our people processes, from recruitment to succession, and from development planning to performance management.

REWARDING CAREERS

We offer a wide range of exciting career opportunities for ambitious, motivated team players. Employees are rewarded with competitive pay and benefits – and various schemes enable line managers to independently recognise and reward a job well done.

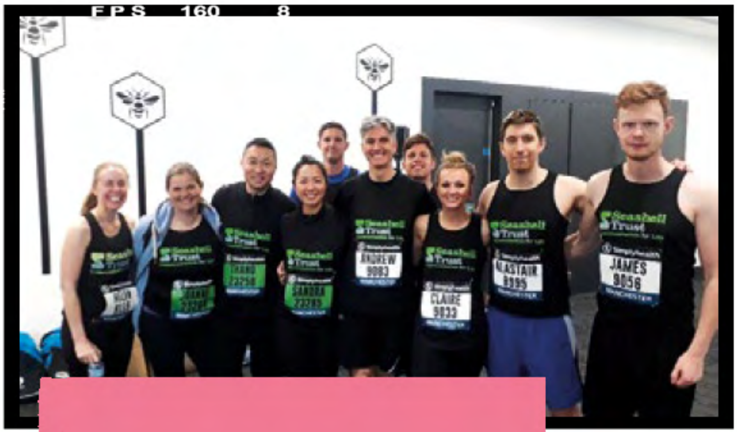
We pride ourselves on being a sought-after employer. Over 30% of our employees have over 15 years' or more service with the business and, following four years of significant change and challenging recruiting in certain markets, our overall employee retention is still greater than 90%.

In the UK we operate competitive apprenticeship schemes and internship programmes. During the year we provided eight internships in our UK Beauty and Supply Chain operations; the latter through a partnership with Huddersfield University and NOVUS, a non-profit organisation who places students from leading universities into logistics and supply chain roles. We also developed seven ILM (Institute of Leadership & Management) apprentices.

In the second year of our graduate training programme in Indonesia, 60% of recruits were female. In Nigeria, we identified a particular need to bolster our succession and talent pipeline in sales, recruiting over 30 graduates who are now working as territory sales managers, with a roughly equal split between male and female graduates.

A key focus continues to be on building the leadership mindset, skills and capabilities needed to take the Group forward. The PZ Cussons Way of Leading is now in its fourth year – and we recently widened its remit by launching our Emerging Leaders programme. This extension to the established core global leadership curriculum will help develop the next generation of management for the business.

We attach great importance to the wellbeing of our employees and the maintenance of a good work–life balance. We launched a programme called Benefits 2.0 in Indonesia that gets employees involved in a variety of fitness and wellbeing activities. We often combine social activities with giving back to others. 'Enhancing everyday life, creating moments of delight' for our local communities is achieved through the countless activities and events we drive through our Inner Hearts programme worldwide. In the UK we have rebranded Inner Hearts to have a health and wellbeing focus.



MAKE YOUR MARK: IN THE UK

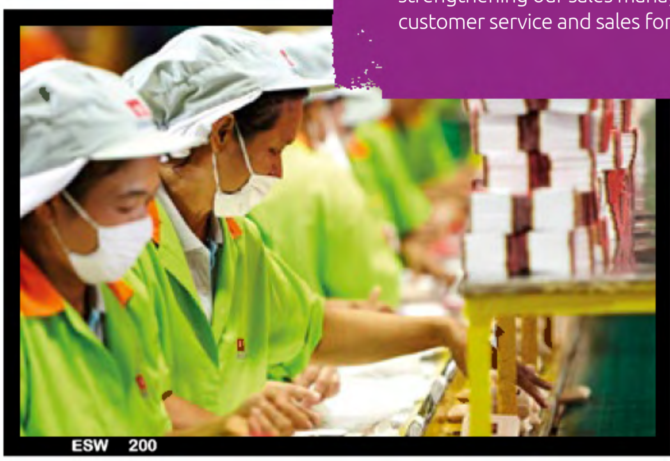
On 19 May 2019, 40 employees and friends from our Head Office and Agecroft sites in Manchester ran the Great Manchester 10k Run and Half Marathon in aid of the Seashell Trust. The charity, which has a longstanding relationship with PZ Cussons, provides a safe, happy and secure environment for young people with complex and severe learning disabilities. The PZ 'Cosmic Unicorns' raised almost £5,000 for this brilliant cause.

Seashell Trust
Communication for Life

MAKE YOUR MARK: IN ASIA PACIFIC

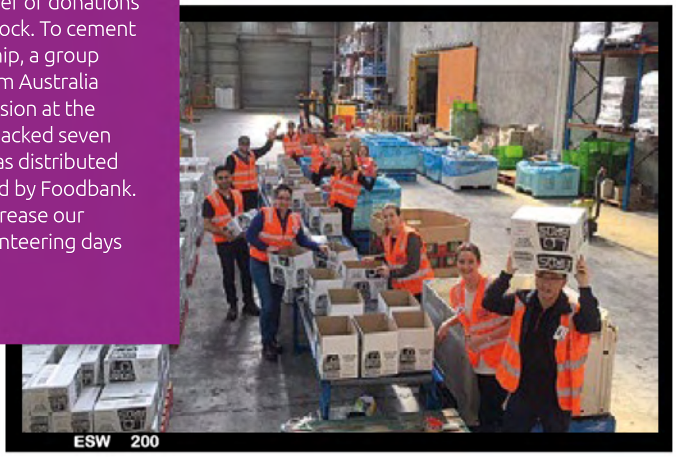
Traditional trade is the largest revenue contributor for our business in Asia Pacific. In order to grow this business, we have considerably simplified our route to market in this geography. A three-year initiative has included reducing the complexity of direct distribution to smaller supermarkets and implementing a distributor management system and sales force automation in partnership with Accenture.

Our cross-functional team completed the project on time and to budget. With a smaller number of active distributors, leaner sales structure and greater transparency of data and analytics, we are better able to manage our product portfolio and establish more robust business plans with our distributors. With its original objectives achieved, the team is now focused on further strengthening our sales management, customer service and sales force capabilities.



MAKE YOUR MARK: IN AUSTRALIA

We took our relationship with Foodbank in Australia to the next level, becoming a National Donor. This means we now treat Foodbank – which supports people with food insecurity – as a priority customer when considering donation opportunities. As a result, we have made a number of donations of low-coded and obsolete stock. To cement our National Donor partnership, a group of PZ Cussons employees from Australia undertook a volunteering session at the Foodbank warehouse. They packed seven tonnes of groceries, which was distributed to the 470 charities supported by Foodbank. The year ahead will see us increase our support through further volunteering days and stock donations.



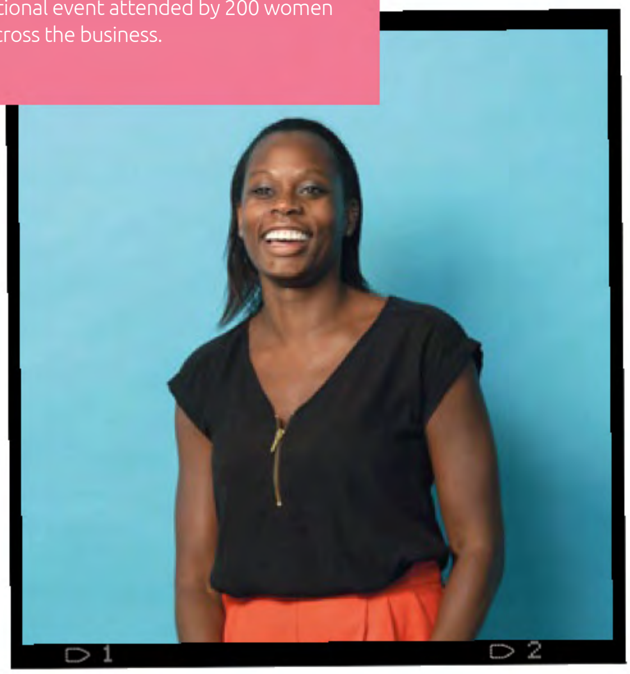
CREATING A SUSTAINABLE TALENT PIPELINE

We have robust processes for identifying the right development for our talent pool, and conduct regular development and succession planning sessions across the Group at all employee levels. Progress towards developing internal talent is monitored and we review the plans and the metrics with the Executive Leadership Team and the Board Nomination Committee annually. We have also defined critical roles across the Group with a focus on who currently holds the position as well as their potential successors. These actions are critical not just in terms of business continuity, but also for creating developmental stepping stones for individuals to move up to the next level within the organisation.

As a signatory to the 30% Club's targets to improve gender diversity in senior leadership teams, we firmly believe that gender balance is good for business. Last year we nominated senior-level female mentees to participate in the 30% Club's cross company mentoring programme, all of whom benefited from the experience and perspectives of mentors outside the Group.

FOCUSING ON GENDER DIVERSITY

In July 2018, we created a Diversity Statement for PZ Cussons in Nigeria. This was followed by a female leaders' round-table discussion, which was the springboard for a focus on gender diversity across the business. A special edition of our CANDOERS staff magazine celebrating PZ Cussons' female colleagues was circulated to all employees – and International Women's Day on 8 March was marked with an offsite motivational event attended by 200 women from across the business.



BASIS OF PREPARATION

In our financial statements we use alternative performance measures that are not recognised under IFRS. These metrics are used to allow the readers of the financial statements to obtain a more meaningful comparison of the underlying performance of the Group by adjusting for certain items which, if included, could distort the understanding of the Group's performance and comparability between periods.

The Directors believe that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a more meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each of the half year and full year results.

Adjusted results are presented before exceptional items, which in the current period include certain restructuring and strategy costs, net profits on the sale of assets and charges relating to impairment of assets.

Where relevant, comparative IFRS measures have also been presented. Please see the reconciliation tables on pages 22 to 24 and 34.

The reported results for the current year are presented with variances to reported prior year results and also as variances between the current and prior year on a constant currency basis. The constant currency impact was derived by retranslating the 2018 result using 2019 foreign currency exchange rates. The adverse translational impact on revenue and operating profit was £32.2m and £1.0m respectively. As there were no acquisitions or disposals in the current or prior period, the like-for-like impact is equal to the constant currency impact.

GROUP HIGHLIGHTS

- Moderate decline in revenue of 2.6% at constant currency – driven by weak economic conditions in Africa, partially offset by a solid performance in Asia Pacific and Europe & the Americas.
- Adjusted operating profit of £76.5m, 9.7% lower in constant currency – strong performance in Asia Pacific and a solid result in Europe & the Americas, offset by losses in Africa.
- Adjusted profit before tax of £69.8m, in line with expectations announced at the half year.
- Reported profit before tax declined to £37.0m, largely driven by the non-cash impairment of intangible assets. This impairment is for five:am in Australia and Nutricima in Nigeria.
- Improvement in net debt, following a stronger focus on cash management throughout the business – reduction to £152.2m.
- New strategy – to deliver increased focus and scale, accelerating the Group's return to profitable growth.
- Reflecting good cash generation and confidence in the new strategy, proposed full year dividend maintained in line with prior year at 8.28p per share.

FINANCIAL SHARED SERVICES: SPREADING BEST PRACTICE

The Group has created three regional finance hubs in Manchester, Jakarta and Lagos. This consolidation of back office and transactional services has enabled multiple processes to be standardised – including accounts payable, supplier invoice processing and VAT compliance.

Together with the recent SAP implementation, the standardisation has enhanced efficiency and strengthened our internal control framework. Oversight of the new hubs by both regional and central management has helped to drive process and control improvements – and has encouraged the spread of best practice across the Group.

EUROPE & THE AMERICAS HIGHLIGHTS

- Solid adjusted operating profit performance with a constant currency decline of 6.2% to £57.1m. This reflects a strong result in Beauty, offset by lower profit in the UK as a result of planned increased marketing investment.
- Revenue adversely impacted by weaker performance in Food & Nutrition in Greece.
- Solid revenue and market share performance in Personal Care in the UK across all brands.
- Strong revenue and operating profit growth in Beauty largely driven by excellent growth in the US through successful St. Tropez rollout.

ASIA PACIFIC HIGHLIGHTS

- Strong growth in adjusted operating profit, up 13.7% at constant currency to £20.4m driven by Indonesia and Australia, partially offset by impact of lower revenue in the Middle East.
- Good growth in revenue and operating profit in Indonesia, with strong performance of Cussons Baby.
- Pleasing operating profit recovery in Australia, largely driven by focus on improving margins across all categories.
- Non-cash impairment of £22.3m relating to five:am intangible assets. This has been recognised as an exceptional cost.

AFRICA HIGHLIGHTS

- Disappointing result with adjusted operating loss for the year of £1.0m. Reflects lower revenue, primarily in Personal and Home Care categories, and increased operating costs predominantly relating to previously highlighted charges associated with port access issues in Lagos.
- Good revenue growth in premium brands of Cussons Baby and Morning Fresh in Personal and Home Care categories, offset by decline in value brands due to weak economic conditions.
- Strong revenue and profit growth in Electricals in Nigeria, mainly due to increased sales of energy-saving products and related consumer campaigns.
- Improvement in Food & Nutrition, with Nutricima loss significantly reduced.
- Non-cash impairment of £3.9m relating to Nutricima intangible assets. This has been recognised as an exceptional cost.

ADJUSTED[1] RESULTS

	Year ended 31 May 2019	(Restated)* Year ended 31 May 2018	Reported % change	Constant currency % change[3]	Like-for-like % change[4]
Revenue[2]	**£689.4m**	£739.8m	(6.8%)	(2.6%)	(2.6%)
Adjusted operating profit	**£76.5m**	£85.7m	(10.7%)	(9.7%)	(9.7%)
Adjusted profit before tax	**£69.8m**	£80.1m	(12.9%)	(11.8%)	(11.8%)
Adjusted basic earnings per share	**13.01p**	13.39p	(2.8%)		
Net debt[5]	**(£152.2m)**	(£165.4m)			

REPORTED RESULTS (IFRS)

	Year ended 31 May 2019	(Restated)* Year ended 31 May 2018	Reported % change
Revenue[2]	**£689.4m**	£739.8m	(6.8%)
Operating profit	**£43.7m**	£64.8m	(32.6%)
Profit before tax	**£37.0m**	£59.2m	(37.5%)
Basic earnings per share	**6.24p**	9.63p	(35.2%)
Total dividend per share	**8.28p**	8.28p	

* The results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15 and prior year adjustments. Further details are set out in Note 1 of the Consolidated Financial Statements.

1 Adjusted results are stated before exceptional items. Exceptional items before tax (2019: costs £32.8m; 2018 restated: costs £20.9m) are detailed in Note 3 of the Consolidated Financial Statements.
2 As required by IFRS 15, revenue has been stated excluding PZ Wilmar joint venture revenue of £124.2m (2018: £141.6m).
3 Constant currency comparison (2018 results retranslated at 2019 exchange rates).
4 Like-for-like comparison after adjusting 2018 for constant currency. There were no acquisitions or disposals in the current or prior year.
5 Net debt above and hereafter is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings (as set out in Note 17 of the Consolidated Financial Statements). Please see the reconciliation tables on pages 22 to 24.

OUTLOOK

We anticipate that the current economic conditions in our key markets will remain challenging whilst we transition towards a return to revenue growth. Our new strategy increases resources and investment behind key categories and brands in those geographies that have scale to drive a sustainable improvement in Group performance.

REGIONAL RESULTS

The moderate decline in Group revenue of 2.6% at constant currency was largely driven by the Personal Care and Home Care categories in Nigeria and the Food & Nutrition category in Europe & the Americas. This was due to economic volatility leading to the value brands being squeezed reflecting lower consumer confidence, price reductions and down-trading.

In our key markets of the UK, Indonesia and the US, and across Personal Care and Beauty, revenues grew year on year with a solid performance by core brands and successful innovations launched in the year.

Adjusted operating profit at £76.5m declined by 9.7% in constant currency, with a strong performance in Asia Pacific and a solid result in Europe & the Americas impacted by poor results in Africa.

In Asia Pacific, strong operating profit growth in Australia reflected a decline in revenue offset by a focus on cost management, with Indonesia growing both revenue and operating profit.

Adjusted operating profit for Europe & the Americas declined as a result of planned increased marketing investment in the UK offsetting the strong revenue and operating profit performance in the Beauty business unit.

Africa recognised an adjusted operating loss and was impacted by lower revenues in the Personal Care and Home Care categories in Nigeria, with continued, albeit reduced, losses in Nutricima as well as increased costs including additional expense due to the issues at the Lagos port. This obscured a good performance by the Electricals category, which grew both revenue and profit.

FINANCIAL REVIEW

Improving operating margin is a key objective under the Group's new strategy. Group adjusted operating margin was 11.1% (2018: 11.6%) on adjusted operating profit of £76.5m (2018: £85.7m) from revenue of £689.4m (2018 restated: £739.8m). In Africa adjusted operating margin declined to -1.4% (2018: 1.8%) due to increased costs including the impact of the port charges. Adjusted operating margin in Asia Pacific grew to 10.6% (2018: 9.2%), an increase of 140 basis points, largely due to an improved product mix and category focus. In Europe & the Americas adjusted operating margin declined slightly to 21.6% (2018: 23.0%), due to planned increased marketing investment in the UK.

Net finance costs of £6.7m (2018: £5.6m) were higher than last year reflecting the one-off impact associated with the refinancing of the Group's banking facility. The new facility is provided by a syndicate of lenders in the form of a £325m Revolving Credit Facility committed until 28 November 2023.

Adjusted profit before tax at £69.8m (2018 £80.1m) reflects lower revenue and reduced margin, planned increased marketing expenditure and increased interest charges compared to last year.

The effective tax rate before exceptional items was 22.6% (2018: 27.6%). This reflects a lower mix of profits in the higher rate jurisdiction of Africa and higher profits in the lower rate Europe & the Americas and Asia Pacific. See Note 3 of the Consolidated Financial Statements for further detail.

BUSINESS REVIEW: GROUP PERFORMANCE

Revenue[1] (£m)	2019	(Restated)* 2018	Reported % change	Constant currency % change[2]	Like-for-like % change[3]
Europe & the Americas	**264.0**	264.4	(0.2%)	(0.1%)	(0.1%)
Asia Pacific	**193.0**	201.3	(4.1%)	(1.2%)	(1.2%)
Africa	**232.4**	274.1	(15.2%)	(6.4%)	(6.4%)
	689.4	739.8	(6.8%)	(2.6%)	(2.6%)

Adjusted operating profit[4] (£m)	2019	2018	Reported % change	Constant currency % change[2]	Like-for-like % change[3]
Europe & the Americas	**57.1**	60.8	(6.1%)	(6.2%)	(6.2%)
Asia Pacific	**20.4**	18.6	9.7%	13.7%	13.7%
Africa	**(1.0)**	6.3	(115.9%)	(117.7%)	(117.7%)
	76.5	85.7	(10.7%)	(9.7%)	(9.7%)

* The results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15 and prior year adjustments. Further details are set out in Note 1 of the Consolidated Financial Statements.

1 As required by IFRS 15, revenue has been stated excluding PZ Wilmar joint venture revenue of £124.2m (2018: £141.6m).
2 Constant currency comparison (2018 results retranslated at 2019 exchange rates).
3 Like-for-like comparison after adjusting 2018 for constant currency. There were no acquisitions or disposals in the current or prior year.
4 Adjusted operating profit is stated before exceptional items. Exceptional items before tax (2019: costs £32.8m; 2018 restated: costs £20.9m) relate to various items which are detailed in Note 3 of the Consolidated Financial Statements. The segmental impact of exceptional items before tax is detailed in Note 2 of the Consolidated Financial Statements.

MEMO TABLES ON ALTERNATIVE PERFORMANCE MEASURES

CONSTANT CURRENCY IMPACTS

	2019 reported £m	2018 reported £m	Impact of currency translation £m	2018 restated for constant currency £m	Constant currency movement
Revenue	**689.4**	739.8	(32.2)	**707.6**	(2.6%)
Operating profit	**76.5**	85.7	(1.0)	**84.7**	(9.7%)
Profit before tax	**69.8**	80.1	(1.0)	**79.1**	(11.8%)

ADJUSTED RESULTS TO IFRS RESULTS

	2019 £m	2018 £m	Reported change %
Adjusted operating profit	**76.5**	85.7	(10.7%)
Exceptional items	**(32.8)**	(20.9)	
Operating profit (IFRS)	**43.7**	64.8	(32.6%)

	2019 £m	2018 £m	Reported change %
Adjusted profit before tax	**69.8**	80.1	(12.9%)
Exceptional items	**(32.8)**	(20.9)	
Profit before tax (IFRS)	**37.0**	59.2	(37.5%)

	2019 p	2018 p	Reported change %
Adjusted basic earnings per share	**13.01**	13.39	(2.8%)
Exceptional items	**(6.77)**	(3.76)	
Basic earnings per share	**6.24**	9.65	(35.2%)

Adjusted earnings per share of 13.01p (2018: 13.39p) declined by 2.8%, reflecting operating results, a lower tax rate and reduced minority interest due to Nigeria results.

Exceptional items of £32.8m (2018 restated: £20.9m) reflect the impairment of Food & Nutrition assets in Nigeria and Australia as well as the continuation of costs associated with the Group Structure and Systems project, partially offset by the profit on the sale of a non-strategic investment. In addition, during the year the Group incurred costs relating to the Group Strategy project. See Note 3 for further details on exceptional items and Note 1 for further details on restatement of prior year comparatives.

On an IFRS basis, reported profit before tax was £37.0m (2018 restated: £59.2m) with reported earnings per share of 6.24p (2018 restated: 9.63p) declining by 35.2%, largely driven by the impact of exceptional items.

Net debt at £152.2m (2018: £165.4m) reduced due to increased focus across the business on working capital and capital expenditure. Our balance sheet remains strong with a gearing ratio of 1.5 as at 31 May 2019 (2018: 1.5) and net assets of £451.6m as at 31 May 2019 (2018 restated: £463.9m).

The Group's three UK pension schemes have an aggregate pension accounting surplus under IAS 19 of £36.3m (2018: £33.3m). Two of the three schemes are fully funded. As previously disclosed, the remaining scheme is currently expected to require deficit funding payments of c.£6.0m per annum until 31 May 2022, by which point it is expected to be fully funded.

The UK remains a significant market for the Group and the impact of the planned exit of the UK from the EU remains a risk, particularly in terms of consumer confidence. Throughout the year multifunctional teams supported by external advisors have been focused across all functions reviewing our consumer plans, supply chain activities and other business areas to ensure we will be able to operate in the event of either an agreed or a 'no deal' exit.

We anticipate that current economic conditions in our key markets will remain challenging. The key focus this year will be the implementation of our new strategy, and 2019/20 will be an important transitional year.

Alan Bergin
Interim Chief Financial Officer

EUROPE & THE AMERICAS

All growth percentages are stated in constant currency and operating profit is stated and discussed on an adjusted basis, unless otherwise noted.

Revenue at £264.0m (2018 restated: £264.4m) was in line with prior year, with operating profit of £57.1m (2018: £60.8m) declining by 6.2%.

Revenue grew in our Beauty business due to strong new product development and joint customer programmes. This was offset by a decline in our Greece food business and to a lesser extent the impact of Q3 trading conditions in UK Personal Care, reducing the growth reported at the half year.

Operating profit declined by 6.2%. A strong result in our Beauty business unit, driven by an excellent performance in the US, was offset by planned increased marketing investment in the UK behind our key Personal Care brands.

In UK Personal Care we maintained our leadership of the hand wash segment with Carex accounting for over 36% market share. We remain a leading player in shower with nearly 20% market share represented by our Original Source and Imperial Leather brands. We maintained strong positions in both the bar soap and bath segments.

This year we planned and achieved strong growth in Original Source on the back of the introduction of a new bottle (which significantly reduced the amount of plastic in the packaging) together with new products such as Original Source Water Infusions. Imperial Leather revenue grew in a very competitive segment, with a strong performance by our premium Foamburst product supported by our partnership with Skinnydip, and trend-led innovation with Mermaid and the Funky Prints editions. The Carex brand remained strong, receiving excellent support through the successful Merlin Entertainments consumer campaign, and the launch of new products in Q4.

Our Beauty business unit delivered a strong performance with revenue and operating profit significantly up. This was due to a strong core performance, the success of new products, significant focus on e-commerce and wider distribution.

St. Tropez, our premium self-tan brand, remains the market leader in the UK and continued to deliver excellent growth in the US. The increase in St. Tropez revenue was driven by our new product development of Purity bronzing waters, which received an excellent consumer response. Our Sanctuary brand returned to growth supported by wider distribution, including new online channels and product developments such as the skin restage and sleep range.

In Greece, revenue was impacted by a reduction in prices for edible oils but operating profit remained solid. Poland posted good results with operating profit ahead of prior year.

On an IFRS basis, reported operating profit was £49.6m (2018: £48.2m) with the strengthening of currency driving an improved performance compared to adjusted operating profit at constant currency.

ORIGINAL SOURCE: A BRAND NEW LOOK

We relaunched Original Source in June 2018 with a new identity in a new bottle. A new TV campaign brought the brand to life with a compelling message of 'Pack More In', with a reach of over 27 million views. The new-look Original Source has been well received by customers and consumers alike. It was the fourth biggest growing brand in the total toiletries market in 2018/19[1] – and was the fastest growing of the top ten shower brands at the year-end.[2]

ST. TROPEZ – INNOVATION

Leading innovation and investment in consumer acquisition helped to double consumer numbers for St Tropez – and our new Purity range has attracted new 'skincare' consumers to the category. Our Purity Bronzing Water Gel uses a lightweight gel-to-water technology that is non-sticky and fast-acting, and maintains the tan for longer. Alongside the Purity Bronzing Face Mist and Purity Bronzing Water Mousse this winning innovation creates the perfect sunless tan.

SANCTUARY SPA: SPREADING THE LOVE

With the highest loyalty and repeat purchase rates in its category, Sanctuary Spa is one the UK's most loved body care brands. Leveraging our strength in body moisturisation, we extended the distribution in the UK during the year. We are now building on this momentum by introducing the Wet Skin Moisture range to consumers in new geographies.

Sources:
1 Kantar Worldpanel and Nielsen Toiletries Review June 2019
2 Kantar World Panel Online 52 weeks to 19 May 2019

MORNING FRESH: EXTENDING MARKET LEADERSHIP

Morning Fresh is Australia's leading manual dishwashing brand. It increased market share for the fourth consecutive year, and now commands a 42% value share. Last year we launched Morning Fresh Soft Hands, designed to leave dishes sparkling and hands feeling soft.

Morning Fresh is recognised as Australia's most trusted dishwashing liquid, winning a suite of consumer-voted awards including Reader's Digest Most Trusted Brand. Our focus on outstanding in-store execution has also been a key catalyst for growth.

PURITY THAT PROTECTS: OUR NEWBORN RANGE

Designed especially for the very youngest babies in Indonesia, our newborn range was launched during the year. Made with organic olive oil and natural chamomile – and containing zero soap or colourants – the hypoallergenic pH-balanced range comprises a hair and body wash, lotion and cream to cleanse and protect the most delicate skins. A TV campaign, point-of-sale marketing and digital activity accompanied the launch. Free product samples were provided to 12,000 new mothers in 40 hospitals to introduce new parents to the brand.

ASIA PACIFIC

All growth percentages are stated in constant currency and operating profit is stated and discussed on an adjusted basis, unless otherwise noted.

Revenue at £193.0m (2018 restated: £201.3m) was 1.2% down with operating profit significantly ahead of prior year, growing 13.7% at £20.4m (2018: £18.6m).

Revenue grew modestly in a competitive market in Indonesia. This growth was offset by a small decline in Australia, mainly due to the consequences of increasing pricing in our Home Care category, and increased competition in our trading business, primarily in the Middle East.

Operating profit in Indonesia grew due to the performance of Cussons Baby. The brand maintained its leadership position in baby care, with market share of over 30%. This reflected good performance from the core products and new product launches such as Cussons Baby Happy Fresh and the Cussons Baby Newborn range. Cussons Kids continued to be a strong player.

In Australia operating profit also grew due to an improved focus on mix and cost base, despite a reduction in revenue. Morning Fresh continued to lead the dishcare market with over 40% market share. Rafferty's Garden maintained its number one position in the baby food market with over 30% market share. We saw some good progress with St. Tropez, and five:am delivered a strong brand awareness campaign, where implementation of our new Simply range helped to deliver revenue in line with the previous year.

The performance of our export business was adversely impacted by tougher trading conditions in the Middle East. In contrast, we developed a stronger platform for Rafferty's Garden in China and selected other Asia Pacific countries.

On an IFRS basis, the reported operating loss was £3.3m (2018 restated: reported operating profit of £15.0m), due predominantly to the non-cash impairment of the five:am Australian brand. See Note 3 of the Consolidated Financial Statements for further details.

AFRICA

All growth percentages are stated in constant currency and operating profit is stated and discussed on an adjusted basis, unless otherwise noted.

Revenue at £232.4m (2018 restated: £274.1m) was 6.4% below prior year. This led to an adjusted operating loss with results disappointingly down on prior year.

Revenue in Nigeria was impacted by adverse economic conditions leading to contraction in the market, down-trading and increased price competition as well as delays in supply of raw materials due to additional port charges in Lagos, as discussed at the half year.

As a result, revenue declined in Home Care, Personal Care and Food & Nutrition categories. Revenue grew strongly in our Electricals category, mainly due to increased sales of our energy-saving products and well received consumer campaigns.

Our Nigeria Home Care and Personal Care categories delivered losses this year due to revenue reduction and increased costs driven by external factors. Nutricima also made a loss, albeit significantly reduced compared to the prior year. These losses masked the solid results in our Electricals business, which delivered a good operating profit result despite the impact of additional Lagos port charges.

Our market shares remain strong in Personal Care but increased competition and new entrants impacted our Home Care brands at the value end.

In Personal Care, our Premier brand was impacted at the value end but the more premium Premier Cool delivered a resilient performance. Cussons Baby grew revenue as a result of the success of our gift packs, as well as our baby oil and wipes products. The relaunch of Morning Fresh delivered strong revenue growth, despite the significant overall decline of the Home Care category due to increased competition.

Kenya revenue was slightly below the prior year, while operating profit grew as a result of improved margins. Ghana revenue declined, but operating profit was ahead of prior year despite a transactional impact associated with the devaluation of Ghanaian Cedi in the latter half of the year.

Our investment in PZ Wilmar, which is equity accounted for, delivered a very solid revenue performance despite difficult economic conditions and continued palm oil supply constraints. Operating profit improved versus prior year due to improved margins and lower interest payments. In the last quarter we launched our Kings and Mamador margarine products, following completion of our new manufacturing facility.

On an IFRS basis, the reported operating loss was £2.6m (2018: reported operating profit of £1.6m) reflecting the impact of the non-cash impairment of the Nutricima Nigerian brand. See Note 3 of the Consolidated Financial Statements for further details.

CUSTOMER SERVICE EXCELLENCE: COOLWORLD

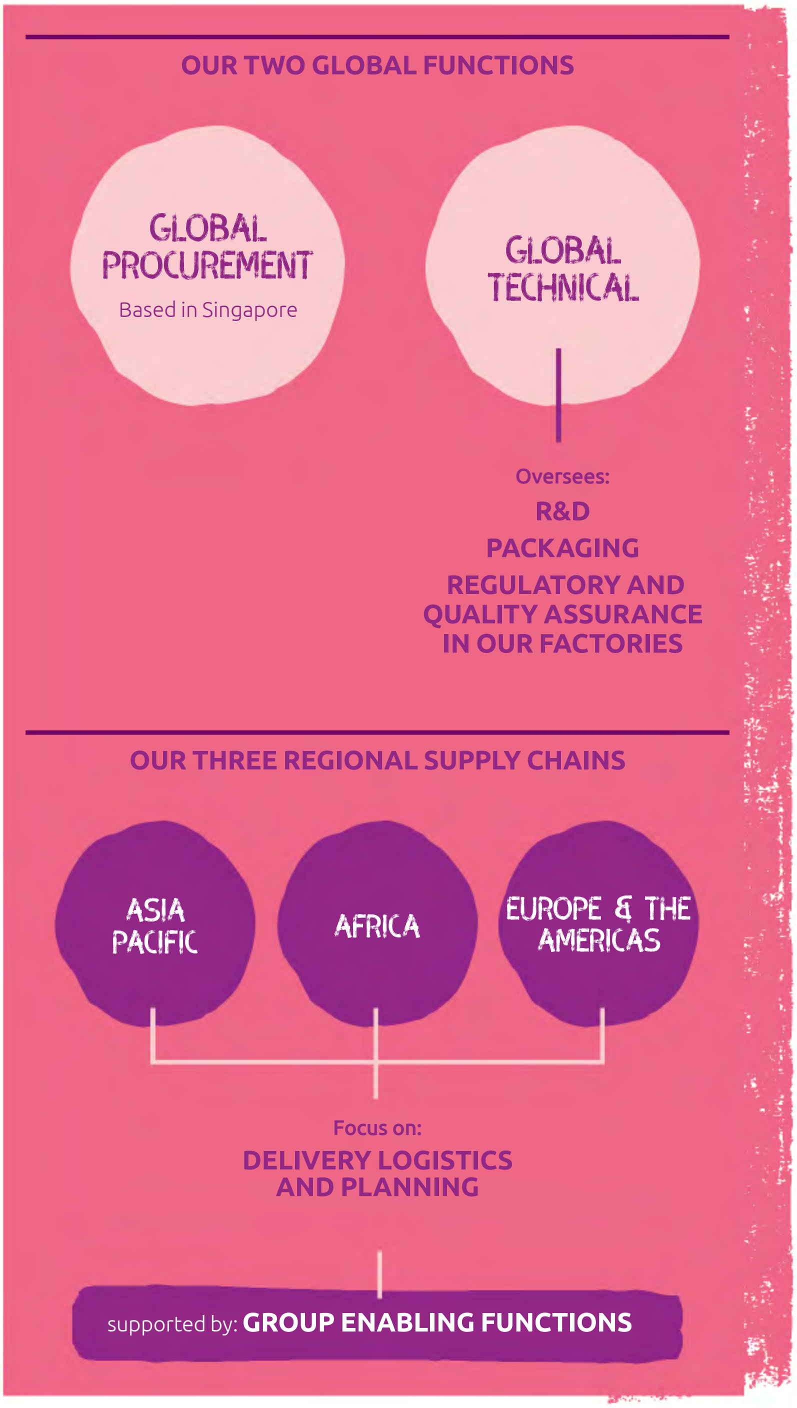
We have a direct interface with consumers through our CoolWorld electrical retail stores. CoolWorld is West Africa's leading electrical retailer, and the principal retailer of our Thermocool brand. With outstanding customer service, product expertise, flexible payment options, and leading warranty and unrivalled after sales support, Coolworld provides a world-class buying experience, whether in-store or online.

MAMADOR – DELIVERING HEALTH BENEFITS

We believe in creating products that not only taste great, but provide health benefits as well. Our Mamador pure vegetable oil is triple-filtered to ensure removal of all impurities and contains Omega 6 and 9 – proven to keep hearts healthy – as well as vitamins A and E. Made from a blend of carefully selected herbs and spices, Mamador seasoning cubes are available in Classic, Beef and Chicken variants.

SUPPLY CHAIN

Our business is supported by flexible, customer-oriented supply chain operations. These include our research and development operations, procurement processes, modern manufacturing facilities and efficient distribution networks.



We have two global functions: Global Procurement, based in Singapore, and Global Technical, which oversees R&D, packaging, and regulatory and quality assurance. Our three regional supply chain hubs focus on delivery, logistics and planning.

TECHNICAL

As well as assuring quality and regulatory compliance, our Technical function is a key engine in delivering impactful innovation. We have built R&D and packaging capability and strong external partnerships to ensure competitiveness in our selected consumer and technology platforms. Through close partnering with our Category and Brand function, and by focusing on consumer-insight-led projects we direct our capability to deliver great innovation.

PROCUREMENT

Our global Procurement function is headquartered in Singapore. We place considerable emphasis on close collaboration with suppliers – and apply rigour to the tendering process, which will help us deliver cost leadership. By applying critical selection criteria when identifying potential suppliers, we are able to mitigate risk, maximise opportunities and enhance value creation. With formal planning processes and key performance indicators in place, we are poised to realise significant savings in the year ahead.

FOCUS TO WIN

With a target of a 3% year-on-year reduction in energy, water and waste across the Group, we created a strategy to achieve this. We engaged key stakeholders – from Board Directors and the Executive Leadership Team to supply chain leaders and factory teams. We developed a measuring tool, which was rolled out to all the Company's sites and delivered the improvements through the factory continuous improvement programme. This collective ownership of the change process is now delivering tangible progress against our Good4Business agenda.

GETTING MORE FROM FOAMBURST

In the past year, the R&D team commissioned a technology project to explore how we could get more from our unique foaming shower technology – Foamburst. This 18-month project resulted in a complete redevelopment of this technology, simplifying the formulation and process, opening up new formulation options and driving up profitability. The technical approach was so revolutionary that it enabled us to register three new global patents.

R&D then worked with brand managers in the Beauty and Personal Care category brand teams to develop plans for expanding this superior technology into new product areas that the old formulation technology simply wasn't capable of supporting.

As a result we have been able to expand our footprint in the premium foaming shower category through a series of product launches, such as the Sanctuary Spa 3 Day Long Lasting Moisture Shower Burst, the Original Source range in Germany, the new Original Source Foaming Shower in the UK market, and the refreshed core Imperial Leather range including the new Imperial Leather Foamburst Oils range launched in June 2019.

By the end of 2018, this market had grown by 38% over the prior year with our superior technology delivering the number one and two brands (Imperial Leather and Original Source) with a 74% share between them.

MANUFACTURING

We make our products close to the markets in which we sell them. They are sourced through a combination of our own manufacturing facilities and carefully selected external providers. Our use of third parties to develop and manufacture specific products has increased, bringing us greater flexibility of production output and enabling us to maximise efficiencies.

We have three manufacturing facilities in Nigeria, one in Kenya, two in Asia, one in Australia, and one in the UK, each specialising in a different type of manufacturing.

We operate an ongoing programme to ensure our own manufacturing facilities are run as efficiently as possible, and that margins are maximised and environmental targets met. Thanks to aggressive cost reduction initiatives, our factory costs and supply chain overheads continued their downward trend.

DISTRIBUTION

We optimise our regional distribution activities wherever possible to maximise cost-effectiveness and reduce our environmental impact. In Europe & the Americas and some parts of Asia Pacific, our products reach consumers mainly through supermarkets and other retailers using third-party logistics providers. In emerging markets, local knowledge is essential to navigate the multiple challenges that inevitably arise in these regions. Hence in both Africa and Indonesia our logistics model is tailored to these specific markets.

With few supermarket chains, Nigerian consumers usually obtain our products from small stores, individual traders and 'wet' markets. In Nigeria we have concentrated our efforts on improving distribution efficiency and reducing costs; as a result, we have simplified our operations and significantly scaled down our depot network. We now sell to fewer, larger distributors who ship our products to their point of sale with the rest of their portfolios.

LOOKING FORWARD

As markets and consumer needs evolve, we will continue to adapt our supply chain operations across all categories and regions to add value and enhance our competitiveness. Our renewed focus on cost containment, innovation and improved service will help to ensure we remain flexible, fit for purpose and fully aligned with the Group's new growth strategy.

INSIGHT FOR EFFECTIVE RISK MANAGEMENT

VIABILITY STATEMENT

PZ Cussons has over 130 years of trading history, with a longstanding tradition of sustainable growth in our key regions of Europe & the Americas, Africa and Asia Pacific. Our in-depth local understanding, strong brand position and robust infrastructure within these markets, allied to a strong Group balance sheet, enable us to withstand short- to medium-term political and financial instabilities that may adversely impact the Group.

The Directors have assessed the prospects of the Group over a period of three years from the balance sheet date. A three year period is considered appropriate for this assessment because this period is covered by the Group's strategic financial planning cycle and it enables a high level of confidence in assessing viability, even in the extreme scenarios described below.

Assessment

The business model and strategy as set out on pages 12 and 13 and pages 14 to 21 are central to an understanding of the Group's prospects and provide the framework for the strategic plan, which is reviewed and approved annually by the Board, including detailed trading and cash flow forecasts covering that period.

In order to report on the viability of the Group, the Directors:

- considered the Group's revenue/profit projections, cash generation and financing position (including headroom and covenants on existing facilities); and
- carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

The viability assessment has two parts:

1. The Directors considered the period over which they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due; and
2. The Directors considered the potential impact of severe but plausible scenarios over this period. Alternative forecasts have been prepared that take account of the Group's principal risks and uncertainties and the impact they could have, both individually and taken in aggregate, on the Group's performance.

Of these, the most severe but plausible scenarios (or combinations thereof) reviewed were as follows:

Scenario	Link to principal risk(s)
A continued economic downturn in Nigeria leading to sustained losses from this market, combined with an increase in funding costs	Consumer, Customer and Economic Trends Treasury and Tax
A material reduction in profitability in our main markets of UK (including Beauty), Indonesia and Australia	Consumer, Customer and Economic Trends
A reduction in profit due to a one-off charge received from a regulatory body	IT and Information Security Treasury and Tax Legal and Regulatory Compliance

As set out within the Group's risk profile on pages 46 to 49, the Group has considered the risks in the context of the UK's proposed exit from the EU. Given the limited impact expected on the business, this has not been modelled as a specific scenario for viability but rather considered as part of an overall risk on consumer confidence impacting UK profitability in the second scenario.

Findings

The alternative scenarios assumed reductions in revenue, margin, net profit and cash flow over the three year period. The scenarios modelled accounted for mitigating actions that the Group could take, such as a reduction in capital expenditure, reduction in overhead spend, reduction in the dividend and increase in financing facilities. In all cases the Group remained viable.

Conclusion

Based on their assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 May 2022.

Our approach to risk management

The Group continues to use the enhanced risk management process and strengthened common risk framework which were introduced last year to ensure we capture and mitigate risks as our new strategy is deployed. The risk management process covers initial risk identification, including emerging risks (as detailed below), and assessment of the gravity of the risk and the extent to which it can be reduced, and planning for and implementing effective risk mitigation activities. We have developed a well-defined and well-understood timetable which ensures we routinely monitor and report the Group risk profile to the Board, which has ultimate responsibility for ensuring effective risk management across the business. The Board has considered and approved the risk management policy and the risk appetite for the Group; a review of risk appetite is currently in progress, to ensure that it fully reflects the new strategy for the Group. The Board periodically reviews the top risks identified in the risk register and has delegated the ongoing review of risk management effectiveness to the Audit & Risk Committee (see pages 78 to 83 for further information).

The Audit & Risk Committee assesses and reviews the effectiveness of the Group's risk management framework by routinely receiving from the Executive Leadership Team analysis and assessment of the principal risks facing the Group, to ensure, where possible, that appropriate action is being taken to manage and mitigate those risks. This includes periodic presentations from those within the business who are responsible for 'first line' activities.

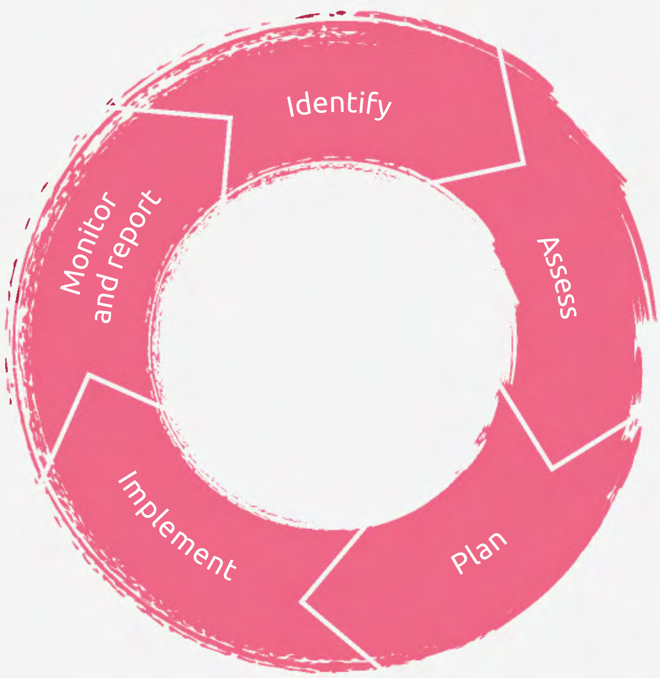
The Group operates both top-down and bottom-up approaches to ensure that significant strategic and operational risks are identified. The Executive Leadership Team performs an assessment of all principal risks facing the Group including consideration of any internal or external risk trends which may give rise to new or emerging risks. In addition, 'deep dive' reviews of specific principal risks are performed to ensure that the controls are adequately resourced and are effective to maintain exposure within the defined risk appetite parameters. Each principal risk is owned by an Executive Leadership Team member.

The process and timetable are replicated at regional business level and the regional teams report the outcome of their risk management process to the Executive Leadership Team. In this way, the Executive Leadership Team can satisfy itself that risks are being properly managed; the process also ensures that risks which may have a potential Group-wide impact or dimension are captured and that best practice in respect of risk mitigation is shared across the business. Again, at a regional level each risk which is identified is owned by a designated senior member of local management who has responsibility for mitigating actions.

The Group Internal Audit function provides independent assurance to both the Executive Leadership Team and the Audit & Risk Committee on the effectiveness of the Group's risk management framework and as to whether sound internal control systems operate to mitigate these risks.

Our Group risk management processes are designed to manage rather than eliminate the risk of failure to achieve our strategic objectives, and can provide only reasonable not absolute assurance against material misstatement or loss.

OUR RISK MANAGEMENT PROCESS



Identifying and assessing risk and implementing effective risk mitigation activities are essential elements of ensuring that we are able to deliver on our strategy.

PRINCIPAL RISKS AND UNCERTAINTIES

OUR RISK MANAGEMENT FRAMEWORK

Top-down

Board of Directors
Defines policy, sets risk appetite and assesses principal risks for the Group. Has overall responsibility for sound risk management and internal controls.

Audit & Risk Committee
Assesses and reviews the effectiveness of the Group's risk management framework and internal control systems.

Executive Leadership Team
Ensures that the risk management framework is embedded and operates throughout the Group. Regularly reviews the regional and consolidated risk registers and ensures that mitigation activities are in place.

Regional and Business Unit Management
Ensures that the risk management framework is embedded at a regional and local level. Regularly reviews the risk register and ensures that mitigation activities are in place.

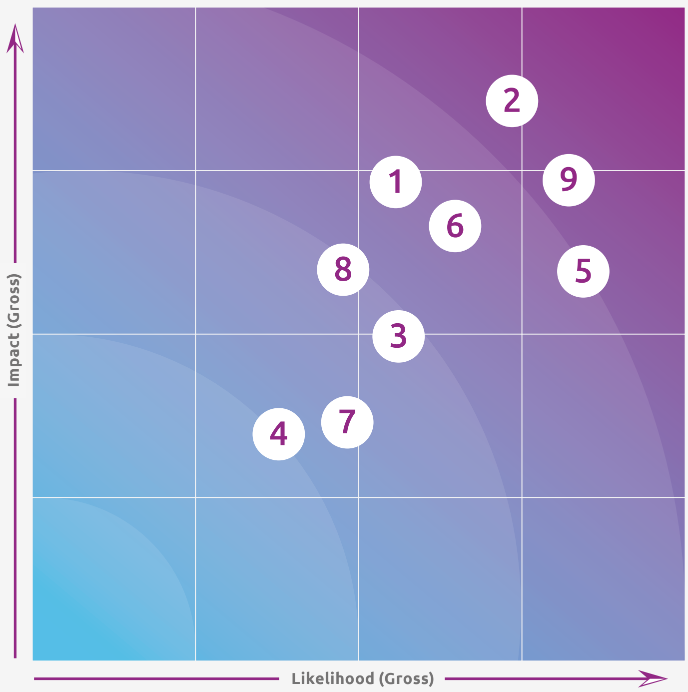
Bottom-up

OUR RISK PROFILE

Our assessment of our current gross risk profile (i.e. before we take any mitigating actions) is presented below:

RISK HEAT MAP

Principal risk	Change in risk assessment in year
1 Consumer, customer and economic trends	↑
2 IT and information security	↑
3 Sustainability and environment	↑
4 Legal and regulatory compliance	↑
5 Talent retention	↔
6 Business transformation	↔
7 Consumer safety	↔
8 Supply chain and logistics	↔
9 Treasury and tax	↔



Key
Change in risk assessment in year ↔ Unchanged ↑ Increased ↓ Reduced

OUR APPROACH TO EMERGING RISK

In line with our early adoption of the 2018 Corporate Code, we have a particular methodology to identify emerging risks, which is important as we execute our new strategy. New and emerging risks are identified in a number of ways:

- twice a year, the Executive Leadership Team reviews the key strategic objectives of the business specifically in the context of risk, with each member of the team considering the key milestones which must be achieved to successfully deliver the strategy and undertaking a holistic review of the risks which might arise or impact upon these. Potential new and emerging risks are reported to the Board and considered during its bi-annual reviews of the Group risk register;
- in formulating and evolving the Group risk register, the Executive Leadership Team and the Board take into account the principal risks identified by individual regions and business units to determine whether there are any new risks which require Group-wide focus and mitigation;
- at its annual strategy session the Board assesses any emerging risks (or opportunities) which might arise and which should be taken into account when formulating and executing strategy in the future; and
- these processes are informed by regular discussions with the Group's network of external advisors including its lawyers across all relevant territories, accountants and tax advisors, internal audit partners, insurance brokers, health and safety advisors, and sustainability and PR advisors. External advisors are encouraged to conduct regular 'horizon scanning' exercises to identify emerging issues, trends or changes which might be of relevance to the Group's activities. The Company is also a member of various trade and industry bodies across the world and leverages the experience of its peers and external industry experts.

CHANGES TO OUR GROSS RISK PROFILE

On a continuing basis, we assess, on a gross basis (i.e. before we take any mitigating actions), whether the principal risks facing the Group are 'increasing', showing 'no change' or 'decreasing' compared to prior year.

Those risks that we believe are currently most prominent or increasing in profile to the Group are:

- Consumer, customer and economic trends: as noted in both the Chair's Statement and Chief Executive Officer's Review/Q&A, the year has been particularly challenging in our largest markets, Nigeria and the UK. We believe these factors will not decrease in the short term and therefore maintain an elevated risk status;
- IT and information security: as highlighted by an in-depth internal audit review of information security which was undertaken during the year, the prevalence and sophistication of cyber security incidents across all sectors and companies continues to increase. Consequently, there is an increased risk of disruption to our operations and/or unauthorised access and misuse of our sensitive information as a result of our systems being attacked;
- Sustainability and environment: the focus on the environmental and human safety implications of plastic pollution continues to intensify in many of the countries where we operate, as does concern regarding climate change. Whilst our Good4Business approach offers opportunities for competitive advantage, the risk of adverse consumer reaction, increased cost or regulatory penalties continues to rise; and
- Legal and regulatory compliance: as part of our routine refresh of our Anti-Bribery and Corruption risk assessments as required under the UK Bribery Act, we engaged our internal audit co-source assurance partner to review our control framework and identify any further actions which could be taken to mitigate related risks. Whilst this will assist us to continue to reduce the 'net' risk to the Group, increasing regulatory activity means that the gross risk (i.e. before undertaking mitigating actions) has increased slightly year on year.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Description of risk	Measures to manage risks
1 **CONSUMER, CUSTOMER AND ECONOMIC TRENDS** Link to strategy 1 2 3 5	In an environment where consumer preferences and behaviours are changing more rapidly, and the channels by which our consumers purchase our products evolve, there is a risk that we neither meet our consumers' needs nor ensure that our brands are well presented and easily available to purchase. In addition, we operate in a number of markets that are exposed to elevated economic and political volatility that can impact our consumers' purchasing ability.	We continue to actively listen to our consumers via social listening, market research and shopper insights to ensure that our product development pipelines respond rapidly and meet our consumers' needs. This is particularly important in respect of the key focus brands which will drive our future growth. We continue to focus on maintaining strong relationships with our existing customers and our revised strategy requires us to also develop relationships with new customers, ranging from centrally managed large 'modern' retailers to small 'traditional' traders accessed via distributors in developing countries. Our long-established history of operating in these markets has allowed us to develop a deep understanding of our consumers and to evolve our product portfolio accordingly. Joint business plans are in place with our key customers, with agreed KPIs that are subject to regular monitoring and performance reviews. Our strategy continues to be to operate across a number of both developed and developing markets and therefore we are able to mitigate, to a degree, regionalised risks. During FY20, we will also further evolve our e-commerce channel to ensure we maximise our exposure to new generations of consumers. We have also specifically considered risks in the context of the UK's proposed exit from the EU. During the last year we have been working closely with our customers to prepare for and implement contingency plans to ensure supply continuity in the event of a 'no deal' Brexit. We have secured additional warehousing capacity within the UK to allow for increased stockholding of finished goods over the key risk periods.
2 **IT AND INFORMATION SECURITY** Link to strategy 4	We communicate with our customers and suppliers electronically and our manufacturing, sales and distribution operations are dependent on reliable IT systems and infrastructure. Prolonged disruption to these systems could have a significant negative impact on the performance of the Group. Additionally, cyber security threats are becoming more prevalent and sophisticated in nature, which could lead to unauthorised access to our systems and loss of sensitive information.	A centrally governed IT function continually monitors known and emerging threats that may impact us. As detailed in the Audit & Risk Committee report, during the year the business undertook an in-depth externally facilitated Information security review to ensure our controls remain robust; as a result we further developed our IT policy suite and training and awareness programmes to our employees to ensure both business and personal information remain protected. Processes continue to be maintained to ensure that our critical data is backed up and recoverable and our ongoing investment in upgrades/patches of our systems and the applications we use ensures their security and reliability. We routinely test our systems to ensure that they remain robust.
3 **SUSTAINABILITY AND ENVIRONMENT** Link to strategy 1 6	The need to find more sustainable ways of doing business is vital. This includes ensuring the raw materials we need are responsibly sourced and efficiently used and that we are responsible and an integral part of the communities in which we operate. Failure to do so risks alienating key stakeholders, including consumers and customers, and damaging the goodwill in our brands, with consequent limitation of our ability to grow and create value.	Our Good4Business strategy and, in particular, our Environment, Sourcing and Community & Charity programmes, which are led and monitored by the Good4Business Committee, ensure that we understand and take account of the environmental impact of our operations and that we proactively seek opportunities to align the interests of our key stakeholders and create value for all. This includes taking account of the human rights of all those working within our supply chain and in local communities. In particular, during the year we launched initiatives to address two of the gravest threats to the planet: plastic pollution and deforestation. Our Plastic Promise is a global commitment to reduce the use of plastic across our business whilst our 2020 Palm Oil action plan will help us meet our goal that by 2020 100% of the palm oil which we use comes from producers which are independently verified to be NDPE (No Deforestation/no Peat/no Exploitation) compliant.
4 **LEGAL AND REGULATORY COMPLIANCE** Link to strategy 4 6	We are subject to a wide spectrum of legislation, regulation and codes of practice that can vary between the geographies in which we operate. Examples include product safety, competition, Anti-Bribery and Corruption, health & safety and employment. Failure to adhere to such laws and regulations can result in reputational damage, as well as significant fines and the possibility of criminal liability.	Our legal, regulatory and safety specialists at both Group and regional level monitor and review the external legal and regulatory environment to ensure that we remain aware of and up to date with all relevant laws and legal obligations. They are also supported by a network of external experts who can be engaged as required. This is particularly important in developing countries where changes in the law can be sudden and unpredictable. During the year we engaged our external co-source assurance partner to complete our annual Anti-Bribery and Corruption risk assessment as required under UK Bribery Act 2010. As a result, we are further enhancing our controls and employee training to ensure all measures are taken to prevent bribery and corruption throughout the organisation. In addition, we operate a confidential global whistle-blower hotline, called 'Speak Up', details of which are widely communicated and available to all our employees. In the context of the UK's proposed exit from the EU, there is the potential that a 'no deal' Brexit could render UK-held Registaration, Evaluation, Authorisation and restriction of Chemicals (REACh) registrations invalid for sale of products in the EU. In order to mitigate this we are transferring the registrations for UK products to an EU27 representative to allow future supply into the EU.

Risk	Description of risk	Measures to manage risks
5 **TALENT RETENTION** Link to strategy 6	We recognise that in order to deliver sustained growth, we require the best calibre people. Failure to attract, develop and retain the correct combination of appropriately qualified, experienced and motivated employees could jeopardise our ability to meet our strategic objectives.	We regularly review our reward programmes, and as detailed on page 29, we have introduced a behaviour/value framework to ensure our culture provides an attractive employment proposition to current and prospective future employees. Attracting key talent in some regions remains a challenge but our global appraisal and employee management process helps us to identify training requirements and validate succession plans, as well as identify our future leaders and critical talent that needs to be retained within the business.
6 **BUSINESS TRANSFORMATION** Link to strategy 4	During the year we recalibrated our strategy to best reflect opportunities to differentiate our consumer proposition. We will continue to leverage additional cost synergies as we execute the strategy; however, there is a risk that failure to execute these initiatives effectively could result in under-delivery of the expected benefits and consequently impact the return we are able to make to our shareholders.	Dedicated programme management teams have been established that include Executive Leadership Team members, who conduct in-depth analysis of progress and make regular reports to the Board.
7 **CONSUMER SAFETY** Link to strategy 6	The safety and quality of our products is of paramount importance to us to ensure the well-being of our consumers. A failure in the practices we adopt to ensure product safety may result in reputational damage, significant financial loss from product recalls and fines from regulators together with possible criminal liability for the Group.	We apply robust quality management standards and systems, rigorously monitoring them throughout all stages of the supply chain. This applies not only to our own production facilities but to our third-party manufacturers as well. We also maintain a dedicated consumer complaints hotline. Any incidents relating to the safety of our consumers or quality of our products are actively investigated to ensure that timely and effective action is taken.
8 **SUPPLY CHAIN AND LOGISTICS** Link to strategy 4 6	Our production and distribution facilities could be severely impacted by adverse events, such as a failure of a key supplier, a health & safety incident, or an environmental failure.	We undertake a rigorous selection process prior to engaging with new third-party suppliers and perform ongoing audits and performance monitoring to ensure that contracted standards are being maintained or exceeded. We use multiple suppliers where possible. Our dedicated Group Procurement team has specialist knowledge and understanding of key raw materials and commodities markets and our systems allow us to review forward requirements and to obtain value. In the context of the UK's proposed exit from the EU and in order to ensure continuity of supply for our customers, we are working closely with our supply partners to build stock of critical raw materials and packaging within the UK close to our manufacturing operations. This seeks to ensure the smooth running of manufacturing and secure supply should there be any delays or disruption at ports for items sourced from Europe.
9 **TREASURY AND TAX** Link to strategy 4	The international nature of our operations gives rise to both transaction exchange rate risk and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling. In addition, in the event of tax authority challenge to a filed tax position in a jurisdiction in which we operate, there is a risk of an unplanned charge and resulting cash outflow.	We maintain an established Group Treasury function and our Group Treasury Policy defines our non-speculative approach to the management of foreign currency exposures. Transactional currency exposures are managed within prescribed limits with short- to medium-term forward exchange contracts taken to reduce our exposure to fluctuations. A Group Taxation Policy is in place (available on our website), which defines the way in which we conduct ourselves with respect to our tax affairs. Our in-house taxation expertise is also complemented by the use of specialist tax consultants and advisors to ensure compliance with all local and international tax regulations and treaties.

Link to strategy

1. Leverage our market-leading brands with a focus on Personal Care and Beauty
2. Deliver growth through existing and selected new geographies and channels that can scale
3. Simplify Nigeria organisation and activities and invest in Haier and Wilmar partnerships
4. Continue to operate more efficiently and contain costs
5. Dispose of non-core brands
6. Embrace CANDO! culture and integrate Good4Business principles in all we do

We aim to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. A summary of our relevant policies and outcomes, together with references to where further information and KPIs on these areas can be found, is detailed below. Details of our business model can be found on pages 12 and 13 and our principal risks on pages 44 to 49.

BUSINESS GOVERNANCE AND ETHICS

We are committed to compliance with relevant laws and regulations in all the countries where we do business and we do not tolerate corruption in any part of PZ Cussons. We operate in a business environment which is carefully curated to be open, honest and fair with our suppliers, customers and business partners. We show respect and integrity in our dealings with all our stakeholders in the active pursuit of our Good4Business values.

The safety of our consumers is of paramount concern and we will never compromise this, applying our own standards and protocols in excess of local requirements where we feel this is necessary in order to ensure consumer safety or to respond to consumer concerns.

The policies and standards which govern our approach include:

- Our Anti-Bribery and Corruption Policy
- Our Modern Slavery Act Statement
- Our Supplier Code of Conduct
- Our 'Speak Up' whistle-blower process
- Our Animal Testing Policy

> SEE PAGE 52

SOURCING

We recognise that, for certain ingredients, the biggest environmental impacts lie outside our direct manufacturing operations. We will establish strategies to address our usage of commodities which may be identified as contributing to significant deforestation, including palm oil, paper and pulp, and to ensure that our use of finite resources is efficient. We are committed to sustainable and ethical farming practices within our palm oil plantation business and have set ourselves the target of sourcing 100% of our palm oil from producers whose entire operations have been independently verified as compliant with NDPE standards by 2020.

We are committed to delivering globally consistent and excellent standards of health & safety in respect of all of our employees, contractors, visitors and suppliers.

The policies and standards which govern our approach include:

- Our PZ Cussons Palm Oil Promise
- Our 2020 Action Plan
- Our Supplier Code of Conduct
- Reporting of health & safety KPIs

> SEE PAGES 55 AND 56

THE ENVIRONMENT

We recognise that business has an impact on the environment. As such, we have an obligation to play a part in conserving the planet's precious natural resources and in safeguarding the environment for future generations as well as ensuring that we limit any negative impact on our communities and our customers. We measure and disclose various data in respect of our environmental performance including carbon emissions, water usage and landfill waste, and we are committed to future disclosure of information relating to our use of plastic across the business.

The policies and standards which govern our approach include:

- Our 25 by 25 Plastic Promise
- The PZ Cussons Environmental Policy
- Our participation in the Carbon Disclosure Project

> SEE PAGES 53 AND 54

COMMUNITY AND CHARITY

We are committed to being a force for positive change in society. Helping and supporting our local communities and improving the living conditions and life chances of our neighbours are a key feature of how we do business around the world.

> SEE PAGE 57

Find out more about our policies at
www.pzcussons.com

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
OTHER INFORMATION

G4B

We believe passionately that business can be a force for positive change. More than that, we believe that businesses have an active obligation to make a positive contribution to society and to minimise any negative impacts on the environment from their operations.

For us at PZ Cussons, this is not something new or unusual – it has been a key part of our culture and of who we are ever since the business was founded in Africa in the 1880s. We have always aimed to make a positive impact on society through the products which we sell, the way in which our products are designed, manufactured and packaged and through the contributions we make to the communities in which we operate.

We do this both because we know that it's the right thing to do and because we believe that it is Good4Business. By forging strong links with our local communities and mutually beneficial relationships with our business partners, by conducting our activities with integrity and responsibility and by helping to conserve the planet's precious natural resources, we are creating sustainable value for all our stakeholders, now and into the future. We can be confident that this value will endure.

Our Good4Business (G4B) approach is at the heart of everything we do. It provides four areas of focus through which we can assess our business and ensure that we are driving sustainable value and growth through our day-to-day decision-making:

- Business Governance and Ethics
- Environment
- Sourcing
- Community and Charity

G4B draws on the values and experience which have made PZ Cussons the company it is today. Our ambition is to grow the business while staying true to our authentic family spirit, and we are guided by our wish to leave a legacy for the next generation which we can all – shareholders, customers and consumers, business partners, local communities and employees – be proud of.

THE GOOD4BUSINESS COMMITTEE

The Good4Business Committee is one of the standing committees of the Board. The Committee is chaired by independent Non-executive Director John Nicolson and is responsible for agreeing and overseeing a programme of specific G4B activities for each financial year. The Committee is also responsible for ensuring that our G4B principles are reflected in our Group strategy and that the Group's social, environmental and economic activities are aligned.

The Committee's terms of reference and a copy of the G4B statement are available on the PZ Cussons Group website (**www.pzcussons.com**). Further details on the membership of the Committee are set out on page 72.

BUSINESS GOVERNANCE AND ETHICS

ETHICS AND OUR VALUES

Our Good4Business ethics and principles apply to all our Group global operations and to every Board member and employee. We encourage and motivate everyone in the business to use these principles in their day-to-day working lives.

We operate in an open, honest and fair way with our suppliers, customers and business partners. We show respect and integrity in our dealings with all our stakeholders in the active pursuit of our G4B values.

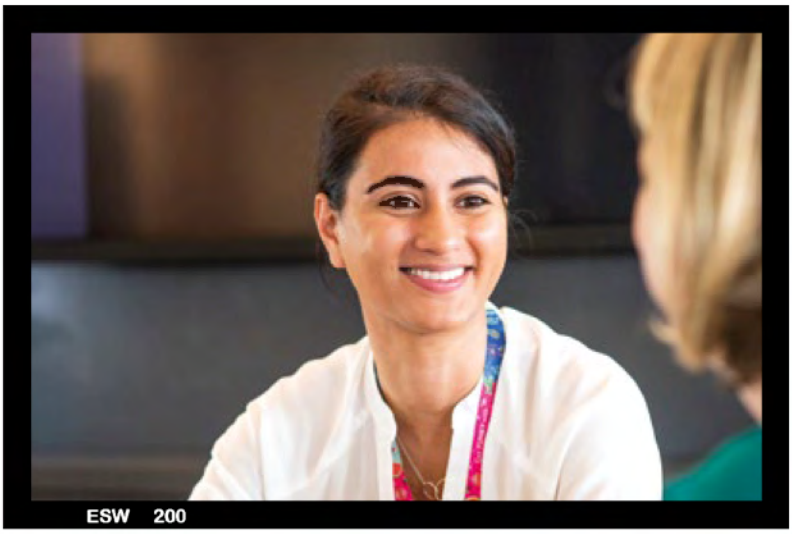
We do not tolerate corruption in any part of PZ Cussons. We regularly review our activities across the Group to ensure that we are fully compliant with the UK Bribery Act, the Corporate Criminal Offence of failing to prevent the facilitation of tax evasion and other relevant legislation around the world, and also that we are living up to our CANDO! and G4B values in every part of the Group.

During the year, we completed a comprehensive risk assessment exercise, working with external advisors, to ensure our continuing compliance in all of our operations. Building on that, we are presently rolling out a revised global Anti-Bribery and Corruption Policy and ensuring that all of our employees understand what is expected of them and how to manage any issues which they experience in their working lives.

CONSUMER SAFETY

We put consumer safety first and will never compromise on it. The sectors which we operate in are generally highly regulated and we ensure that we are fully compliant at all times with local and international regulations. Where we feel that it is appropriate, we will apply our own standards and protocols in excess of local requirements in order to ensure consumer safety or to respond to consumer concerns.

We regularly review the ingredients used within our range of global products. Our Materials of Concern Committee monitors the materials which we use in the light of evolving scientific evidence, regulatory opinion and the views and concerns of our consumers. Where the science supports the safe use of an ingredient but there are consumer concerns, we take this into consideration and aim to find alternative ingredients. To help us make informed choices, we participate actively in responsible trade associations, professional societies, regulatory authorities and consumer groups.



During the year, our Materials of Concern Committee has reviewed (and, where appropriate, initiated appropriate action in respect of) a number of issues and materials including:

- in line with our Plastic Promise, proactively removing PVC from all our global gift packs because of its potential environmental impact;
- identifying alternative hair and skin care technologies which enable us to proactively and voluntarily phase out the use of silicone D5;
- reviewing our quality procedures for sourcing talc;
- responding to the consumer demand for 'clean beauty' products, for example offering the consumer choice by providing products which do not contain SLES (Sodium Lauryl Ether Sulphate), parabens or silicones; and
- deploying technical documentation systems which give us real-time access to material usage across our Beauty product portfolio.

AGAINST ANIMAL TESTING

We are against all forms of animal testing in the development or marketing of our products. We do not test ingredients on animals. We do not commission or request any of our suppliers or associates to test ingredients or our products on animals.

It has been some years since animal testing on cosmetic products and ingredients in European Union countries was prohibited. We fully support the stance taken by governing bodies, such as the European Union, and the changes being made in this direction in other regulatory environments in China, India, the US and elsewhere to eradicate the use of animals in the testing of cosmetics globally.

To safeguard our consumers, we recognise the need for reliable, fully validated non-animal testing methods and we support the charity FRAME (Fund for the Replacement of Animals in Medical Experiments). We help to fund their independent research activities and support their campaign for better science and the advancement of non-animal methods, which we believe will benefit the whole cosmetics and household products industry.

ENVIRONMENT

PLASTIC

We recognise the need for us all to do something about the proliferation of plastic packaging, particularly single-use packaging, in all parts of the world. Like most businesses in our sector, we use plastic across all of our categories and we understand the responsibility which we have – to our consumers and our local communities – to play our part in providing a solution to this issue. We also recognise that, increasingly, consumer choices and habits are driven by environmental and social concerns and that our brands can and must respond to this and have 'social purpose' at their core if they are to thrive in the future. Proactively addressing the issue of plastic pollution makes the business more resilient in relation to actions which governments, NGOs or our customers may take in the future.

As we have reported previously, we have been reducing plastic across the whole Group for many years. Over the past 12 months we have taken the opportunity to step up our efforts and to drive a genuine transformation of our approach to plastic.

In June 2018 we launched our '25 by 25' Plastic Promise. This commits us, by 2025, to:

- reduce the amount of plastic we use by 25%;
- ensure 100% of any remaining plastic we use is reusable, recyclable or compostable; and
- use at least 30% recycled materials in all our plastic packaging.

Our Plastic Promise builds on the significant work we have already undertaken to reduce plastic in our products. Through light-weighting bottles and introducing refills, over recent years we have reduced plastic in our business by hundreds of tonnes across Europe & the Americas and Asia Pacific. We are now redoubling our efforts to reduce our use of plastic by identifying more projects to optimise structural and material design to eliminate unnecessary packaging materials, as well as looking at more innovative ways of delivering our products without relying on plastic.

Whilst our Plastic Promise is driving change across all brands and categories, we are prioritising those areas within the business where our current use of plastic is the greatest. We are also seeking out opportunities to deliver additional product benefits to consumers by providing new packaging solutions, creating a closer bond with consumers by acting on an issue which is clearly of real concern to them. In this way, we can make a positive impact on our environment but also reduce cost and protect and enhance brand equity. Identifying and addressing these 'sweet spots' is an example of how our Good4Business approach, in which we seek to understand and align the interests of all our stakeholders, is creating shared value for all.

Brands like Carex in the UK are already driving significant reductions in plastic and fundamental changes in consumer behaviour in our category. Sales of our refill pouches – enabling consumers to reuse their current bottles – are growing by over 240% year on year, reflecting consumers' clear wish to reduce plastic in their households. Our 500ml refill reduces plastic by 75%, while our 1000ml refill uses 80% less plastic – driving our refill business resulted in a reduction of 4.2m pumps last year.

Looking forward, this year we are focused on ensuring that our bottles are fully recyclable. This will help us achieve our commitment that any remaining plastic in our business is either reusable, recyclable or compostable. We are also launching bottles containing 30% post-consumer recycled material, in line with our global target.

Our detailed road maps for UK brands like Carex enable us to drive our Plastic Promise more quickly across other markets including in those countries where the level of consumer or customer concern is not currently as high, but which we believe will inevitably follow suit over time. Additional priority areas for us include:

- our Cussons Baby business in Indonesia;
- plastic containers used in our PZ Wilmar business in Nigeria;
- our wipes business; and
- our Beauty brands.

Our Plastic Promise is also driving innovation across our categories as we explore ways in which we might deliver our products to consumers without using any plastic. Our teams have identified novel packaging solutions and potential new products which we will be trialling this year. Again, they will allow us to significantly reduce our plastic footprint, while also opening up new commercial opportunities for us and further developing our relationship with consumers and customers.

WATER REDUCTION

There are increasing problems of water scarcity on the island of Java. High levels of water extraction though boreholes have drained aquifers and many have become contaminated with sea water. The Group challenge to reduce water consumption was therefore very relevant for staff at our Tangerang factory. The first step was to mobilise our staff to take measurements and get a detailed understanding of all areas where water is used, and then pull together a plan to reduce consumption. As a result of their efforts they were able to reduce water consumption by 7% year on year.

ABSOLUTE REDUCTION / (INCREASE) YEAR ON YEAR

WATER:	26%
CARBON:	12%
WASTE:	(8%)

WATER, CARBON AND WASTE

We care about how our business may impact the environment, from the way we manufacture products and bring them to market to the way in which consumers use them. We are focused on a programme of constant improvement within our global operations, and committed to yearly reductions in our water and carbon consumption and waste generated.

Water

The Group operates in a number of environments which experience water scarcity. Water is also an important component of many of our products and manufacturing processes. In the circumstances, water conservation has been a key Good4Business environmental focus for the Group for some years and we have reduced consumption by millions of tonnes over that period. As part of our continuous improvement programme, water reduction objectives are incorporated into the operational plans of every factory in the Group. Principally, this is achieved though detailed mapping of water usage, focused improvements in operating methods and targeted investment in water-saving technologies.

In this way, we have been able to reduce our global consumption by around a quarter this year – both in absolute terms and per tonne of production. This builds on annual reductions of 7%, 16% and 34% achieved over the last three years.

Our factory in Aba, in the east of Nigeria, has again led the way in finding innovative solutions. Previously, a borehole pump had to operate continuously to service the domestic demand of our residential compound. The installation of elevated water storage tanks this year has enabled us to turn off the pumps at the weekend.

We have also been able to reduce water consumption at our UK Head Office by 63% year on year through a combination of new equipment and changes in working practices.

Carbon

All of our factories incorporate energy reduction objectives into their operational plans, mapping and identifying energy-intensive processes and implementing reduction projects via a continuous improvement programme. Reducing the amount of energy we use obviously reduces carbon emissions, but also reduces our running costs. This is particularly important at more energy-intensive factories such as those at Aba, and Tangerang in Indonesia, and we have completed detailed energy audits at those sites during the year to provide medium-term road maps for energy reduction.

Our Agecroft and Aviator Way sites in the UK have been using 100% renewable power since June 2018.

Carbon Disclosure Project

The Group has been a participant in the Carbon Disclosure Project (CDP) for over ten years, currently reporting our Scope 1 and 2 emissions. CDP is an internationally renowned not-for-profit organisation which provides an independent global system for companies and cities to measure, disclose, manage and share vital environmental information.

This year, we were graded B- by CDP, indicating effective management of our environmental impact – our best score since we commenced participation.

Waste

The total amount of landfill waste generated by the Group has gone up this year. This is principally because of our Nigerian palm oil joint venture, PZ Wilmar, whose production volumes for the business have increased by around 9%. This, in combination with a change in the mix of sourced oils, has resulted in an increase in landfill waste per tonne of production of 18%. We are urgently seeking to identify alternative non-landfill disposal routes.

Excluding the PZ Wilmar joint venture, the Group performance has been very positive. Waste per tonne of production has decreased by 13% year on year, building on reductions of around 75% over the last two years.

One focus this year, particularly at our Thai soap factory and at Aba, is on wrapper waste. This requires underlying improvements in supplier quality and our own manufacturing techniques, but results in both reduced environmental impact and cost benefits to the business.

In Indonesia we have worked to improve our waste segregation so that a greater proportion of factory waste is being recycled rather than landfilled.

We have ensured that our UK head office practises what it preaches. During the year, as we launched our Plastic Promise, we also introduced full waste segregation initiatives to eliminate waste from our offices and maximise recycling of tins, plastic and glass.

SOURCING

PALM OIL

Last year, we published an action plan to meet our 2020 No Deforestation / No Peat / No Exploitation (NDPE) commitments on palm oil.

Part of our Good4Business strategy to drive positive change in society, our Palm Oil Promise sets out clear timebound goals to help address one of the most important sustainability issues facing our planet: deforestation.

Palm oil is one of the most widely used vegetable oils in the world and can be found in nearly 50% of the packaged products in our supermarkets. The increasing demand for palm oil has resulted in the destruction of natural habitats, particularly in south-east Asia, as local growers have rushed to plant and grow new plantations. PZ Cussons is not a huge consumer of palm oil – we use less than 0.001% of the world's supply. However, we hold ourselves accountable for the palm oil which we source and we are fully committed to playing our part in the reform of the industry. Our 2020 Action Plan builds on the commitments we made in our 2014 PZ Palm Oil Promise and the progress we have made since then.

Although transformation of the palm oil industry is extremely challenging, we do not believe that switching to an alternative ingredient would have a positive impact, as alternatives such as soy or vegetable oil require more land to produce the equivalent amount of oil.

Instead, our action plan focuses on how we are going to deliver on our commitment to source 100% of our palm oil from producers whose entire operations have been independently verified as compliant with NDPE standards by 2020. That way, our consumers can be assured that the products which they love are not causing deforestation anywhere in the world. The plan establishes 12 detailed goals against five strategic objectives, focusing on governance, traceability, transformation, transparency and leveraging PZ Cussons' unique position in Nigeria to drive NDPE compliance.

We are really pleased with the progress we have made since publishing our 2020 Action Plan in October last year, but we recognise that we still have a way to go on some of our goals. For example, we have developed an outline plan to address the regeneration of cleared forests, but finalising this remains work in progress and is a priority.

Understanding where our palm oil comes from is a critical first step in delivering on our Palm Oil Promise. We can currently trace 92% of our crude palm oil and palm kernel oil back to the mill and, whilst we have not yet hit our interim goal of 80% traceability for palm oil derivatives, 90% of our derivatives are supplied by suppliers with NDPE commitments aligned with ours. We are in final-stage discussions with two key derivative suppliers and are confident that we will meet our interim goal of 80% traceability very shortly.

We recognise that we are not able to meet our commitments alone, which is why we are working closely with our direct suppliers, our joint venture partners and with NGOs. Our starting point is to shift our sourcing towards suppliers who can demonstrate that they have credible systems to monitor the producers in their supply chains and hence ensure they are fully compliant with NDPE standards throughout their operations.

DEVELOPING NIGERIA'S PALM OIL SECTOR

As part of our strategy to support the development of Nigeria's palm oil sector, we are supporting 43 smallholder palm oil farmers, who together cultivate 150 ha of land in Cross River state.

The Biase Plantations Limited (BPL) Outgrower Scheme is a pilot project to demonstrate how a viable and sustainable outgrower scheme can function.

Before starting the pilot, detailed social and environmental assessments were conducted, including 'high conservation value' assessments to ensure that the project areas do not fall within priority conservation areas. Farmers were also supported in forming cooperatives, opening bank accounts and obtaining legal land ownership documents. With support from BPL, detailed boundary surveys were conducted and Customary Rights of Occupancy documents acquired and approved.

Planting has been completed on the farms of three of the four cooperatives, with the remaining farm expected to be fully planted by August 2019.

One of the most significant steps forward we have taken is the selection of Starling and Kumacaya to independently verify compliance across our global supply chain. Starling, created by our NGO partner Earthworm Foundation and Airbus, uses a combination of high-resolution imagery and radar data to provide monitoring of land cover change, focusing on forest cover loss. It is a private and independent tool which allows us to monitor the implementation of our No Deforestation Policy and ensure that none of our suppliers are causing deforestation. With sharp accuracy and detailed resolution, Starling's reference maps differentiate between production forests which include palm plantations, natural forests and other areas. Kumacaya (the name comes from the words for 'talk' and 'trust' in Bahasa and local dialects) provides independent monitoring of social and environmental issues by local people.

We have also begun transformation work by implementing Earthworm Foundation's High-Impact Supplier Programme. This will address identified non-compliance and drive change in local communities. We look forward to reporting on the outcomes in future years.

Finally, in Nigeria, where the oil palm is indigenous and grows naturally, PZ Cussons is working alongside our joint venture partner Wilmar to support the development of Nigeria's palm oil industry in line with NDPE standards. For example, we are working with local banks to create access to finance for smallholders with verifiable land titles to invest in revitalising old and inefficient plantations.

	2014/15	2015/16	2016/17	2017/18	**2018/19**	Change from 2011/12 baseline	Change year on year
Fatalities	0	0	0	0	**0**	0	0
LTI/yr	14	7	15	13	**8**	(25)	(5)
LTIFR	0.17	0.12	0.29	0.26	**0.13**	(0.28)	(0.13)
AAIFR	1.87	2.08	3.09	2.17	**2.13**	n/a	(0.04)

HEALTH & SAFETY

We regard health & safety as a fundamental business responsibility and the Group's health & safety performance and its regulatory compliance are scrutinised at all meetings of the Group's Executive Leadership Team and the Board.

Our business spans diverse geographies with differing levels of regulation and we are committed to delivering globally consistent and excellent standards of health & safety in respect of all of our employees, contractors and visitors. To that end, our operations meet local rules and regulations but also comply with our robust Group-wide standards, which invariably exceed local law. We employ a team of health & safety specialists to develop, monitor and implement best practices and we empower and encourage our employees to identify and report hazards or near misses.

We have made further progress towards achieving international safety certification for all our sites around the world. All but one of our manufacturing sites are now accredited to the internationally recognised occupational health & safety management system OHSAS 18001, and all sites are presently working towards the new best practice safety standard ISO 45001.

REPORTING OUR PROGRESS

The business tracks and reports on key health & safety performance indicators, enabling us to review our progress, identify any issues and trends and develop strategies to address areas for improvement. We follow industry practice and focus on the All Accident Incident Frequency Rate (AAIFR) which includes: all reportable incidents, all Lost Time Incidents and all First Aid Cases, i.e. incidents which result in the employee being given first aid. We also continue to track and report the Lost Time Incident Frequency Rate (LTIFR). Lost Time Incidents include all health & safety occurrences which result in one or more days' absence from work (excluding the day of the incident).

The frequency rate for both measures is calculated as the number of incidents per 200,000 hours worked.

WORKING WITH SUPPLIERS

It is critical to us, particularly as we continue to increase our use of third-party manufacturers to develop and make specialist products, that our suppliers, contractors and partners share our values and live up to the high ethical standards which we set for ourselves. To some extent, our reputation is in their hands and so we take great care to understand how third parties work whenever we are considering establishing or continuing business relationships.

We set out our expectations of our suppliers in a Supplier Code of Conduct. This lists a number of mandatory requirements (covering a range of Good4Business values including Anti-Bribery and Corruption, sustainability (including alignment with our positions on plastic and palm oil), fair treatment of workers, health & safety, modern slavery and animal testing). During the year, we have continued to engage with our suppliers in respect of compliance with our Code and we have developed robust process flows to ensure long-term alignment with our values and/or termination of relationships with non-compliant suppliers where appropriate.

COMMUNITY AND CHARITY

We are committed to helping and supporting the local communities in the vicinity of our factories and offices. Many of our employees come from those communities and we are often reliant on them for their support, goodwill and cooperation. But our presence in the community, particularly in emerging markets, also puts us in the privileged position of being able to help improve the living conditions and life chances of our neighbours. This obviously helps us to establish good relations with governments and other local stakeholders but, more than this, it reflects a fundamental belief which has been at the heart of PZ Cussons' approach to business since the days of our founding fathers in the 1880s. For a business to grow sustainably, it must be a force for positive change in society.

PZ CUSSONS NIGERIA FOUNDATION AND INNER HEARTS

In Nigeria, we established a charitable foundation in 2007 to assist in the development of better transport links and roads, potable water, sanitation, health and education and to improve the quality of life of people living near our operations in Nigeria. The Foundation funds and implements projects which promote the well-being of local people, are sustainable, and produce innovative solutions which can be easily replicated throughout the country.

Our Inner Hearts programme was also started in Nigeria and has been adopted by all our global operations. The programme encourages our employees to become involved with initiatives which they care about, giving them support and a framework to benefit local communities and charities. We are proud of the fantastic commitment and enthusiasm which so many of our employees have demonstrated throughout the year in support of a range of wonderful charities which are making a real difference to lives all over the world.

GLOBAL HANDWASHING DAY

In October 2018 our Carex brand once again joined forces with United Purpose, our international development charity partner, to support Global Handwashing Day. This annual event, which was started by the United Nations ten years ago, touches over 200 million people and promotes a simple and life-saving message: that handwashing with soap saves lives. In Nigeria, thousands of students were inspired and empowered to encourage their schoolmates, families and communities to make handwashing a habit.

PZ CUSSONS NIGERIA FOUNDATION

During the year, the Foundation undertook a number of projects including the construction of a block of three classrooms at Hardawa Community School in the north-eastern city of Bauchi and of a solar-powered water system in the eastern state of Adamawa. The latter project comprises a solar-powered borehole with an overhead storage tank and livestock drinking troughs, with the capacity to provide clean drinking water for 300 cattle per day and 30 local households in an area of significant water scarcity. The Foundation has also continued to run its nationally recognised PZ Cussons Chemistry Challenge for a fifth year. The initiative encourages secondary school students to study the sciences, especially chemistry.

AUSTRALIA FOODBANKS

In Australia, PZ Cussons became a proud National Partner of Foodbank Australia, an organisation which supports the homeless and food-insecure by providing food and grocery donations. Supporting Foodbank Australia's aim to provide over 600 million meals last year, our Australian business donated almost 50,000 cases of free food and personal care and home care products. We also supported Foodbank by providing 'volunteer' days which enabled our team to get out of the office and pick and pack product ready for delivery.

GOVERNANCE

AN EXPERIENCED BOARD WITH STRONG LEADERSHIP

CAROLINE SILVER
N G

Non-executive Chair

Appointed: 2014

Skills & experience: Caroline Silver joined the PZ Cussons Board as a Non-executive Director in 2014, becoming Senior Independent Director in 2016 and Chair in 2017. She has worked within the investment banking sector for over 30 years and was most recently a Partner and Managing Director at Moelis & Company. She is a chartered accountant and has previously held senior corporate finance and M&A positions at Morgan Stanley and Merrill Lynch. She has a wealth of international experience, especially within African markets.

Other appointments:
- Non-executive Director of BUPA
- Non-executive Director of Meggitt Plc
- Senior Independent Director at M&G Prudential plc
- Trustee of the Victoria & Albert Museum

ALEX KANELLIS
E G

Chief Executive Officer

Appointed: 2003

Skills & experience: Alex Kanellis joined PZ Cussons in 1993. He was appointed Managing Director of the Group's Thailand operations in 1998 and Managing Director of Indonesia in 2001. He joined the Board in 2003 as Regional Director of Asia before becoming Chief Executive Officer in June 2006. Alex has a PhD in mechanical engineering.

JOHN NICOLSON
G A N

Senior Independent Director

Appointed: 2016

Skills & experience: John Nicolson joined the PZ Cussons Board as a Non-executive Director in 2016. John has significant experience of global consumer goods businesses for both developed and emerging markets. He has held senior positions in the FMCG sector, including Regional President and Executive Committee member of Heineken NV and Executive Board Director for international markets at Scottish & Newcastle.

Other appointments:
- Non-executive Chairman of A G Barr Plc
- Non-executive Director of Stocks Spirits Group Plc
- Member of the Advisory Board at Edinburgh University Business School

JEZ MAIDEN
A N R

Non-executive Director

Appointed: 2016

Skills & experience: Jez Maiden joined the PZ Cussons Board as a Non-executive Director in 2016. He currently holds the post of Group Finance Director at Croda International Plc, the FTSE 100 global speciality chemicals company. He has previously held similar positions at National Express Group Plc, Northern Foods Plc and British Vita Plc and was, until 2015, Senior Independent Director and Chair of the Audit Committee of Synthomer Plc.

Other appointments:
- Group Finance Director of Croda International Plc

TAMARA MINICK-SCOKALO
A G N

Non-executive Director

Appointed: 2018

Skills & experience: Tamara Minick-Scokalo joined the PZ Cussons Board as a Non-executive Director on 1 May 2018. Tamara has held senior marketing and general management positions at consumer businesses including P&G, Coca-Cola Company, Cadbury Plc and Mondelēz. Until 2016, she was Regional President, Growth Markets for Pearson Plc, the FTSE 100 international publishing and education company, with responsibility for emerging markets.

Other appointments:
- Non-executive Director of Avast Plc
- Member of the Advisory Board of Mustad HoofCare and OHorizons Charitable Solutions

DARIUSZ KUCZ
N R D

Non-executive Director

Appointed: 2018

Skills & experience: Dariusz Kucz joined the PZ Cussons Board as a Non-executive Director on 1 May 2018. Until recently, he was Chief Top Line Officer of Haribo, the international confectionery company, leading its global commercial operations. He has previously held senior leadership roles at Danone, where he led the baby food business in Asia Pacific, and Wrigley, where he was Regional VP, Central and Eastern Europe.

Other appointments:
- Member of the Supervisory Board of the University of Economics and Business in Poznan

HELEN OWERS

R N

Non-executive Director

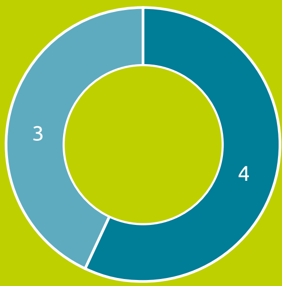
Appointed: 2012

Skills & experience: Helen Owers joined the PZ Cussons Board as a Non-executive Director in 2012. Prior to this she held senior roles within Thomson Reuters, including Chief Development Officer with responsibility for the company's expansion in rapidly developing economies, and President of Global Businesses for Thomson Reuters Legal, responsible for building businesses outside North America. She also has extensive experience working as a consultant for Gemini Consulting, developing and implementing corporate and operational strategies for consumer products clients.

Other appointments:

- Co-Chair of Eden Project International
- Non-executive Director of Informa Plc
- Governor of Falmouth University

GENDER DIVERSITY



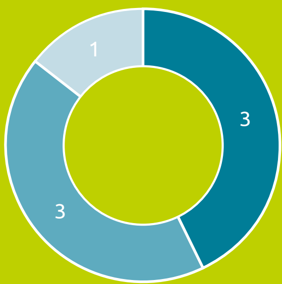
SECTOR EXPERTISE

- Consumer goods
- Finance
- Marketing
- Technology

NATIONALITY

British	Polish	American	Greek
4	1	1	1

TENURE



- ● Chair
- A Audit & Risk Committee
- E Executive Leadership Team
- G Good4Business Committee
- N Nomination Committee
- R Remuneration Committee
- D Director with responsibility for representing the employee voice and employee engagement

"I am pleased to present the Corporate Governance report for the year ended 31 May 2019. This year, my letter takes the form of a Q&A where I discuss how sound corporate governance is at the heart of PZ Cussons."

CAROLINE SILVER
Non-executive Chair

Q: What is unique about the culture at PZ Cussons?

What sets us apart from our competitors is our culture, rooted in the CANDO! values of our founders and demonstrated through our behaviours. They are at the core of how we operate. Our people are passionate about our brands and feel a sense of ownership and accountability in delivering on our purpose to enhance everyday life and create moments of delight for our consumers, our customers and also our communities and colleagues. It's what binds our diverse and global family business and enables us to work collaboratively as ONE PZC.

Q: What role does the Board play in shaping the culture?

The Board plays a critical role in ensuring that those values continue to live and breathe throughout the organisation. We determine the 'tone from the top', from the priorities which we set for the business and the policies and processes which we adopt to the personal messages which we give to our people as we travel around the Group. Our PZ culture – including our commitment to our Good4Business approach – is something which many boards, over many decades, have treasured and nurtured. The current Board is committed to ensuring that the values which have helped PZ Cussons grow and thrive in the past continue to drive success in the future.

Q: Why is good governance important to PZ Cussons?

In volatile and uncertain times, we need to have confidence that the values and behaviours which I talked about run throughout the whole organisation. We also need to be sure that they are applied to the thousands of decisions we make every day across the business, at all different levels, locations and in all environments. Good governance – clear and transparent systems and processes which are rooted in our values – helps to ensure that everyone in the business understands the part they play in delivering the strategy and what is expected of them. It provides a solid foundation for the business so that our stakeholders can be assured that future growth is sustainable. It also provides a framework within which the Board can be confident that it can identify risks – financial, reputational or otherwise – and mitigate them effectively.

Q: Does the Board have the right skills and experience to lead the Company through the new strategic transition?

During the year, we looked at the key skills and areas of experience which will be necessary for the business. We mapped the current profile of the Board against this and we continue to focus on ensuring we have the right Board to deliver the new strategy. The Board has a blend of recent experience across a range of different and relevant areas. These include the FMCG sector, developed and emerging economies, sales and marketing, the development and deployment of strategy, business transformation and FTSE 100 governance and compliance standards. That said, we are constantly looking at the Board's composition and performance and we will be seeking to add new and complementary skills and experience as we make further appointments in the coming year. Brandon Leigh stepped down from the Board as Chief Financial Officer in June so we will be appointing a permanent Chief Financial Officer later this year. In the meantime, Alan Bergin, Commercial Finance Director on the Executive Leadership Team, is performing the role on an interim basis.

Q: What is the Board's approach to stakeholder engagement?

Our approach to doing business at PZ Cussons is founded on the principle of creating sustainable value for all. We believe that the business thrives when the interests of different stakeholders can be aligned so that they all share in our success. So it is really important that we fully understand their priorities, expectations and concerns. My Board colleagues and I are always happy to meet with or speak to shareholders; I offer to meet our largest shareholders without management present at least annually and we always take the opportunity to speak to shareholders before and after the Annual General Meeting. Similarly, we seek out opportunities to meet with business partners, suppliers, customers and distributors whenever we travel to our operations around the world. It is obviously also critical that we create a real and ongoing dialogue with our internal stakeholders – our employees – and we talk about how we will continue to achieve that on page 67.

Q: How often do you conduct effectiveness reviews of the Board?

We conduct annual reviews. Every three years the process is externally facilitated; we bring in an expert to review how we operate and to identify areas where we can improve. The reviews look at all aspects of the Board including the conduct and focus of Board meetings, decision-making, the quality of Board papers and information provided to the Directors, and composition and succession planning. They also include induction of new Board members, relations within the Board and engagement with management and the wider employee population. In between these in-depth external reviews, we conduct annual reviews which focus on the same issues, facilitated by the Company Secretary. As I mention in my report as Chair of the Nomination Committee, we continued throughout the year to look at any areas for action or improvement to ensure that we stay focused on them and that we are continuously improving as a Board.

Q: How do you think the Board has performed this year?

It has obviously been a challenging year for everyone associated with PZ Cussons. We have faced difficult trading conditions in many of our markets and our financial results have clearly been below what we expect and demand of ourselves. However, alongside our senior management team, the Board has worked hard to develop the right strategy for the future. We have also continued to ensure that we have sound and consistent governance policies and processes in place across the business. The introduction of Tamara Minick-Scokalo and Dariusz Kucz as new Non-executive Directors at the end of last year increased the level of recent FMCG expertise within the boardroom and our improved induction processes have ensured that they have each already made an effective contribution to the Board's work this year.

Q: How is the Board adopting the new 2018 UK Corporate Governance Code?

The new 2018 Code will not apply to us formally until next year, i.e. the year ending 31 May 2020. However, as a Board we recognise the benefit of early adoption of the more robust governance standards set out in the new Code. Accordingly, we have resolved to adopt elements of the new Code with immediate effect, and we have already introduced a number of changes. These include the recent appointment of a Director to act as the principal focus for engagement with our employees (as discussed in more detail on page 67). Looking forward, the Remuneration Committee will reflect the provisions of the Code in the revised version of our Remuneration Policy which we will put to shareholders at the 2020 Annual General Meeting. We have complied fully with the provisions of the 2016 UK Corporate Governance Code, which applied to the Company for the year ended 31 May 2019.

Q: What is the key focus for the year in 2019/20?

Clearly, our key priority is returning the business to sustainable growth through implementing our new strategy. From a governance perspective, we will support this by continuing with the work which we have done this year to make sure that there is a clear and consistent 'tone from the top' in respect of the key areas of decision-making and that our related policies and processes are functioning effectively everywhere.

1 LEADERSHIP AND CULTURE

The Board is committed to meeting the standards of good corporate governance as established by the Financial Reporting Council. This year, the 2016 UK Corporate Governance Code applied to the Company, however, we are already responding to the new 2018 Code (which will apply to us next year) and over the following pages we set out the steps which we are taking to ensure that we will be fully compliant with the new Code. Both versions of the Code are publicly available on the Financial Reporting Council's website (www.frc.org.uk).

OPERATION OF THE BOARD

The Board is responsible for the Group's strategic development, monitoring its business objectives and maintaining a system of effective corporate governance.

Six formal meetings of the Board were scheduled during the year. The Directors met on a number of further occasions as necessary to consider specific matters arising and to review and develop the Company's corporate strategy.

The differing roles of the Chair and Chief Executive Officer are acknowledged and set out in terms of reference which have been adopted by the Board. The Chair is responsible for running the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The Chief Executive Officer is responsible for running the business and implementing Group strategy.

All Directors communicate with each other on a regular basis and have regular and ready access to members of the Group's management team. Senior executives are regularly invited to attend Board meetings to make presentations on specific matters or projects, and the Non-executive Directors attend the Company's annual leadership team gathering. Board papers are prepared and issued to all Directors in good time prior to each Board meeting to enable Directors to give due consideration to all matters in advance of the meeting. During the year, the Board maintained an understanding of the views of major shareholders through periodic face-to-face meetings, invitations to meet with the Non-executive Chair in the absence of management and briefings from the Company's advisors.

BOARD LEADERSHIP

PZ Cussons is led by a Board whose Directors are collectively responsible for creating and delivering long-term sustainable value for the business. A key responsibility of the Board is to balance the interests of the Group, including our shareholders, stakeholders, employees and the wider communities we serve. We will achieve this through:

- Developing the Group's strategy and monitoring its performance and progress
- Leading and overseeing culture, and providing support to the Executive Directors in the discharge of their duties
- Taking responsibility for the Board's own succession and oversight of effective senior management succession
- Ensuring the business meets all of its regulatory obligations and upholds the highest standards of corporate governance
- Assessing the financial, operational and reputational risks facing the Group and ensuring appropriate measures are in place to mitigate and control these risks
- Ensuring that decisions and actions taken are properly informed and effectively communicated
- Ensuring active engagement with the employee population.

The Board has adopted formal procedures for Directors to take independent professional advice where necessary at the Company's expense. Each Director has full access to the services of the Company Secretary, who is also responsible for ensuring that Board procedures and all applicable rules and regulations are followed.

The Board has an approved and documented schedule of matters reserved for its decision. These include approval of the Group's strategy, annual budgets, material agreements, major capital expenditure and acquisitions, financial arrangements and the monitoring of performance, health, safety, environmental matters and risk management procedures.

The Board has also adopted a formal induction process for Directors, including visits to principal sites and meetings with operating management. Training sessions have been organised during the year for the Board on matters considered relevant to the discharge of the Directors' duties, and Directors may undertake additional training where necessary as part of their continuing development, at the expense of the Company.

GOVERNANCE FRAMEWORK

THE BOARD

The Board has ultimate responsibility for the long-term success and sustainability of the business. It approves the Group's long-term objectives and commercial strategy, and provides oversight of the Group's operations to ensure competent and prudent management, sound planning, an adequate system of internal control, adequate accounting and compliance with statutory and regulatory obligations.

> SEE PAGES 70 TO 73

THE BOARD DELEGATES CERTAIN MATTERS TO ITS PRINCIPAL COMMITTEES, WHICH ARE RESPONSIBLE FOR:

AUDIT & RISK COMMITTEE

Reviewing the Group's accounting and financial policies, its disclosure practices, internal controls, internal audit and risk management; and overseeing all matters associated with the appointment, terms, remuneration and performance of the External Auditor.

> SEE PAGES 78 TO 83

NOMINATION COMMITTEE

Ensuring that the structure, size and composition of the Board and the senior leadership team are best suited to deliver the Company's strategy and meet current and future needs.

> SEE PAGES 84 TO 87

REMUNERATION COMMITTEE

Reviewing and recommending the framework and policy for remuneration of the Executive Directors and senior executives.

> SEE PAGES 88 TO 90

GOOD4BUSINESS COMMITTEE

Reviewing and developing the Company's corporate strategy to ensure that Corporate Social Responsibility (CSR) is an integral part of the strategy and that the Group's social, environmental and economic activities are aligned.

> SEE PAGE 51

THE EXECUTIVE LEADERSHIP TEAM

The Executive Leadership Team (ELT) comprises the Executive Directors, Regional Managing Directors and Global Heads of key enabling functions. It is responsible for the delivery of the Group strategy and the day-to-day operational performance of the business.

BOARD COMMUNICATION WITH EMPLOYEES

The UK Corporate Governance Code requires company boards to listen to – and understand – the 'employee voice'. Our Directors already engage with employees in several ways, including Board visits to our locations around the world and participating in the Group's Annual Leadership Week which is attended by senior leaders from all across the world. The Chair also visits business units three to four times annually and Board meetings usually include presentations from our business leaders and employees.

Dariusz Kucz was appointed at the end of the year as the Group's designated Non-executive Director to represent the employee voice and engagement on the Board. He will work with the Group Human Resources Director, drawing insights and actions from our employee communications channels and reporting to the Board as appropriate.

It is anticipated that he will visit our Nigeria, Indonesia, UK and Beauty businesses annually and at least one other business unit every two years. Visits will include interaction with leaders and employees at all levels on pre-determined topics and will feature 'town hall' and Q&A sessions.

INITIATIVES TO ENCOURAGE TWO-WAY COMMUNICATION AND EMPLOYEE ENGAGEMENT

1. Designated Non-executive Director to work with HR to draw insights and actions from all communication channels as well as Chair and Board business unit visits

2. Designated Non-executive Director to visit Nigeria, Indonesia and UK operations annually to interact with leaders and employees at multiple levels

3. Introduce 'town hall' sessions with Q&A sessions on pre-determined topics

BOARD SITE VISITS

During the year, the Directors visited various Group operations around the world. The aim of these visits is to ensure Directors have a good understanding of the Group's markets and operations and to maintain a regular dialogue with employees at all levels of the business.

It is the Board's practice to visit at least one of our major markets, together, every year and to hold one of our regularly scheduled Board meetings in that location. In 2018/19 the Board visited Nigeria. In the course of its visit, the Board:

- heard from a leading Nigerian economist regarding macro-economic, social and political conditions in one of the Group's most important markets;
- undertook a tour of local markets, visiting both traditional and modern trade to see the Group's products in the field and meet with customers and distributors;
- toured the Nigerian business's factories in Ikorodu and Ilupeju, receiving presentations from employees at all levels of the business;
- received presentations from the local senior management team on trading performance and key initiatives;
- reviewed health & safety, consumer safety and environmental performance across the Nigerian business;
- reviewed key Good4Business initiatives in Nigeria; and
- met and socialised with members of the PZ Cussons Nigeria Plc Board of Directors, members of the local management team and high-potential junior employees, and visited the Nigerian Stock Exchange upon which PZ Cussons Nigeria Plc is listed.

In addition, as part of their induction as new Directors, Dariusz Kucz visited the Group's operations in Indonesia, Singapore and Australia, while Tamara Minick-Scokalo visited Indonesia and Singapore.

BOARD VISIT TO NIGERIA

In November 2018, the Board of Directors – including Group Chair Caroline Silver – visited Nigeria to see the Group's operations at first hand. The itinerary included a tour of our Ikorodu factory production lines and distribution centre, as well as presentations and meetings with suppliers and distributors. The Directors also spent time with several 'high-potential' employees, whose qualities and abilities distinguish them as likely candidates for our next generation of leaders.

OUR CULTURE, VALUES AND BEHAVIOURS

Over the last year, our leaders have been sharing what we call our 'PZ Story' with employees: a way that we graphically describe our organisational purpose and ambition born out of the belief of our forefathers, and underpinned by our CANDO! values and behaviours. Our story not only describes our culture, which is unique to PZ Cussons and sets us apart from other organisations, but it also sets the expectations for how things get done and why. It serves as our 'true north', guiding the decisions that we make and how we do business.

2 THE ROLE OF THE BOARD AND ITS RESPONSIBILITIES

The Board is responsible for the long-term success and sustainability of the business. The responsibility of the members of the Board and of each of the Board Committees is set out below.

BOARD AND ITS RESPONSIBILITIES

The Board has established a number of standing committees to which various matters are delegated according to defined terms of reference. The terms of reference of the committees are available on the Company's website **www.pzcussons.com** and will also be available at the Annual General Meeting.

NOMINATION COMMITTEE

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board, identifying and recommending appropriate candidates for membership of the Board when vacancies arise, and ensuring that effective succession planning procedures are in place for senior roles.

Details of the Committee members, its responsibilities and principal activities and priorities during the year are set out in the separate Statement from the Chair of the Nomination Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors and senior executives, which the Board as a whole is responsible for approving. The Committee is responsible for evaluating the performance of, and determining specific remuneration packages for, each Executive Director, the Chair and the Company Secretary. With the exception of the Non-executive Chair, the fees of the Non-executive Directors are determined by the Executive Directors.

Further details of the Committee members, its responsibilities and its activities during the year, and of Directors' remuneration, are set out in the Report on Directors' Remuneration.

THE BOARD

CHAIR

- Responsible for the effective running of the Board and ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives;
- Ensures there is effective communication by the Group with its shareholders and that members of the Board develop an understanding of the views of major investors;
- Ensures that the performance of the Board as a whole, its Committees, and individual Directors is formally evaluated at least once a year; and
- Promotes the highest standards of integrity and corporate governance throughout the Group, particularly at Board level.

CHIEF EXECUTIVE OFFICER

- Responsible for all executive management matters affecting the Group and leads the Executive Leadership Team;
- Responsible for proposing and developing the Group's strategy and overall commercial objectives (in close consultation with the Chair and the Board);
- Promotes and conducts the affairs of the Group with the highest standards of integrity and corporate governance; and
- Champions the Company's values and behaviours across the whole Group.

NON-EXECUTIVE DIRECTORS

- Contribute to the development of the Group's strategy; and
- Review and constructively challenge the performance of management in the execution of strategy.

COMPANY SECRETARY

- Facilitates the effective operation of the Board and ensures that the Directors receive accurate, timely and clear information to enable them to discharge their responsibilities; and
- Provides advice to the Board in respect of governance matters and champions good corporate governance across the business.

CHIEF FINANCIAL OFFICER (CURRENTLY PERFORMED BY THE INTERIM CFO)

- Provides accurate, timely and clear information to the Board in respect of the Group's performance;
- Responsible for the preparation and integrity of financial reporting; and
- In conjunction with the Chief Executive Officer, leads the communication programme with shareholders and other stakeholders.

SENIOR INDEPENDENT DIRECTOR

- Available for confidential discussions with other Non-executive Directors;
- Conducts an annual appraisal of the Chair's performance;
- Available to shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact is inappropriate; and
- Provides a sounding board for the Chair.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies, disclosure practices, internal controls, internal audit and risk management. It is responsible for overseeing all matters associated with the appointment, terms, remuneration and performance of the External Auditor and for reviewing the scope and results of the external audit and its cost-effectiveness.

Further details of the Committee members, responsibilities and activities during the year are set out in the Audit & Risk Committee Report on page 78.

Attendance at meetings

The number of scheduled meetings of the Board (excluding such ad-hoc meetings as were necessary during the year to address specific matters arising) and of each of the Audit & Risk, Remuneration and Nomination Committees during the year ended 31 May 2019, together with a record of the attendance of the current Directors who are their respective members, is detailed in the table below:

	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
Mr G A Kanellis	6	6	n/a	n/a	n/a	n/a	n/a	n/a
Mr B Leigh	6	6	n/a	n/a	n/a	n/a	n/a	n/a
Mrs C Silver	6	6	n/a	n/a	n/a	n/a	4	4
Mr J Nicolson	6	6	5	5	n/a	n/a	1	1
Mrs H Owers	6	6	n/a	n/a	4	4	4	4
Mr J Maiden	6	6	5	5	4	4	1	1
Mrs T Minick-Scokalo	6	5	5	4	n/a	n/a	1	0
Mr D Kucz	6	6	n/a	n/a	4	4	4	4

Note:
'n/a' indicates that the Director is not a member of the Committee.

No Director participates in meetings when matters relating to him/her are being discussed.

GOOD4BUSINESS COMMITTEE

The Good4Business Committee is responsible for reviewing and developing the Company's corporate strategy to ensure that Corporate Social Responsibility (CSR) is an integral part of the strategy and that the Group's social, environmental and economic activities are aligned. The Good4Business Committee is responsible for the development of policies on all key areas of the Company's CSR programme – Good4Business – including Business Governance and Ethics, the Environment, Sourcing and Community and Charity. Further details of the Committee's terms of reference and activities during the year are set out in the Good4Business section of the Strategic Report.

During the year ended 31 May 2019, the Committee members were:

Mr Nicolson (Committee Chair)
Mr Kanellis
Mr Leigh
Mrs Minick-Scokalo
Mrs Silver

The Company Secretary, Mr Plant, is secretary to the Committee.

WHAT THE BOARD DID THIS YEAR

In addition to standing items of business, the Board addressed the following key matters during the year:

JULY 2018	SEPTEMBER 2018	NOVEMBER 2018	JANUARY 2019	MARCH 2019	MAY 2019
Approved the Financial Statements and Annual Report & Accounts for FY18	Held the 2018 Annual General Meeting	Visited the Group's Nigerian business (see further details on page 68)	Approved the interim results and related announcements for the six months ended 30 November 2018	Undertook a full review of the Group's strategy	Approved the Group budget for FY20
Reviewed the strategy for the Group's Personal Care and Home Care categories	Reviewed the commercial strategy for the Group's Beauty business unit and expansion in the US	Reviewed the Group's five year strategic plan	Reviewed the potential impact of Brexit on the business and the Group's related mitigation plans	Undertook a comprehensive review of the Group's Nigerian business	Reviewed and approved the Group's global plan in respect of the Plastic Promise
Reviewed plans to communicate, embed and activate the Group's Palm Oil and Plastic Promises		Reviewed global IT risk and the Company's mitigation plan	Reviewed the performance and key strategic initiatives for the UK business	Reviewed the key focus and strategic initiatives of the global procurement function	
Reviewed key actions and recommendations from the Board effectiveness review			Reviewed the outcome of a global anti-bribery and corruption risk assessment and the related action plan		

ADVICE AVAILABLE TO THE DIRECTORS

All our Directors have access to the advice and services of the Company Secretary. Directors may also take independent professional advice at the Company's expense where they judge it necessary to do so in order to discharge their responsibilities as Directors.

COMPANY SECRETARY

EXTERNAL CONSULTANCIES

3 BOARD COMPOSITION, SUCCESSION AND EVALUATION

COMPOSITION AND INDEPENDENCE

The size of the Board allows individuals to communicate openly and make a personal contribution through the exercise of their individual skills and experience. As at the date of this report, the Board of Directors has seven members: the Non-executive Chair, the Chief Executive Officer and five other Non-executive Directors. The names of the Directors together with their biographical details are set out on pages 60 and 61.

The Non-executive Directors have been appointed for their specific experience and expertise and are all considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr Nicolson is the Senior Independent Director.

Non-executive Directors may serve on the boards of other companies provided this does not involve a conflict of interest and that the appointment does not restrict their ability to discharge their duties to the Company in any way.

As set out in the Report of the Directors, the Board has resolved to comply with the provisions of the Code and each Director seeks re-election annually. In view of the existence of a group of controlling shareholders (see the Report of the Directors on page 111), the election or re-election of independent Directors is subject to a dual shareholder vote at the Annual General Meeting, pursuant to which re-election or election must be approved by a majority vote of the shareholders of the Company and, separately, by a majority vote of the shareholders of the Company excluding the controlling shareholders.

The Executive Directors' service contracts and the letters setting out the terms of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

ADDITIONAL APPOINTMENTS TO THE BOARD

The Board recognises that the Company benefits from the experience and different perspectives which Directors bring from other boards or businesses. However, this must be balanced against the need to ensure that Directors have sufficient time and capacity to fully discharge their responsibilities to the Board. The Board has accordingly adopted the provisions of the 2018 Code in requiring that Directors may accept additional external appointments only with the prior approval of the Board.

During the year, the Board consented to each of Mrs Silver, Mrs Owers, Mrs Minick-Scokalo and Mr Kucz taking on additional appointments. In each case, the Board received information regarding the proposed appointments and determined that there was no potential for conflict and that they would not have any impact upon the individuals' capacity to discharge their duties as Directors. In providing its consent, the Board took particular account of the fact that, during the year, Mrs Silver and Mr Kucz each stepped down from full-time executive roles and that Mrs Minick-Scokalo had retired from one of her pre-existing non-executive positions before seeking to take on a new role.

DIVERSITY

PZ Cussons supports the Code provision that boards should consider the benefits of diversity, including gender, when making appointments. The Company is committed to ensuring diversity not just at Board level but also across the Company's senior management team, not least because it believes that business benefits from the widest range of perspectives and backgrounds. The Company's aim, as regards the composition of the Board, is that it should have a balance of experience, skills and knowledge to enable each Director, and the Board as a whole, to discharge their duties effectively. The Board's approach to diversity is set out in the Nomination Committee report on page 84. Further details on diversity within the business are set out in the Report of the Directors on page 110.

SUCCESSION AND TALENT DEVELOPMENT

Effective succession planning, underpinned by robust talent development, is critical to the future health and sustainability of the business. This is recognised as a key responsibility of the Board and forms an important component of the work of the Nomination Committee, of which each Non-executive Director is a member. Further details on the Board's work in this respect are set out in the Nomination Committee report on page 84.

BOARD INDUCTION PROCESS

The Board recognises the importance of ensuring that new Directors have an early and complete introduction to the business so that they are able to make a full and meaningful contribution to its work. To that end, the Board has adopted a comprehensive induction programme for new Directors, including orientation meetings with key senior executives and advisors, bespoke training on relevant regulatory and legal obligations and on important Board procedures and processes, and visits to key business units. The programme was further refined and improved during the year. Further details on the Company's induction programme are set out in the Nomination Committee report on page 84.

PERFORMANCE EVALUATION

Effectiveness reviews of the Board and its committees, including their composition, governance and performance, are carried out annually. It is the Board's policy to conduct an externally facilitated review every three years. Ahead of the next such review in 2020, the Board's performance and effectiveness in this period has been facilitated by the Company Secretary who, in conjunction with the Chair of the Board, prepared a detailed questionnaire relating to the composition, governance and performance of the Board for completion by the Directors. The results of that exercise have been reviewed by the Chair of the Board and the Chairs of each Board committee, discussed in a formal meeting and the recommendations recorded and acted upon. Further details are set out in the Nomination Committee report on page 84.

The review process undertaken during the year concluded that all Directors continue to contribute effectively and with proper commitment, allocating adequate time to carry out their duties. The Chair conducts one-to-one performance evaluations with each of the Non-executive Directors, taking due account of the results of the Board effectiveness review, and also conducts an annual assessment of the performance of the Chief Executive Officer. Her own performance is considered by the Non-executive Directors, meeting in her absence, and the results of this process are reviewed with her by the Senior Independent Director. The Remuneration Committee reviews Executive Directors' performance with guidance from the Chief Executive Officer (other than in respect of his own position).

4 AUDIT, RISK AND INTERNAL CONTROL, REMUNERATION AND RELATIONS WITH SHAREHOLDERS

INTERNAL CONTROL AND POLICIES

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable – and not absolute – assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks, that it has been in place for the year ended 31 May 2019 and up to the date of the approval of the Annual Report & Accounts, that it is regularly reviewed by the Board, and that it accords with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The process includes:

- frequent communication between the Board and the Audit & Risk Committee and subsidiary management on all critical business issues;
- regular visits to operating units by the Board, Head Office management and Internal Audit;
- regular review of budgets, forecasts, periodic reporting and variance analysis;
- regular review by the Board and Audit & Risk Committee of risk throughout the Group and the risk management processes in place; and
- taking necessary action to remedy any significant weaknesses found as part of the review of the effectiveness of the internal control system.

Throughout the year, the Board carried out assessments of internal control by considering documentation from the Executive Directors, Audit & Risk Committee and Internal Audit function as well as taking into consideration events since the year end. The internal controls extend to the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out in Note 1 to the Consolidated Financial Statements.

The Group continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas for improvement which come to the attention of management and the Board. The Group has ethical guidelines and a defined fraud reporting and whistle-blowing process which are issued to all employees within the Group.

Overall no control failings or weaknesses were identified that would have a significant impact on the Group. However, recommendations were raised where necessary at specific sites or in respect of functions or operations to strengthen existing processes and controls, and follow-up audit visits were carried out as necessary to ensure that agreed corrective actions were being taken.

RELATIONS WITH SHAREHOLDERS

In its financial reporting to shareholders the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

The Company maintains a corporate website, **www.pzcussons.com**. This contains a wide range of information of interest to institutional and private investors and a subscription email service is available which gives access to Company notifications and news releases.

The Company has periodic discussions with institutional shareholders on a range of issues affecting the Group's performance. The Board is also kept informed of investors' views through regular discussion of analysts' and brokers' briefings and investor opinion feedback.

All shareholders, including private investors, have an opportunity to present questions to the Board at the Annual General Meeting, and the Directors make themselves available to meet informally with shareholders before and after the meeting.

GENERAL MEETINGS OF SHAREHOLDERS

The business to be conducted at the Annual General Meeting of the Company is set out in the separate Notice of Annual General Meeting which accompanies the Annual Report & Accounts. Resolutions put before shareholders at the Annual General Meeting will usually include resolutions for the appointment of Directors, approval of the Report on Directors' Remuneration, declaration of the final dividend and authorisation for the Board to allot and repurchase shares. At the 2019 Annual General Meeting, voting on each resolution will be by way of a poll. At each Annual General Meeting there is an update on the progress of the business over the last year and also on current trading conditions.

JEZ MAIDEN
Chair of the Audit & Risk Committee

KEY OBJECTIVE OF THE COMMITTEE

To oversee the quality and integrity of the accounting, auditing, reporting and risk management practices of the Company and compliance with related legal and regulatory obligations.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Monitor the integrity of the Financial Statements and announcements and review significant financial reporting requirements, issues and judgements;
- Review the adequacy and effectiveness of the Group's systems and processes for internal financial control;
- Review the effectiveness and output of the Group's Internal Audit function and programme;
- Oversee the appointment, terms, remuneration and performance of the External Auditor and the scope, results, cost effectiveness and quality of the audit;
- Review the adequacy and effectiveness of the Group's risk management systems and mitigation programmes; and
- Review the adequacy of the Group's whistle-blowing arrangements and procedures for detecting fraud.

Detailed responsibilities are set out in the Committee's Terms of Reference, which can be found on the Company's website **www.pzcussons.com**.

PRIORITIES FOR 2020

- Support induction of the new Chief Financial Officer and Group Head of Internal Audit role holders;
- Monitor the continued extension of automated IT and system controls;
- Review findings of the expanded risk-based internal audit programme;
- Monitor ongoing changes to financial systems and controls, including extension of regional shared service functions;
- Follow up findings from the FY19 internal audit programme; and
- Consider implications for the Group's external audit arising from emerging developments in corporate governance and auditor regulation.

COMMITTEE MEMBERSHIP

Member	Joined
JM Jez Maiden	2016
JN John Nicolson	2016
TMS Tamara Minick-Scokalo	2018

INTRODUCTION

On behalf of your Board, and as Chair of the Audit & Risk Committee, I am pleased to present the Committee's report for the year ended 31 May 2019. I set out below how the Committee has carried out its responsibilities during the year and provide detail on the Committee's principal activities.

The experience of the Committee members is summarised on pages 60 and 61. I have held a number of listed finance director roles and am Group Finance Director of Croda International Plc, the FTSE 100 speciality chemicals business. The Board considers each member of the Committee to be independent within the definition of the 2018 UK Corporate Governance Code and they bring a broad and diverse spread of commercial experience, such that the Board is provided with assurance that the Committee has the appropriate skills and experience to be fully effective and meets the Code requirement that at least one member has significant, recent and relevant financial experience.

The Committee meets regularly with the External Auditor and representatives attend all meetings. The Group Head of Internal Audit & Risk also attends all Committee meetings. The Non-executive Chair and the Executive Directors are not members of the Committee but they attend meetings where appropriate, by invitation, along with the Group Financial Controller and Head of External Reporting.

The Committee periodically and I more regularly, meet separately with the External Auditor, without the Executive Directors being present. I also meet separately with the Group Head of Internal Audit & Risk before each meeting. This helps me to better understand the key issues and to ensure that sufficient time is devoted to them at each meeting.

COMMITTEE ACTIVITIES DURING 2018/19 AND ATTENDANCE

JULY 2018	SEPTEMBER 2018	NOVEMBER 2018	JANUARY 2019	MAY 2019
Engagement of internal audit co-source partner	Review of feedback from the FY18 audit process	Review of controls assurance	Review of Group litigation register	Review of financial controls
Approval of preparation of accounts on a going concern basis and review of viability assessments	Review of SAP control environment	Review of internal audit programme and key issues arising	Review of UK payment practice reporting	Annual review of the Committee's Terms of Reference
Review of the report of the External Auditor	Review of internal audit programme and key issues arising	Review of regional risk registers, with particular focus on the key risks for Nigeria and socio-political risks	Review of the report of the External Auditor	Approval of the new Internal Audit Charter
Review of draft report and accounts and results announcement for the year ended 31 May 2018	Bi-annual review of the Group risk register	Review of new accounting standards for FY19	Review of the interim results announcement for the six months ended 30 November 2018	Review of the effectiveness of the Internal Audit function
Review and approval of non-audit fees	'Deep dive' review of a key risk – consumer safety	'Deep dive' review of a key risk – IT	Review of internal audit programme and key issues arising	Review and approval of revised Treasury and Non-audit Services Policies
Meeting with the External Auditor without management present		Agreement of half year external audit plan	Meeting with the External Auditor without management present	Review of the FY19 external audit plan
				Review of internal audit programme and key issues arising, and approval of the FY20 programme
				Meeting with the Group Head of Internal Audit in the absence of management
				Bi-annual review of the Group risk register
Members present	**Members present**	**Members present**	**Members present**	**Members present**
JM JN TMS	JM JN TMS	JM JN TMS	JM JN TMS	JM JN

AUDIT & RISK COMMITTEE REPORT

KEY FOCUS AREAS DURING FY19

During the year, the Committee reviewed a range of topics, including the following key focus areas:

Key focus area	Audit & Risk Committee input
Areas of significant financial judgement	The Committee received regular updates from management on the areas considered to have significant financial judgement applied. These are set out on pages 82 and 83.
SAP governance	The Committee considered the ongoing effectiveness of the SAP controls across the Group including receiving updates on the introduction of continuous monitoring and data analytics tools used in key business processes and systems.
Controls assurance	The Committee received regular updates on internal control actions including a detailed review of trade promotions, a major area of expenditure.
Risk management	The Committee has continued to review, on behalf of the Board, the register of material risks facing the Group and the adequacy and effectiveness of management's risk mitigation plans in respect of the risks. The Committee regularly reviews the plans in place and schedules periodic 'deep dive' reviews of individual risks at which key personnel are required to appear before the Committee to report on progress, challenges and key activities. During the year, 'deep dive' reviews were undertaken in respect of a range of risks including IT and consumer safety.
Information security	The Internal Audit function, utilising the expertise of the co-source assurance partner KPMG, undertook a cyber security maturity review to obtain a holistic view of the Group's information security assurance capability. A report was presented to the Committee, which included a maturity assessment across several areas, including: leadership and governance; training and awareness; information risk management; business continuity; operations and technology; and legal and compliance. The Committee discussed how the Group benchmarked against industry peers, identified opportunities to improve cyber security and agreed a detailed action plan with management. Cyber security testing forms a core part of the IT controls testing by Internal Audit and the Committee approved a follow up review to be performed as part of the FY20 audit plan to ensure all required actions are undertaken.

Where appropriate, I comment further on these areas below.

'BUSINESS AS USUAL' ACTIVITY

The Committee routinely reviewed the key Financial Statements and financial announcements of the Group. At the request of the Board, the Committee considered whether the 2019 preliminary results and the Annual Report & Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy. This followed a revision to the style and format of the Annual Report, completed at the request of the Board. The Committee was satisfied that, taken as a whole, the 2019 results reports were fair, balanced and understandable.

A significant part of the Committee's routine work relates to monitoring the Group's system of internal control. This is set out in the Report on Corporate Governance.

EXTERNAL AUDIT

FY19 was the second year to be audited by Deloitte LLP. The Committee reviewed and approved: the external audit plan; an assessment of significant audit risks; the scope of the audit; an assessment of the members of the external audit team, agreeing relevant changes to ways of working and to audit and management reporting processes from the first audit year; audit quality; non-audit services and the independence of the External Auditor. The Committee also reviewed and agreed the external audit fee.

INTERNAL AUDIT

The Internal Audit function carries out work across the Company, providing independent assurance and advice to help the organisation achieve its strategic priorities. In May 2018, the Committee agreed the FY19 audit plan to be undertaken by the internal audit team.

Whilst risk-based, the audit plan coverage also ensures all components of the Group are routinely reviewed. In addition, the services of a co-source assurance partner are retained to ensure complex or bespoke areas of risk are adequately appraised. In FY19 the Committee approved the appointment of KPMG LLP to this role. The Committee reviews the results of the internal audit reports during each meeting, looking in detail at any reports where processes and controls require improvement. The Committee is also provided with updates on implementation of agreed actions and overall control environment progress at each meeting. Internal audit resource is maintained at a level where, if internal or external circumstances should give rise to an increased level of risk, the audit plan can be supplemented accordingly during the year. Any changes to the agreed audit plan are presented to and agreed by the Committee.

The effectiveness of the Internal Audit function is reviewed on an annual basis. The FY19 review was conducted with the Committee, the Executive Leadership Team and senior business unit management and covered the function's independence, its experience and expertise, the scope of the annual audit plan, the quality of reports issued and the identification of issues. The Committee concluded that the Internal Audit function remained effective in FY19. In June 2019 the Group Head of Internal Audit left the business and the Committee is supporting the appointment of a new Head.

RISK MANAGEMENT

The Executive Leadership Team is responsible for identifying, assessing and prioritising the principal risks facing the Group and ensuring, where possible, that appropriate action is taken to manage and mitigate those risks in line with a framework of risk limits and risk appetite which has been set by the Board. The Audit & Risk Committee is accountable for reviewing the effectiveness of this approach to risk management, and that of the internal control systems that monitor this, on behalf of the Board, which retains overall responsibility for risk management.

To enable it to complete its oversight, the Committee has established a Risk Management Policy to drive a consistent Group-wide approach to risk identification and management. Material risks facing the Group are identified, informed by both 'top-down' reviews by the Group's Executive Leadership Team and 'bottom-up' reviews by business units and functions, and their importance is assessed by reference to their likelihood and potential impact. Material risks are allocated to a member of the Executive Leadership Team who has responsibility for formulating a plan to eliminate, reduce or transfer risk where practicable. The Committee then undertakes ongoing reviews of management's plans to ensure that they are effectively implemented.

The Committee is also responsible for encouraging and supporting two-way communications in respect of risk issues within the business and with external stakeholders including shareholders, suppliers and customers. The key risks that the Committee reviewed are set out on pages 44 to 49. During the year, the Board as a whole conducted a robust review of the principal risks and uncertainties facing the Group and the output of this review formed the basis of the work undertaken by the Committee during the year.

'SPEAK UP' POLICY

The Group's 'Speak Up' policy contains arrangements for an independent service provider to receive, in confidence, reports of breaches of any legal or Company policy requirements, including those related to accounting, auditing, risk, internal control and related matters. All disclosures are reported to the Committee, together with the outcome of an independent investigation.

EFFECTIVENESS, INDEPENDENCE AND REAPPOINTMENT OF THE EXTERNAL AUDITOR

During the year, the Committee reviewed its Provision of Non-Audit Services Policy to ensure its continuing suitability and effectiveness and its compliance with the Financial Reporting Council's Guidance on Audit Committees (2016) and Revised Ethical Standard (2016). The Policy recognises the criticality of the independence and objectivity of the External Auditor and the need to ensure that this is not impaired by the provision of non-audit services. The Policy also recognises, however, that it may be beneficial for the External Auditor to provide certain services because of its existing knowledge of the business or because the information required is a by-product of the audit process. In these circumstances, the External Auditor is permitted to provide certain non-audit services where these are not, and are not perceived to be, in conflict with its independence.

The Policy identifies services that are prohibited and those that are permitted subject to formal approval. Prohibited services include those where the External Auditor participates in activities that are normally undertaken by management, is remunerated through a success fee or similar, or may be required to audit its own work (including tax services, legal services, internal audit work and work on internal control or risk management procedures). Other non-audit services may be undertaken by the External Auditor where it has the requisite skills and experience, it is considered to be the most appropriate to undertake such work in the best interests of the Group, the provision of such services does not impair its independence and objectivity and the related fees – both in respect of individual services and in aggregate – are not material relative to the Group external audit fee. Any services attracting a fee of more than £10,000 must first be approved by the Chair of the Audit & Risk Committee, with any services in excess of £50,000 requiring prior full Committee approval.

All assignments are monitored by the Committee. The amounts paid to the External Auditor were £812,000 (2018: £801,000) during the year, comprising £770,000 (2018: £760,000) for audit services and £42,000 (2018: £41,000) for other services as set out in Note 4 to the Consolidated Financial Statements.

In conclusion and taking into account the appointment of a new External Auditor and the application of the revised Provision of Non-Audit Services Policy, the Committee is satisfied that Deloitte LLP was independent at all times during the year under review.

EXTERNAL AUDITOR EFFECTIVENESS

It is the Committee's usual practice to undertake a detailed review of the performance and effectiveness of the External Auditor in performing the audit, informed by the output from a questionnaire completed by senior finance personnel across the Group. Taking into account the positive nature of the feedback received from the business and the Committee's own experiences working with Deloitte LLP during the year, the Committee has satisfied itself that the External Auditor is providing an effective service.

EXTERNAL AUDITOR REAPPOINTMENT

Taking into account the audit tender process concluded in FY17 which culminated in the appointment of Deloitte LLP in September 2017 and the firm's performance in its first two years as External Auditor, the Committee has recommended to the Board that Deloitte LLP be offered for reappointment at the 2019 Annual General Meeting.

AREAS OF SIGNIFICANT FINANCIAL JUDGEMENT

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. During the year, the Committee reviewed accounting papers prepared by management which provided details on the main financial reporting judgements. The Committee also reviewed reports by the External Auditor on the half year and full year results which highlighted any issues arising from the work undertaken in respect of the half year review and year end audit. The Committee was cognisant of the additional judgements and review required in a challenging year for performance and in managing the change to senior financial management at the end of the year.

The specific areas of audit and accounting judgement reviewed by the Committee were:

Carrying value of goodwill and other intangible assets

The Group's goodwill and other intangible assets are material balance sheet items. Management performed its annual impairment review of goodwill and other indefinite-life intangible assets. Impairment reviews are performed based on key judgements including forecasts and estimates of future business performance and cash generation, discount rates and long-term growth rates. The Committee reviewed management's analysis and confirmed the appropriateness of the key judgements, as well as the specific risk factors and sensitivities applied to individual impairment reviews.

As part of the Board's review of performance, the Committee met in June 2019 to review plans for both the Nutricima and five:am cash-generating units (CGUs). At its July meeting, it was concluded by management and agreed by the Committee that it was appropriate to impair these CGUs by £3.9m and £22.3m respectively. The Committee also reviewed the plan for Rafferty's Garden and the conclusion not to impair, but noted the limited headroom. The Committee will continue to monitor these operations to confirm that revised plans are being delivered and that no further impairment is required.

In addition, the impairment reviews highlighted some prior year errors in the calculation of goodwill and intangible assets. The Committee reviewed these, the restatements required and the actions taken to avoid reoccurrence.

As required under IFRS, management has included additional disclosures around prior year restatements and impairment in the Financial Statements. The Committee has reviewed these disclosures, included within Notes 1 and 10 of the Consolidated Financial Statements respectively, and considers them appropriate.

Classification of exceptional items

The Committee discussed the treatment and disclosure of amounts included within exceptional items and noted that such items reflected the way in which they, as members of the Board, viewed the underlying performance of the Group, and that the items were treated consistently year on year and were disclosed appropriately.

Tax provisions

Judgements have to be made by management on the tax treatment of a number of transactions in advance of the ultimate tax determination being known. In assessing the appropriateness of the provision recognised in respect of uncertain tax provisions, the Committee considered a report from management setting out the basis of the assumptions made. The Committee concluded that the position taken on uncertain tax provisions was appropriate.

Promotional trade spend

Trade spend remains a significant cost for the Group; the main judgements relate to trade accruals, and specifically the timing and extent to which temporary promotional activity occurred. The Committee reviewed with management its assessment of the control environment and the findings of the Internal Audit function relating to trade spend and considered that, with the benefit of further improvements adopted during the year, management operates an appropriate control environment which recognises the risks in this area.

In addition, the Committee considered the following areas impacting the Group's financial reporting:

Impact of new IFRS reporting standards

The Committee reviewed with management its assessment of the impact of IFRS 15 'Revenue from Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases', including any supporting reports obtained from third parties in the assessment process. The Committee is comfortable with the impact assessments performed and agrees that the appropriate disclosures have been made to the readers of the Consolidated Financial Statements in Note 1, highlighting the impact of these new standards.

Defined benefit obligations (including Guaranteed Minimum Pension (GMP) estimate)

The Group's defined benefit pension schemes are material to its financial position. The amounts shown in the Consolidated Balance Sheet are highly sensitive to changes in key actuarial assumptions. The Committee reviewed and agreed the appropriateness and consistency of these assumptions with management. During the year, the Group included a new provision on the Consolidated Balance Sheet for the impact of the Guaranteed Minimum Pension, as required by UK law from October 2018. The Committee reviewed and approved this provision, as well as the disclosures required to reflect the provision to readers of the Consolidated Financial Statements.

COMMITTEE PERFORMANCE AND EFFECTIVENESS

The Committee undertook a review of its own performance and effectiveness during 2018/19. This was facilitated by the Company Secretary, who acts as Secretary to the Committee and who reviewed the results with me, as Chair of the Committee, before a wider discussion with other Committee members. The review concluded that the Committee is operating effectively and is increasingly focused on key issues, risks and controls, aided by continued improvements during the year in the quality and depth of Committee papers and the establishment of a new calendar for the Committee. Looking forward, the Committee recognises the important role which it will play in respect of the induction of the new Chief Financial Officer and Group Head of Internal Audit.

Jez Maiden
Chair of the Audit & Risk Committee
26 July 2019

NOMINATION COMMITTEE REPORT

CAROLINE SILVER
Chair of the Nomination Committee

KEY OBJECTIVE OF THE COMMITTEE

To ensure that the structure, size and composition of the Board and the senior leadership team are best suited to deliver the Company's strategy and meet current and future needs.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Regularly review the skills, knowledge, experience, diversity and independence of the Board;
- Identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they occur;
- Review the health of the talent and succession programme and ensure that there is an effective pipeline of talent for key executive roles;
- Keep under review the leadership needs of the organisation, both Executive and Non-executive, to ensure the continued ability of the organisation to compete effectively; and
- Review annually the time required from Non-executive Directors.

Detailed responsibilities are set out in the Committee's Terms of Reference, which can be found on the Company's website **www.pzcussons.com**.

PRIORITIES FOR 2020

- Identify and appoint a permanent Chief Financial Officer to the Board;
- Complete the recruitment process to appoint a new Non-executive Director to chair the Remuneration Committee from September 2020;
- Review and assess the role of the Board in, and approach taken to, employee engagement; and
- Continue to drive the development of talent and a succession pipeline for leadership roles.

COMMITTEE MEMBERSHIP

Member	Joined
CS Caroline Silver	2014
HO Helen Owers	2012
DK Dariusz Kucz	2018
JN John Nicolson – *From March 2019*	2016
JM Jez Maiden – *From March 2019*	2016
TMS Tamara Minick-Scokalo – *From March 2019*	2018

INTRODUCTION

On behalf of your Board, and as Chair of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 31 May 2019.

Our discussions with leading shareholders support our view that the Committee should play an increasingly significant role in ensuring the effective operation and development of the Board and the Executive Leadership Team. The composition of the Board and the Executive Leadership Team is a critical component in the delivery of our strategy, and during the year the Committee has carefully considered the key skills and experience which we will require in future and how we ensure that these are available to the Board and the wider business.

During the year we worked hard to complete the effective induction of our newest Board members, as well as securing the reappointment of key Non-executive Directors whose terms were expiring. Working with management and the Global Head of Talent, we have also continued to intensify our focus on the development of talent into key leadership roles throughout the business and on improving our succession pipeline in respect of the Executive Leadership Team and the Managing Directors who run our largest business units, while also mapping and opportunistically considering external candidates.

The importance of the Committee is reflected in the Board's recent decision to expand its membership to include all of the Non-executive Directors, and in an increase in the number of times the Committee met during the year.

DIVERSITY AND INCLUSION

The Committee considers diversity to be a key factor in the Company's strategic and financial success. We believe that diversity of thought, skills, knowledge, experience, gender and ethnicity are critical to our future sustainable growth.

COMMITTEE ACTIVITIES DURING 2018/19 AND ATTENDANCE

SEPTEMBER 2018	JANUARY 2019	MARCH 2019	MAY 2019
Update on actions arising from the 2018 Board effectiveness review	Review of the induction process for new Directors	Review of Board composition	Update on the search for a new Chair of the Remuneration Committee
			Appointment of a Non-executive Director to represent employees
			Global talent and succession review following the March strategy session
Reappointment of Helen Owers as a Non-executive Director	Review of Board composition	Reappointment of John Nicolson as a Non-executive Director	Reappointment of Jez Maiden as a Non-executive Director
Members present	**Members present**	**Members present**	**Members present**
CS HO DK	CS HO DK	CS HO DK	CS HO DK JN JM

The Executive Leadership Team conducts regular global reviews of talent across the business and, during the year, the Committee reviewed the outcome of the reviews, and the underlying processes, to ensure this diversity is adequately reflected in the Group's future leaders. The Company – through its Group CEO – has also signed up to the 30% Club. This is a group of FTSE companies which have made a public statement that they believe that gender diversity is good for their business and have set an aspirational target of 30% female representation on their senior leadership teams by 2020. Currently, 43% of the members of the Board are female and we continue to focus on increasing the number of women in leadership roles across the wider Group.

Equally, PZ Cussons is an extremely diverse organisation in terms of its ethnic and cultural make-up and this is something which we continue to promote. As a business which is not only committed to making a positive contribution to our local communities, particularly in developing markets, but which also seeks to be closer to our local consumers and markets than anyone else, we actively seek to develop and appoint leaders from across all of our territories. Our annual leadership gathering, which is attended by the Board and which brings together business leaders and high-potential candidates for senior leadership positions, is attended by people from many different countries including India, China, Poland, Indonesia, Singapore, Thailand, Malaysia, Greece, Australia, Nigeria, Ghana, the US and the UK.

BOARD AND COMMITTEE COMPOSITION

The composition of the Board and each of our principal committees is reviewed by the Nomination Committee on a regular basis. This is to ensure that we have the particular skills and experience which will be required to successfully deliver the Group strategy and that we have the benefit of a range of different, but complementary, styles and approaches.

As noted above, earlier this year we expanded the membership of the Nomination Committee to include all of the Non-executive Directors. This reflects the Board's belief that, going forward, ensuring an effective and productive talent and succession pipeline is a critical success factor for the business and we will benefit greatly by having each of the Non-executive Directors participate in the detailed reviews and discussions.

During the year, the Committee considered and recommended to the Board the reappointment as Non-executive Directors of John Nicolson, with effect from the expiry of his first three year term on 1 May 2019, and – in anticipation of the expiry of his first three year term later this year – Jez Maiden. In recommending their reappointment for a further three year term, the Committee carefully considered their respective contributions to the Board, the extent to which their skills and experience were appropriate for the challenges ahead, their independence of management and freedom from any business or other relationship which could materially interfere with the exercise of their independent judgement, and their capacity to commit the required time for the proper performance of their duties.

At the end of the prior year, in May 2018, we appointed two new Non-executive Directors (Tamara Minick-Scokalo and Dariusz Kucz). The Committee has reviewed with them the induction processes which were undertaken for them. The focus of this work was both to optimise the contribution which each was able to make during the year and to ensure that the Company's induction processes continue to operate as effectively

BOARD AND COMMITTEE EVALUATION

2018

ACTIONS FROM OUR 2018 REVIEW	WHAT WE DID THIS YEAR
Continue to improve our senior leadership succession planning process and give greater visibility to the Board.	Identified internal successors in respect of critical senior leadership roles. Expanded the membership of the Nomination Committee to ensure visibility for, and the participation of, all Non-executive Directors in respect of the development of talent and succession planning.
Provide greater clarity on which key policy decisions should be shared with or escalated to the full Board after review by the relevant Board committee.	Ensured more effective escalation and sharing with the wider Board of key decisions or recommendations from the Chairs of the principal standing committees.
Establish a more predictable yearly cycle for key Board presentations or topics.	Reviewed and agreed key topics and Board agenda items for the full year (accepting the need for a degree of flexibility and agility in planning the Board's priorities from time to time).

2019 2020

POINTS FROM OUR 2019 REVIEW	WHAT WE PLAN TO DO IN 2019/20
Monitor progress throughout the year in respect of the deployment of the new strategy and attainment of key strategic goals.	Ensure that the Board has a clear line of sight of progress and challenges, through focused Board papers and data in respect of key performance indicators.
Ensure that the Board continues to have the key skills and experience required to execute the new strategy.	Conclude key appointments in respect of the roles of Chief Financial Officer and new Non-executive Chair of the Remuneration Committee.

as possible in respect of further appointments in the future. As a consequence of this review, the Board has revised its processes, including the acceleration of orientation visits to Nigeria and Indonesia for new Directors.

Looking forward and as reported in more detail below, the Committee is already taking steps to identify candidates to fill certain vacancies on the Board which have arisen or will do so in the near future.

BOARD AND EXECUTIVE SUCCESSION

During the year, the Committee reviewed the operation of the global talent programmes and the health of succession planning in respect of the Executive Leadership Team and the Managing Director roles at our largest business units. We have good succession plans for most global functions and commercial roles, although succession planning for the Africa region remains an area of focus for 2019/20.

As announced, on 13 June Brandon Leigh stepped down from the Board as Chief Financial Officer. The Committee has initiated a process to identify and nominate, for the approval of the Board, appropriate candidates for the role. Working with the Chief Executive Officer, the Committee evaluated the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepared a description of the role and the capabilities required. In identifying suitable candidates the Committee has engaged the services of a professional recruitment firm to facilitate the search, considering internal and external candidates from a wide range of backgrounds and taking proper account of the benefits of diversity on the Board. In the meantime, as previously envisaged, the role of Chief Financial Officer is being performed by Alan Bergin, Commercial Finance Director on the Executive Leadership Team.

BOARD AND COMMITTEE EVALUATION

The Nomination Committee reviewed the progress which has been made to implement the recommendations arising from last year's annual assessment of the effectiveness of the Board and of each of the principal standing committees.

Going forward, we will also assess the adequacy of the Board's response to our latest annual review, conducted at the end of the 2018/19 year, and plan for our triennial externally facilitated effectiveness review next year.

The Committee also considered the time commitment required of the Non-executive Directors and is satisfied that they all remain able to commit the required time for the proper performance of their duties. The Non-executive Directors are all considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

SKILLS AND KNOWLEDGE OF THE BOARD

The Board possesses a broad range of key skills and relevant areas of experience which are required for the future.

LISTED COMPANY EXPERIENCE	SECTOR EXPERIENCE	STRATEGY
UK INSTITUTIONAL SHAREHOLDERS	RETAIL EXPERIENCE	M&A, STRATEGIC PARTNERSHIPS
RECENT FINANCIAL EXPERIENCE	AFRICA EXPERIENCE	M&A INTEGRATION
REMUNERATION EXPERIENCE	SOUTH EAST ASIA EXPERIENCE	BUSINESS TRANSFORMATION
CHAIR SKILLS	ENTREPRENEURIAL EXPERIENCE	E-COMMERCE
MENTORING SKILLS	OPERATIONAL EXPERIENCE	SALES & MARKETING

> SEE BOARD OF DIRECTORS PAGES 60 AND 61

COMMITTEE PERFORMANCE AND EFFECTIVENESS

The Committee undertook a review of its own performance and effectiveness during 2018/19. This was facilitated by the Company Secretary, who acts as Secretary to the Committee and who reviewed the results with me, as Chair of the Committee, before a wider discussion with other Committee members. The review indicated that the Committee is operating effectively and that its contribution has been enhanced by the decision during the year to expand its membership to include all Non-executive Directors and by the scheduling of more regular meetings than in prior periods. The criticality of effective succession planning is highlighted elsewhere in my report and our review suggests that this is an area which we should maintain as a high priority and where we should continue to build on recent improvements.

PRIORITIES FOR 2020

The appointment of a permanent Chief Financial Officer is clearly a key priority for the Committee. Notwithstanding the need for careful and thorough review, reflecting the obvious importance of the role, and the fact that the role is currently being performed on an interim basis by our Commercial Finance Director, the Committee will seek to complete the process and make a recommendation to the Board in respect of a permanent appointment as soon as reasonably possible.

The Committee is also conscious of the fact that Helen Owers, Chair of the Remuneration Committee, has served on the Board since January 2012 and it is proposed that she will retire with effect from the 2020 Annual General Meeting. In the circumstances, earlier this year the Committee initiated a search for a new Non-executive Director who will assume the Chair of the Remuneration Committee from that time. Conscious of the Code requirement that the Remuneration Committee Chair should have served on such a committee for at least 12 months before assuming chairship, it is our intention to make a new appointment as soon as possible.

Finally, building on the work done this year, the Committee will continue to accelerate the development of successors for global functional roles where the senior leader is likely to retire in the next five years, and to improve the succession pipeline for key roles in Africa.

I will be available at the Annual General Meeting to respond to any questions shareholders may raise on the Committee's activities.

Caroline Silver
Chair of the Nomination Committee
26 July 2019

HELEN OWERS
Chair of the Remuneration Committee

KEY OBJECTIVE OF THE COMMITTEE

To assist and advise the Board on matters relating to the remuneration of the Board and senior management, in order to motivate and retain executives and ensure that the Company is able to attract talent in the market.

KEY RESPONSIBILITIES OF THE COMMITTEE

- To review and recommend the framework and policy for the remuneration of the Executive Directors and senior executives; and
- To evaluate the performance of and determine specific remuneration packages for each Executive Director, the Chair, the Company Secretary and direct reports to the Chief Executive Officer.

Detailed responsibilities are set out in the Committee's Terms of Reference, which can be found on the Company's website **www.pzcussons.com**.

PRIORITIES FOR 2020

- To review the ongoing appropriateness of our remuneration structures in light of the evolution of the Company's strategy and wider developments in corporate governance; and
- To formulate a revised Remuneration Policy to present to shareholders at the 2020 Annual General Meeting.

COMMITTEE MEMBERSHIP

Member	Joined
HO Helen Owers	2012
JM Jez Maiden	2016
DK Dariusz Kucz	2018

INTRODUCTION

On behalf of the Board, I am pleased to present our 2019 Remuneration Report.

The Remuneration Committee is responsible for the framework and policy for the remuneration of the Executive Directors and the Company Chair. With effect from 1 June 2019 the Committee is also responsible for setting the remuneration of the direct reports to the Chief Executive Officer in line with the recommendations of the 2018 UK Corporate Governance Code ('the Code'). It is also responsible for the operation of senior management incentive schemes throughout the Group.

The members of the Committee are all independent within the definition of the Code. The Company Secretary, Mr Plant, is Secretary to the Committee. The Chair, the Chief Executive Officer and the Global HR Director attend meetings by invitation where this is appropriate. They do not participate in any discussion regarding their own remuneration.

A summary of the Remuneration Policy approved by our shareholders at the 2017 Annual General Meeting is provided on page 91 for reference. The Report on Directors' Remuneration (pages 100 to 109) sets out how we implemented our Remuneration Policy for the year ended 31 May 2019 and how we intend to implement it during the year ending 31 May 2020. We have made a number of best practice refinements to the intended operation of our current Remuneration Policy which are detailed below. These revisions will form part of the new Remuneration Policy we will put to shareholders at the 2020 Annual General Meeting. The Report on Directors' Remuneration will be put to an advisory shareholder vote at our Annual General Meeting on 25 September 2019.

REMUNERATION POLICY

Our Remuneration Policy is designed to encourage the generation of long-term sustainable shareholder value by aligning the interests of our executives with those of our shareholders. The creation of shareholder value is supported by an annual bonus, which is heavily weighted towards achieving profitable growth and improved operational performance, and a long-term incentive which only rewards for delivering long-term earnings growth.

COMMITTEE ACTIVITIES DURING 2018/19 AND ATTENDANCE

JULY 2018

- Review of annual bonus awards for FY17/18
- Approval of the annual bonus scheme and salary reviews for FY18/19
- Review of vesting of past awards under the Performance Share Plan
- Approval of annual awards under the Performance Share Plan for FY18/19
- Review and approval of the Remuneration Report in respect of FY17/18

Members present

HO JM DK

JANUARY 2019

- Presentation from the remuneration advisor on governance, remuneration trends and the implications for the business
- Mid-year review of progress in respect of key business objectives under the annual bonus scheme for FY18/19

Members present

HO JM DK

MARCH 2019

- Annual review of the Committee Terms of Reference
- Review of the Remuneration Policy

Members present

HO JM DK

MAY 2019

- Review and approval of budgeted salary review levels for FY19/20
- Review and approval of KPIs and key business objectives to be applied in respect of the annual bonus scheme for FY19/20
- Review of the timeline and critical steps in respect of the formulation of a new Remuneration Policy to be put to shareholders in 2020

Members present

HO JM DK

The long-term focus of our policy is strengthened through the requirement to defer part of the annual bonus into shares until our share ownership guidelines are met and the requirement to retain a portion of vested long-term incentive awards beyond the three year vesting period.

The current Remuneration Policy was approved by shareholders at the 2017 Annual General Meeting. The Committee has considered its effectiveness, taking into account dialogue with shareholders during the year, and concluded that the Remuneration Policy remains appropriate and continues to effectively align performance with reward over the long term. In line with legal requirements, the Remuneration Policy will be presented to shareholders at the 2020 Annual General Meeting for approval and as a result the Committee intends to undertake an in-depth review of the current Remuneration Policy and its operation over the coming year.

During this process we will engage with the Company's major shareholders to ensure that their views are taken into account.

Outside of the current Remuneration Policy, in line with the approach taken when granting the 2018 long-term incentive awards, the Committee will require a two year holding period to apply to any shares that vest under the 2019 long-term incentive award. The Committee has also resolved that should we need to recruit a new Executive Director prior to the introduction of a new Remuneration Policy at the 2020 Annual General Meeting, the pension provision would be aligned with that offered to employees in the location in which the Executive Director resides. Finally, the Committee has increased the shareholding requirement for Executive Directors to two times base salary. All other best practice features arising from the 2018 Code will be considered for implementation in a revised Remuneration Policy as detailed earlier.

As reported elsewhere, the Board has elected to meet the 2018 Code requirement for meaningful, regular dialogue between the Board and employees by designating one of the Non-executive Directors, Dariusz Kucz, as primarily responsible for employee engagement. He will work with the Group Human Resources Director to understand the remuneration of the wider employee population and to further assist the Committee in ensuring that the approach to remunerating the Directors and senior executives is aligned with practice throughout the business.

REMUNERATION EARNED IN THE YEAR ENDED 31 MAY 2019

The Group's results for the year have been mixed: whilst our Europe & the Americas business has performed solidly and there has been strong growth in Asia Pacific and the Beauty business unit, the performance of our African business has been very disappointing, impacted significantly by extremely tough macroeconomic conditions in the key market of Nigeria.

However, notwithstanding the challenging trading conditions experienced by the Group during the year, solid progress continues to be made with optimising the Group's overall product portfolio and improving efficiencies in the way we operate. The objectives put in place by the Committee for the 2019 financial year focused management on continuing to grow our leading brands through maintaining a strong innovation pipeline, driving higher margins across our businesses and restructuring the way we work to realise efficiency savings. The Committee also set challenging targets in relation to reducing the amount of plastic used by the Group. Whilst the progress made in all of these areas has not resulted in overall financial performance in line with Board's plans at the start of the year, we believe that the focus on these areas provides a strong platform for future growth.

Taking into account performance, the key aspects of remuneration earned during the year were:

Salary reviews

- As disclosed in last year's Annual Report on Remuneration, the salary of Mr Kanellis, the Group Chief Executive Officer, and Mr Leigh, the former Group Chief Financial Officer, increased by 2% on 1 September 2018. These percentage increases were considered to be consistent with those awarded to the wider employee population in the UK.

Annual bonus pay-out

- In last year's Annual Report on Remuneration we reported that we would continue to focus executives on bonus targets primarily relating to three key financial indicators: adjusted profit before tax; net working capital percentage; and adjusted operating contribution margin. The balance of the bonus would be subject to delivery against key strategic stretch objectives.
- In the context of the challenging trading conditions for the Group noted above, it was not considered that the level of profitability achieved justified the award of an annual bonus. As a result, whilst good progress was made against a number of key strategic objectives, the Committee used its discretion to reduce the bonus that would otherwise have been earned from 15.5% of the maximum bonus opportunity to nil.
- Further details of the targets set for the year ended 31 May 2019 are disclosed in this year's Report on Directors' Remuneration on pages 101 and 102.

Long-term incentives

- The awards made to Executive Directors in 2016 are subject to Earnings Per Share (EPS) performance over the three-year period ended 31 May 2019. These performance conditions were not achieved and accordingly, these awards will also lapse in full, as disclosed on page 103.

Our approach for the year ending 31 May 2020

The Remuneration Policy is being implemented for the year ending 31 May 2020 on broadly similar terms to the prior year. However, I would like to draw shareholders' attention to the following matters:

- Salary increases – having had regard to the challenging trading conditions during the year, it was agreed that Mr Kanellis would not receive a salary increase with effect from 1 September 2019.
- Otherwise, no changes are being made to the quantum of remuneration.
- Incentives – the Committee has reviewed both our short- and long-term incentive plans for the year ended 31 May 2019 and has concluded that they remain appropriate.
- The annual bonus plan will continue to operate based on delivery against challenging financial targets (adjusted profit before tax, net working capital percentage and adjusted operating contribution margin) and non-financial strategic targets. The choice of metrics reflects the Board's focus on delivering improved profitability, operational efficiency and the strategic changes within the business.
- The Performance Share Plan will remain subject to a challenging range of adjusted basic EPS targets. The choice of adjusted basic EPS continues to reflect the Board's long-term objective of delivering profitable growth and sustaining a progressive dividend policy. As was the case for the PSP awards made in 2018, the awards to be granted in the 2019/20 financial year will be subject to a requirement that any vested shares (after meeting any tax liability) must be retained for a minimum period of two years from the date of vesting (i.e. a minimum of five years from the date of grant).
- The range of targets in both the annual bonus and Performance Share Plan are set with reference to both internal planning and external market expectations for the Company's performance.

LOOKING FORWARD

Looking ahead to the next 12 months, we will monitor the ongoing appropriateness of our remuneration structures in light of the evolution of the Company's strategy and wider developments in corporate governance. In particular, the Remuneration Committee is considering the changes to the UK Corporate Governance Code and wider regulatory changes, with a view to taking the necessary steps to ensure that we continue to take account of best practice expectations and regulatory requirements.

I hope you will find the Report on Directors' Remuneration transparent and informative and that this report has been helpful in setting out both how we have implemented our Remuneration Policy this year and our approach for the year ending 31 May 2020. We are committed to engaging with shareholders in respect of remuneration issues and I therefore welcome your views on the matters set out within the report.

Helen Owers
Chair of the Remuneration Committee
26 July 2019

AT A GLANCE SUMMARY: HOW WE WILL IMPLEMENT THE POLICY IN 2020

The table below summarises how the Committee intends to implement the Remuneration Policy for the forthcoming financial year ending 31 May 2020.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2020

<table>
<tr><th></th><th>Key policy features</th><th>2020 implementation</th><th>Link to KPIs
See pages 22 to 25</th></tr>
<tr><td>Salary</td><td>Base salaries are normally reviewed annually taking into account:
• the scope of the role and the markets in which PZ Cussons operates;
• the performance and experience of the individual;
• pay levels in other organisations of a similar size and complexity; and
• pay increases elsewhere in the Group.</td><td>• The Committee reviewed salaries in the context of a challenging year and concluded that no salary increase would be awarded to the Chief Executive Officer.</td><td>–</td></tr>
<tr><td>Pension/ benefits/ all-employee share schemes</td><td>Pension: The Chief Executive Officer receives a defined contribution, or salary supplement in lieu thereof, of 20% of salary. Future Executive Director appointments will receive pension benefits in line with those generally provided to employees in the location in which they are based.

Directors receive market competitive benefits and may participate in all-employee benefit arrangements.</td><td>• Implementation in line with the Policy and no change from 2019.
• Pension contribution for any new appointment expected to be in line with that for the employees in the location where he or she is based.</td><td>–</td></tr>
<tr><td>Annual bonus</td><td>Policy maximum of 150% of salary.

Incentive scheme which focuses Directors on delivery of annual goals and milestones which are consistent with the Group's longer-term strategic aims.

Committee may adjust outturn where bonus pay-out does not reflect business performance or individual contribution.

Any bonus earned in excess of 100% of salary is deferred into shares for three years.

Recovery and withholding provisions apply.</td><td><table><tr><th></th><th>Chief Executive Officer</th><th>Other Executive Directors</th></tr><tr><td>Maximum bonus</td><td>150% of salary</td><td>125% of salary</td></tr></table>
Performance metrics:
• Adjusted profit before tax: 62%
• Net working capital percentage: 9%
• Adjusted operating contribution margin: 9%
• Non-financial strategic targets: 20%
• The Committee considers that the bonus targets are commercially sensitive and therefore plans to disclose them only on a retrospective basis in next year's Directors' Remuneration Report.</td><td>• Adjusted profit before tax
• Net working capital percentage
• Adjusted operating contribution margin
• Strategic priorities</td></tr>
<tr><td>Long-term incentive plan</td><td>Policy maximum of 150% of salary.

Long-term incentive scheme which focuses on generating sustained shareholder value over the longer term and aligning the Directors' interests with those of the Company's shareholders.

Performance measures based on financial metrics measured over three years.

Holding period applies for two years following vesting (i.e. five years from grant).

Recovery and withholding provisions apply.</td><td><table><tr><th></th><th>Chief Executive Officer</th><th>Other Executive Directors</th></tr><tr><td>LTIP award</td><td>150% of salary</td><td>125% of salary</td></tr></table>
Performance metrics:
<table><tr><th></th><th>Weighting</th><th>Threshold target</th><th>Threshold vesting</th><th>Maximum target</th></tr><tr><td>Adjusted basic EPS</td><td>100%</td><td>3%</td><td>25%</td><td>10%</td></tr></table>
• The range of adjusted basic EPS targets are set having had regard to both internal planning and external market expectations for the Company's future performance.</td><td>• Adjusted basic EPS</td></tr>
<tr><td>Chair and Non-executive Director fees</td><td>Fees to reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role, and the contribution expected from the Non-executive Directors.</td><td>• Fees were paid in line with the policy below:
<table><tr><th></th><th>1 Sept 2019</th><th>1 Sept 2018</th><th>2019/20 increase</th></tr><tr><td>Basic fees</td><td></td><td></td><td></td></tr><tr><td>Chair</td><td>250,000</td><td>250,000</td><td>+0%</td></tr><tr><td>Non-executive Director</td><td>52,500</td><td>52,500</td><td>+0%</td></tr><tr><td>Additional fees</td><td></td><td></td><td></td></tr><tr><td>Senior Independent Director</td><td>5,000</td><td>5,000</td><td>+0%</td></tr><tr><td>Chair of Audit & Risk or Remuneration Committee</td><td>10,000</td><td>10,000</td><td>+0%</td></tr><tr><td>Chair of Good4Business Committee</td><td>5,000</td><td>5,000</td><td>+0%</td></tr><tr><td>Director responsible for employee engagement</td><td>5,000</td><td>n/a</td><td>n/a</td></tr></table></td><td>–</td></tr>
</table>

This part of the report complies with the relevant provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It has also been prepared in line with the recommendations of the 2016 UK Corporate Governance Code and the requirements of the UKLA Listing Rules.

This part of the report sets out a summary of the Directors' Remuneration Policy approved by shareholders at the 2017 Annual General Meeting. The full Directors' Remuneration Policy approved by shareholders is available in the 2016/17 Annual Report & Accounts at **www.pzcussons.com**.

REMUNERATION FRAMEWORK

The key components of Executive Directors' remuneration are summarised below:

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fixed remuneration				
Base salary	To provide an appropriate level of fixed cash income to recruit and retain talent through the provision of competitively positioned base salaries.	Base salaries are normally reviewed annually taking into account: • the scope of the role and the markets in which PZ Cussons operates; • the performance and experience of the individual; • pay levels in other organisations of a similar size and complexity; and • pay increases elsewhere in the Group.	To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum for salary increases under this policy. Salary increases are reviewed in the context of salary increases across the wider Group. Any increase in excess of those elsewhere in the Group would be considered very carefully by the Committee. The circumstances in which higher increases may be awarded include but are not limited to: • an increase in the scope and/or responsibility of a role; • an increase upon promotion to Executive Director; • where a salary has fallen significantly below market positioning; or • the transition over time of a new Executive Director recruited on a below market salary to a more competitive market positioning as the Executive Director gains experience in the role.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits	Recruitment and retention of senior executive talent through the provision of a competitively positioned and cost-effective benefits package. Benefits may also be provided to assist in the effective performance of an Executive Director's duties.	Benefits that may be provided include car benefits, life assurance, health insurance for the Executive Director and family, permanent health cover and personal tax advice. Executive Directors may also participate in any all-employee share or benefits plans on the same basis as any other employees. Where relevant, additional benefits may be offered if considered appropriate and reasonable by the Committee, such as assistance with the costs of relocation.	The maximum opportunity will be based on the cost of providing the benefits. This will be set at a level that the Committee considers appropriate to provide a sufficient level of benefit based on individual circumstances.	Not applicable.
Provision for retirement	Designed to enable an Executive Director to generate an income in retirement and to provide an overall remuneration package that is competitive in the market.	Participation in a defined contribution pension plan or provision of a cash allowance in lieu of a pension contribution. The defined benefit pension schemes have been closed to further accrual since 2008 and any salary linkage ceased on 31 May 2013. In respect of their past service, Executive Directors remain members of PZ Cussons Directors' Retirement Benefits Plan, PZ Cussons Plc Pension Fund and Life Assurance Scheme for Staff Employed Outside the UK and/or the Employer-Financed Retirement Benefits Schemes, and are eligible to receive retirement benefits in accordance with the terms of the schemes.	A Company pension contribution of 20% of base salary in respect of each financial year into the scheme on behalf of the Executive Director, subject to a minimum employee contribution of 5% of base salary; or cash allowance of up to 20% of salary. Future Executive Director appointments will receive pension benefits in line with those generally provided to employees in the location in which they are based.	Not applicable.

Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Variable remuneration				
Annual bonus scheme and deferred annual bonuses	Designed to motivate Executive Directors to focus on annual goals and milestones that are consistent with the Group's longer-term strategic aims.	Measures and targets are set annually at the beginning of the relevant financial year and pay-out levels are determined by the Committee after the year end based on performance against those targets. Awards of up to 100% of base salary are payable in cash. If an annual bonus of more than 100% of base salary is earned for a year, then any excess over 100% of base salary will be deferred and awarded in PZ Cussons shares. The shares will normally vest after three years. A dividend equivalent may be payable on deferred shares that vest. The Committee may, in exceptional circumstances only, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. Recovery and withholding provisions may apply to deferred shares as set out below.	The maximum annual bonus opportunity that may be earned for any year is 150% of base salary.	The performance measures and targets are set by the Committee each year. The majority of the annual bonus is based on challenging financial targets that are set in line with the Group's KPIs (for example, adjusted profit before tax, net working capital percentage and adjusted operating contribution margin). In addition, a smaller element of the annual bonus may be subject to achievement against strategic and/or CSR objectives. For each financial objective set, 0% of the relevant part of the bonus becomes payable at the threshold performance level rising on a graduated scale to the maximum performance level. The structure and nature of the strategic objectives vary, such that it is not practical to specify any pre-set percentage of bonus that becomes payable for threshold performance. Maximum annual bonus will only be paid for achieving significant financial outperformance above the budget set for the year.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan (PSP)	Designed to motivate the Executive Directors to focus on the generation of sustained shareholder value over the longer term, and to align their interests with those of the Group's shareholders.	Annual awards of rights over shares calculated as a percentage of base salary. Vesting is subject to the attainment of predetermined performance targets measured over a performance period of at least three years. The performance period normally starts at the beginning of the financial year in which the date of grant falls. Dividends accrue on shares subject to PSP awards and are paid on vesting in respect of those shares that vest. Award levels and performance conditions are reviewed before each award cycle to ensure that they remain appropriate. As a minimum, subject to attainment of the performance targets, awards will normally vest, in respect of shares with a market value at grant of up to 100% of base salary, following the end of the performance period. Any shares that vest in excess of this value will normally be subject to an additional holding period and will be released in equal amounts four and five years after the date of grant. For the 2018 and 2019 awards, all shares that vest will be subject to a two year holding period. Recovery and withholding provisions apply to awards granted under the PSP.	Award opportunities in respect of any financial year are limited to rights over shares with a market value determined by the Committee at grant of a maximum of 150% of base salary.	Awards to Executive Directors are subject to challenging financial targets (for example, adjusted basic EPS targets), measured over the performance period. Vesting does not take place until the threshold performance requirement is met (as applicable to each relevant metric), at which point 25% vests. Vesting increases on a graduated basis from threshold performance to the stretching maximum target.
Other aspects				
Shareholding guidelines	Alignment of the Executive Directors' interests with those of the Group's shareholders.	Requirement over time to build up interests in the Company's shares worth 150% of salary and to reinvest half of any after-tax bonus or gain arising from the share incentive plans until this guideline is met. This has been amended to 200% for the 2019/20 financial year.	Not applicable.	Not applicable.

RECOVERY AND WITHHOLDING PROVISIONS

The Committee may, in its discretion, apply clawback to annual bonus and PSP awards in the event of a material misstatement of the Company's audited financial results, an erroneous determination of a performance metric applicable to an award, an Executive Director's misconduct relating to the conduct or governance of any Group company or business unit, or in such other circumstances the Committee considers to have a serious adverse effect on any Group member or business unit. Clawback can be applied where the event occurs between the date of grant and the second anniversary of the date the award vests/is paid. The clawback may be affected through a withholding of variable pay by reducing the size of, or imposing further conditions on, any outstanding or future awards, or by requiring the individual to return the value of the cash or shares delivered to recover the amount overpaid.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Non-executive Director fees	To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-executive Directors.	Fees are normally reviewed every two years and amended to reflect market positioning and any change in responsibilities. The Committee recommends the remuneration of the Chair to the Board. Fees paid to Non-executive Directors are determined and approved by the Board as a whole. The Non-executive Directors do not participate in the annual bonus plan or any of the Group's share incentive plans. The Company covers the costs of attending meetings and Non-executive Directors may be provided with benefits associated with their role.	Fees are based on the level of fees paid to Non-executive Directors serving on boards of similar sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and an additional fee for further duties (for example, chairship of a committee or Senior Independent Director responsibilities). The maximum level of fees payable to the Non-executive Directors will not exceed the limit set out in the Company's Articles of Association.	Not applicable.

SETTING EXECUTIVE DIRECTOR REMUNERATION

When considering how to position the remuneration packages for the Executive Directors, the Committee considers market data from UK-listed companies of a similar size and complexity.

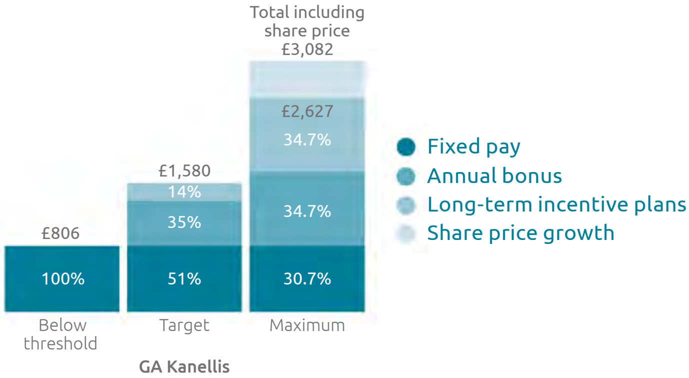
The Committee also receives and takes into account information from the Global Human Resources Director on pay and employment conditions applying to other Group employees, consistent with the Group's general aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces.

In designing an appropriate incentive structure for the Executive Directors and other senior management, the Committee seeks to set challenging performance criteria that are aligned with the Group's business strategy and the generation of sustained shareholder value. The Committee is also mindful of the need to avoid inadvertently encouraging risky or irresponsible behaviour, including behaviour that could raise environmental, social or governance issues.

BALANCE OF FIXED VERSUS VARIABLE REMUNERATION

The Committee believes that an appropriate proportion of the executive remuneration package should be variable and performance-related in order to encourage and reward superior corporate and individual performance. The following charts (updated from those included in the Remuneration Policy included in the 2016/17 Annual Report to take account of the current salary level of the Chief Executive Officer, and noting there is currently no Chief Financial Officer in post as an Executive Director) illustrate executive remuneration in specific performance scenarios. We have also early-adopted the new reporting requirements and illustrated the maximum performance scenario with a 50% increase in share price.

PERFORMANCE SCENARIOS £000



	Minimum performance	Target performance	Maximum performance
Fixed elements of remuneration	Base salary as at 31 May 2019, value of benefits as included in the 2019 single total figure of remuneration on page 100 and pension contributions at 20% of base salary		
Annual bonus (2020)	**0%**	**60% of maximum opportunity** G A Kanellis – 60% of 150% of salary	**100% of maximum opportunity** G A Kanellis – 150% of salary
Long-term incentive plans (2020 award)	**0%**	**25% of award** G A Kanellis – 25% of 150% of salary	**100% of award** G A Kanellis – 150% of salary
Share price appreciation			**100% of award** with a 50% increase in share price over the vesting period

RECRUITMENT REMUNERATION ARRANGEMENTS

When hiring a new Executive Director, the Committee will set the Executive Director's ongoing remuneration in a manner consistent with the Policy detailed in the table above.

To facilitate the hiring of candidates of the appropriate calibre, the Committee may make an award to buy out variable remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including the form of award, the value forfeit, any performance conditions and the time over which the award would have vested. The intention of any buy-out would be to compensate in a like-for-like manner as far as is practicable.

The maximum level of variable pay that may be awarded to new Executive Directors (excluding buy-out arrangements) in respect of their recruitment will be in line with the maximum level of variable pay that may be awarded under the annual bonus plan and PSP, i.e. a total face value opportunity of 300% of salary. The Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

EXECUTIVE DIRECTOR CONTRACTS AND LOSS OF OFFICE PAYMENTS

Executive Directors have one year rolling service contracts and no Executive Director has a notice period in excess of one year or containing any provision for predetermined compensation on termination exceeding one year's salary and benefits in kind. Details of the current Executive Director's service contract is shown below:

Name	Date of contract
G A Kanellis	1 June 2007

Upon the termination of an Executive Director's employment, the Committee's approach to determining any payment for loss of office will normally be guided by the following principles:

- the Committee shall seek to apply the principle of mitigation where possible, as well as seeking to find an outcome that is in the best interests of the Company and shareholders as a whole, taking into account the specific circumstances;
- relevant contractual obligations, as set out above, shall be observed or taken into account;
- the Committee reserves the right to make additional exit payments where such payments are made in good faith to satisfy an existing legal obligation (or by way of damages for breach of any such obligation) or to settle or compromise any claim or costs arising in connection with the employment of an Executive Director or its termination, or to make a modest provision in respect of legal costs and/or outplacement fees; and
- the treatment of outstanding variable remuneration shall be as determined by the relevant plan rules, as set out below.

PERFORMANCE SHARE PLAN (PSP)

Cessation of directorship/employment within three years of date of grant:	
Death	The award will normally vest as soon as practicable following death. The Committee will have sole discretion as to the extent to which the award will vest, taking into account, if the Committee considers it appropriate, time pro-rating and the extent to which the performance condition has been satisfied.
Injury, ill health, disability, sale of the participant's employing company or business out of the Group or any other reason if the Committee so decides	Awards not subject to holding period (unless the Committee determined otherwise). The award will normally vest on the original vesting date, taking into account the extent to which the performance conditions have been met. Alternatively, the Committee has the discretion to allow the award to vest at the time of cessation of directorship/employment by the Group, taking into account the extent to which the performance conditions have been met up to that date. Unless the Committee determines otherwise, the Committee will reduce the award to reflect the period that has elapsed at the time of cessation.
Any other reason	The award will lapse upon cessation of directorship/employment.
Cessation of directorship/employment after three years of date of grant (i.e. in respect of shares held for a compulsory holding period):	
Death	The award will vest as soon as practicable following death, taking into account the performance conditions, if the Committee considers it appropriate.
Lawful dismissal without notice by the Company	The award will lapse upon cessation of directorship/employment.
Any other reason	The award will generally be released at the end of the holding period. Alternatively, the Committee has the discretion to allow the award to be released in part, or in full, at the time of, or following, cessation of directorship/employment. The extent to which awards are released in these circumstances will be determined by the Committee taking into account the performance conditions.
Annual bonus scheme – cash element	
The extent to which any annual bonus is paid in respect of the year of departure will be determined by the Committee (in such proportion of cash and shares as it considers appropriate) taking into account the performance metrics and whether it is appropriate to time pro-rate the award for the time served during the year.	
Annual bonus scheme – deferred share element	
Death, injury, disability, redundancy, retirement, the sale of the participant's employing company or business out of the Group or any other reason if the Committee so decides	The award will vest immediately upon cessation of directorship/employment. Alternatively, the Committee has the discretion to determine that awards should not vest until the end of the deferral period.
Any other reason	The award will lapse upon cessation of directorship/employment.
Executive Share Option Scheme	
Death, injury, ill health, disability, redundancy, retirement, the sale of the participant's employing company or business out the Group or any other reason if the Committee so decides	The award will be exercisable within the period of 12 months after cessation of directorship/employment. All options granted under the Executive Share Option Scheme have now been exercised. No future awards under the Executive Share Option Scheme are anticipated.

Retirement benefits will be received by any Executive Director who is a member of any of the Group's pension plans in accordance with the rules of such plan.

CHANGE IN CONTROL

The rules of the PSP provide that, in the event of a change of control or winding-up of the Company, all awards will vest early taking into account i) the extent to which the Committee considers that the performance conditions have been satisfied at that time and ii) the pro-rating of the awards to reflect the proportion of the performance period that has elapsed, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. Deferred bonus awards will normally vest in full on a takeover or winding-up of the Company. In the event of a special dividend, demerger or similar event, the Committee may determine that awards vest on the same basis. In the event of an internal corporate reorganisation, awards may be replaced by equivalent new awards over shares in a new holding company. Similarly, in the event of a merger of equals, the Committee may invite participants to voluntarily exchange their awards that would otherwise vest for equivalent new awards over shares in a new holding company.

The Committee may in the circumstances referred to above determine to what extent any bonus should be paid in respect of the financial year in which the relevant event takes place, taking into account the extent to which the Committee determines the relevant performance metrics have been (or would have been) met.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

When reviewing and setting Executive Director remuneration, the Committee takes into account the pay and employment conditions of all employees of the Group. The Group-wide pay review budget is one of the key factors when reviewing the salaries of the Executive Directors. Although the Group has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

COMMUNICATION WITH SHAREHOLDERS

The Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements.

The Committee takes into account the views of significant shareholders when formulating and implementing the Policy.

TERMS AND CONDITIONS FOR NON-EXECUTIVE DIRECTORS

Non-executive Directors do not have service contracts but are appointed for an initial period of three years, normally renewable on a similar basis subject to annual re-election at the Company's Annual General Meeting. The present letters of appointment for Mr Kucz, Mr Maiden, Mrs Minick-Scokalo, Mr Nicolson, Mrs Owers and Mrs Silver expire on 30 April 2021, 31 October 2019, 30 April 2021, 30 April 2022, 25 September 2019 and 31 March 2020 respectively and are subject to annual election or re-election, as the case may be, as a Director at the Company's Annual General Meeting.

The letters of appointment of Non-executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

Information contained within the Annual Report on Remuneration has not been subject to audit unless stated.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the Directors for the year ended 31 May 2019:

	Salary/fees[1]		Benefits[2]		Bonus[3]		PSP[4]		Pension[5]		Total	
	2019 (£)	2018 (£)	**2019 (£)**	2018 (£)	**2019 (£)**	2018 (£)	**2019 (£)**	2018 (£)	**2019 (£)**	2018 (£)	**2019 (£)**	2018 (£)
Executive Directors												
G A Kanellis	**604,004**	591,386	**77,530**	22,414	**–**	–	**–**	–	**120,801**	118,277	**802,335**	732,077
B H Leigh[6]	**369,861**	362,559	**16,939**	16,914	**–**	–	**–**	–	**73,972**	72,512	**460,772**	451,985
	973,865	953,945	**94,469**	39,328	**–**	–	**–**	–	**194,773**	190,789	**1,263,107**	1,184,062
Non-executive Directors												
D Kucz[7]	**52,500**	4,375	**6,945**	1,744	**–**	–	**–**	–	**–**	–	**59,445**	6,119
J K Maiden	**62,500**	62,500	**2,091**	2,816	**–**	–	**–**	–	**–**	–	**64,591**	65,316
T Minick-Scokalo[8]	**52,500**	4,375	**4,547**	1,357	**–**	–	**–**	–	**–**	–	**57,047**	5,732
J R Nicolson	**62,500**	59,583	**4,837**	5,709	**–**	–	**–**	–	**–**	–	**67,337**	65,292
H Owers	**62,500**	62,500	**3,438**	3,991	**–**	–	**–**	–	**–**	–	**65,938**	66,491
C Silver	**250,000**	250,000	**5,203**	5,283	**–**	–	**–**	–	**–**	–	**255,203**	255,283
	542,500	443,333	**27,061**	20,900	**–**	–	**–**	–	**–**	–	**569,561**	464,233
Total	**1,516,365**	1,397,278[9]	**121,530**	60,228	**–**	–	**–**	–	**194,773**	190,789	**1,832,668**	1,648,295

1 The amount of salary/fees payable in the period. In addition to the above, Mr Kanellis and Mr Leigh received the following cash payments during the year in lieu of dividends payable on deferred bonus awards which vested during the year: Mr Kanellis: £3,536 and Mr Leigh: £4,237.
2 Taxable benefits comprise life assurance, healthcare insurance, car allowance and a long-service award in recognition 25 years' continuous service in relation to the Chief Executive Officer. With regard to the Chief Executive Officer, of the £77,530 benefit value above, £55,091 relates to a long-service award. The value of the long-service benefit, in line with the approach taken for other employees, was calculated based on a pre-set multiple of weekly salary during the relevant period of employment. In respect of the Non-executive Directors, certain travel and accommodation expenses in relation to attending Board meetings are also treated as a taxable benefit.
3 Details of the performance measures and weightings as well as results achieved under the annual bonus arrangements in place in respect of the year are shown on pages 101 and 102.
4 The awards made under the Performance Share Plan in 2016 will wholly lapse, such that the Executive Directors will receive no value. Details of the performance measures as well as results achieved are shown on page 103.
5 With effect from 1 June 2008, the Executive Directors became eligible for membership of the Company's defined contribution pension arrangement. Mr Kanellis and Mr Leigh each receive a salary supplement equivalent to 20% of base salary; these amounts are included in the column headed 'Pension'.
6 Mr Leigh stepped down from the Board on 13 June 2019 and ceased employment on 13 June 2019. Details of his payment for loss of office are shown on page 106.
7 Mr Kucz was appointed to the Board on 1 May 2018.
8 Mrs Minick-Scokalo was appointed to the Board on 1 May 2018.
9 The comparative number for 2018 has been restated to exclude salary/fees paid in that year to Mr Davis and Mrs Edozien, who stepped down from the Board in September 2017.

INDIVIDUAL ELEMENTS OF REMUNERATION

Base salary

Base salaries for individual Executive Directors are reviewed annually, with effect from 1 September, by the Remuneration Committee and are set with reference to the scope of the role and the markets in which PZ Cussons operates, the performance and experience of the individual, pay levels in other organisations of a similar size and complexity and pay increases elsewhere in the Group.

There will be no increase to the base salary of Mr Kanellis with effect from 1 September 2019. His base salary for the year ended 31 May 2018 and the year ended 31 May 2017 is set out below:

	01/09/2017 Base salary (£)	**01/09/2018 Base salary (£)**	**01/09/2019 Base salary (£)**	Increase %
G A Kanellis	595,012	**607,000**	**607,000**	0

Mr Leigh's salary on departure, consistent with the disclosure in last year's Directors' Remuneration Report, was £371,700. His most recent increase was 2% with effect from 1 September 2018. This percentage increase was in line with the wider UK employee population.

NON-EXECUTIVE DIRECTOR FEES

As reported in last year's report, following the biennial review of Non-executive Director fees on 1 June 2018, the annual fees payable to each of the Non-executive Directors remained unchanged. No other changes were made during the year to the fees payable to Non-executive Directors. During the year the Board introduced an additional fee to reflect the expected time commitment of the role of the designated Non-executive Director who will be responsible for engaging with employees. The designated Non-executive Director was excluded from discussions relating to the introduction of the additional fee.

The current fee structure is as follows:

Role	Fee
Board Chair	£250,000
Non-executive Director base fee	£52,500
Additional fees for Committee Chair	
Audit & Risk	£10,000
Remuneration	£10,000
Good4Business	£5,000
Additional fee for Senior Independent Director	£5,000
Additional fee for Director responsible for employee engagement	£5,000

ANNUAL BONUS

Bonus for the year ended 31 May 2019

In respect of the year ended 31 May 2019, the Chief Executive Officer participated in the annual bonus scheme. The Chief Financial Officer's entitlement to participate in the annual bonus scheme ceased on his departure from the Company in 13 June 2019.

Under this scheme, the Chief Executive Officer was eligible to earn a cash bonus of up to 150% of base salary. Any bonus awards earned in excess of 100% of base salary are deferred into Company shares vesting three years after the award is determined, subject to recovery and withholding provisions and continued employment.

For the 2019 financial year, the bonus included challenging financial and strategic targets that were aligned with delivering against the Board's approved budget and planning for the year ahead.

As in prior years, and consistent with our KPIs, the performance metrics included adjusted profit before tax (including separate target and stretch elements), net working capital percentage and adjusted operating contribution margin. Together these financial targets comprised 80% of the overall bonus opportunity. A number of strategic objectives comprised the remaining 20% of maximum bonus opportunity.

FINANCIAL TARGETS

The targets and our performance against them are set out below:

Metric	Proportion of total bonus	Targets	Actual performance	Proportion of total bonus payable
Adjusted profit before tax	62%	Target: £85.0m Stretch target: £89.3m	£69.8m	0%
Net working capital percentage	9%	Target: 16.8%	20.1%	0%
Adjusted operating contribution margin	9%	Target: 15.4%	14.9%	0%

STRATEGIC TARGETS

The 2019 strategic objectives related to completion of key strategic growth initiatives, execution of key margin improvement projects, achievement of overhead savings and the development of plans to fulfil the Company's Plastic Promise.

Metric	Proportion of total bonus	Milestones achieved	Proportion of total bonus payable
Pursue fewer, bigger, better growth initiatives. Develop a comprehensive digital commerce strategy.	6%	• Launched key growth initiatives across selected brands and selected geographies, achieving growth in four out of the six targeted categories. The relative extent of achievement was reduced in light of the top line growth achieved across all categories. • Developed a comprehensive digital strategy and plan to support growth in targeted geographies and categories. Pilot projects delivered in line with the planning milestones.	3%
Drive key margin improvement projects incorporating end-to-end supply chain process efficiencies.	6%	• The identified supply chain projects delivered savings in line with targets across all categories and geographies, with the maximum savings target exceeded by £800,000. • Whilst the cost savings contributed towards achieving margin improvements within categories, taking into account the overall Group gross margin achieved, achievement was reduced to reflect the Group outcome.	4.5%
Achieve identified overhead savings across all geographies and functions.	6%	• Group annualised cost savings were achieved at £500,000 above the target set. • Additional savings were identified during the year contributing a further £900,000 of annualised cost savings above the targets originally set.	6%
Drive progress in the reduction of plastics by developing a comprehensive plastic reduction strategy and embed plastic reduction principles into product design.	2%	• The milestones set at the start of the year were achieved and included: (i) establishing a steering committee, with senior cross-functional representation to develop a global plastic reduction strategy based on 'reduce, reuse and recycle' (ii) scoping plastic reduction initiatives for trial including new packaging formats and product types (iii) receiving Board approval for the current Plastic Promise strategy and (iv) commencing the Plastic Promise implementation in line with the strategy.	2%

Notwithstanding the achievements detailed in relation to the strategic targets, the Committee concluded that the level of profitability achieved did not justify the payment of an annual bonus and, accordingly, no bonus was awarded. The Committee's used its discretion to reduce the bonus that otherwise would have been payable from 15.5% of the total bonus to nil.

2020 ANNUAL BONUS FRAMEWORK

Executive Directors will continue to participate in the annual bonus scheme in respect of the year ending 31 May 2020.

The operation of the bonus plan will broadly mirror the approach taken in the 2019 financial year. No change is to be made to the maximum opportunity and 80% of maximum bonus opportunity will continue to be subject to financial performance with the balance of 20% subject to the attainment of key strategic and CSR objectives.

The Directors consider that the Group's future targets are matters that are commercially sensitive; they could provide our competitors with insights into our business plans and expectations and should therefore remain confidential to the Company at this time (although they will be retrospectively disclosed in next year's Report on Directors' Remuneration). There has been no change to the level of opportunity available under the scheme and, the principal features of the scheme are as follows:

- maximum opportunity remains at 150% of salary for the CEO and 125% of salary for other Executive Directors;
- any bonus awards earned in excess of 100% of base salary will be deferred into Company shares vesting three years after the award is determined, subject to recovery and withholding provisions (as detailed below) and continued employment;
- annual bonuses will again be based on the achievement of stretching adjusted profit before tax (62% of the total bonus), net working capital percentage (9% of the total bonus) and adjusted operating contribution margin (9% of the total bonus) performance targets;
- the bonus award for delivering target financial performance will remain at 60% of the overall maximum opportunity;
- 20% of maximum opportunity will be available for delivering strategic objectives, which have been set to align with the Company's refined strategy as detailed in the Company's Strategic Report and which include focusing on selected brands, business transformation and key environmental, social and governance initiatives; and
- bonuses are payable at the discretion of the Committee and subject to a broad assessment of the Company's overall performance before individual bonus awards are determined.

Awards made under the annual bonus scheme in respect of the year ending 31 May 2020 will, as in previous years, be subject to recovery and withholding provisions that would enable the Committee to recover any value overpaid as a result of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business or iii) an erroneous calculation of a performance condition. The ability to apply these provisions operates for a period of up to two years for awards to Executive Directors and other senior executives.

LONG-TERM INCENTIVE PLANS

Performance Share Plan

Executive Directors and certain senior executives are generally eligible to participate in the Performance Share Plan, which provides for the grant of conditional rights to receive nil-cost shares subject to continued employment over a three year vesting period and the satisfaction of certain performance criteria established by the Committee. The current version of the Plan, the 2014 Performance Share Plan, was approved and adopted at the 2014 Annual General Meeting.

Awards vesting in respect of the year ended 31 May 2019

The year ended 31 May 2019 represented the final year of the three year performance period for awards made under the Performance Share Plan in 2016. The overall performance during the three years was such that no proportion of the awards made to the Executive Directors will vest and they will lapse in full, as below:

EPS performance	Annual compound EPS growth	Level of vesting	Performance achieved	Resulting level of award (% of maximum opportunity)
Threshold	4%	25%	-13.2%	0%
Maximum	12%	100%		

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Awards granted in the year ended 31 May 2019 (audited)

As disclosed in last year's Report on Directors' Remuneration, and in line with the Company's Remuneration Policy, during the year ended 31 May 2019 awards were made to the Executive Directors under the Performance Share Plan over shares with a value equal to 150% of base salary for the CEO and 125% for the former CFO, as set out below:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting for threshold performance	Performance period end date
G A Kanellis	2014 Performance Share Plan	150% of salary	410,135	£910,500	25%	31 May 2021
B H Leigh	2014 Performance Share Plan	125% of salary	209,290	£464,625	25%	31 May 2021

G A Kanellis was awarded 410,135 shares under the PSP on 25 July 2018 calculated using the average mid-market closing share price on 24 July 2018 of 222p, which was the share price used to determine the number of shares subject to the award in accordance with the rules of the Performance Share Plan.

B H Leigh was awarded 205,149 shares under the PSP on 25 July 2018 calculated using the average mid-market closing share price on 24 July 2018 of 222p and 4,141 shares on 6 August 2018 using the average mid-market closing share price on 24 July 2018 of 222p. The award on 6 August was to correct an administrative error and resulted in the number of shares approved by the Remuneration Committee being granted in line with the Company's Remuneration Policy. He subsequently stepped down from the Board on 13 June 2019; the treatment of the shares under award upon cessation of his employment is set out on page 106.

These awards are subject to adjusted basic Earnings Per Share (EPS) growth targets measured over the single three year performance period commencing on 1 June 2018. No proportion of the awards may vest unless the Group's adjusted basic EPS grows by at least 3% per annum compounded over the relevant performance period. 25% of the award will vest where adjusted basic EPS grows by 3% per annum, rising on a straight-line pro-rata basis to 100%, which vests if adjusted basic EPS grows by 10% per annum or more, in each case compounded over the performance period.

Any shares vesting under these awards will be subject to a two-year holding period on vested shares such that all shares (other than any shares required to be sold to meet any tax liabilities) will need to be retained for a minimum period of five years from grant.

Awards to be granted in the year ending 31 May 2020

The Committee intends to make awards under the Performance Share Plan to Executive Directors and other senior executives during the year ending 31 May 2020 on the same basis as the prior year and in line with the Company's Remuneration Policy. Award levels remain unchanged from awards made in the prior year and the Committee proposes to continue to make awards subject to the attainment of the same growth in adjusted basic EPS targets as applied in the prior year. On that basis, the minimum threshold compound adjusted basic EPS growth target, at which 25% of awards will vest, will be compound adjusted basic EPS growth of 3% per annum, whilst the target for maximum vesting will be compound adjusted basic EPS growth of 10% per annum.

The range of adjusted basic EPS targets was reviewed in light of both internal plans and external expectations for the Company's future performance. Setting the range from 3% per annum adjusted basic EPS growth to 10% per annum adjusted basic EPS growth from the results of the year ended 31 May 2019 was considered to provide a demanding range of targets, particularly at the top end of the performance range. This was on the basis of the continued retail challenges in our UK and European markets at the same time as the ongoing pressures on consumer income in Nigeria.

The Committee continues to keep under consideration the introduction of an additional performance measure but remains of the view that this is not currently appropriate for the Company and that adjusted basic EPS remains the most meaningful measure of long-term performance, providing a valuable line of sight for management and alignment with the interests of shareholders. Use of adjusted basic EPS growth targets is also aligned with our long-term objective of delivering profitable growth and sustaining a progressive dividend policy. The Committee will, however, continue to review its approach to metrics and target setting in respect of awards in future years.

The awards to be granted in the year ending 31 May 2020 will be subject to a two-year holding period on vested shares such that all shares (other than any shares required to be sold to meet any tax liabilities) will need to be retained for a minimum period of five years from grant.

In line with awards made under the senior executive annual bonus scheme, awards made under the Performance Share Plan for the year ending 31 May 2020 will continue to include recovery and withholding provisions that would enable the Committee to recover excess value on vesting as a result of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business or iii) an erroneous calculation of a performance condition. The provisions apply for a period of up to two years from vesting of awards made to Executive Directors and other senior executives.

Statement of Directors' shareholding and share interests

The Committee has established share ownership guidelines that require Executive Directors:

- to build up and retain holdings of shares (and/or deferred shares net of tax) worth 200% of salary from time to time; and
- until this share ownership threshold is met, to invest 50% of any after-tax annual bonus into the Company's shares.

They are also required to retain shares with a value equal to 50% of the net gain after tax arising from the acquisition of shares pursuant to any of the Company's share incentive plans; again until the share ownership threshold is met.

All Executive Directors have complied with the above guidelines in respect of the year ended 31 May 2019.

Interests in shares (audited)

The interests in the Company's shares of each of the Executive Directors as at 31 May 2019 (together with interests held by any connected persons) were:

	Ordinary shares held at 31 May 2019[1]	Interests in share incentive schemes that are not subject to performance conditions as at 31 May 2019[2]	Interests in share incentive schemes that are subject to performance conditions as at 31 May 2019[3]
G A Kanellis	717,557	116,566	924,285
B H Leigh[4]	156,917	25,587	472,319

1 Includes shares held by connected persons. In the case of Mr Kanellis this number includes 14,463 shares representing that part of the bonus payable to him in respect of the year ended 31 May 2015 that exceeded 100% of his basic salary, which was deferred into shares vesting three years after the award was determined and which accordingly vested during the year.
2 In the case of Mr Kanellis this number comprises 116,566 shares representing that part of the bonus payable to him in respect of the year ended 31 May 2017 that exceeded 100% of his basic salary, which was deferred into shares vesting three years after the award was determined. In the case of Mr Leigh this number includes 25,587 shares representing that part of the bonus payable to him in respect of the year ended 31 May 2017 that exceeded 100% of his basic salary, which was deferred into shares vesting three years after the award was determined.
3 Includes unvested awards under the Performance Share Plan that remain subject to performance (including the whole of the awards made in 2015).
4 Mr Leigh stepped down from the Board on 13 June 2019.

During the period, each of the Executive Directors complied with the shareholding requirements set by the Committee. There have been no changes in Mr Kanellis' interests between 31 May 2019 and the date of this report. The interests of Mr Leigh were correct as at the time he stepped down from the Board.

The Non-executive Directors' shareholdings are disclosed on page 111 within the Report of the Directors.

Performance Share Plan (audited)

The outstanding awards granted to each Director of the Company under the Performance Share Plan are as follows:

	Date of award	Number of options/ awards at 1 June 2018	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2019**	Share price at date of award (£)	Share price at date of vesting (£)	Gain (£)	Vesting/ transfer date
G A Kanellis	22-Jul-15	241,724	–	–	241,724	**–**	3.53	–	–	22-Jul-18
	27-Jul-16[1]	268,750	–	–	–	**268,750**	3.24	–	–	27-Jul-19
	27-Jul-17	245,400	–	–	–	**245,400**	3.637	–	–	27-Jul-20
	25-Jul-18	–	410,135	–	–	**410,135**	2.22	–	–	25-Jul-21
B H Leigh[2]	22-Jul-15	123,956	–	–	123,956	**–**	3.53	–	–	22-Jul-18
	27-Jul-16[1]	137,808	–	–	–	**137,808**	3.24	–	–	27-Jul-19
	27-Jul-17	125,221	–	–	–	**125,221**	3.637	–	–	27-Jul-20
	25-Jul-18	–	205,149	–	–	**205,149**	2.22	–	–	26-Jul-21
	6-Aug-18	–	4,141	–	–	**4,141**	2.22	–	–	6-Aug-21

1 Awards made on 27 July 2016 wholly lapsed on 27 July 2019.
2 Mr Leigh stepped down from the Board on 13 June 2019. The treatment of the shares under award upon cessation of his employment is set out on page 106.

Deferred bonus awards (audited)

The outstanding awards granted to each Director of the Company as deferred bonus awards are as follows:

	Date of award[1]	Number of options/awards at 1 June 2018	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/awards at 31 May 2019**	Market price at date of award (£)	Vesting date
G A Kanellis	22-Jul-15	14,463	–	14,463	–	**–**	3.51	22-Jul-18
	25-Aug-17	116,566	–	–	–	**116,566**	3.49	25-Aug-20
B H Leigh[2]	25-Aug-17	25,587	–	–	–	**25,587**	3.49	25-Aug-20

1 Awards ordinarily vest on the third anniversary of grant, conditional only on continued employment.
2 Mr Leigh stepped down from the Board on 13 June 2019. 25,587 deferred bonus shares relating to the 2017 senior executive annual bonus scheme vested on 13 June 2019. These shares related to the part-deferral of annual bonus earned based on performance in the financial year ending 31 May 2017. The treatment of the shares under award upon cessation of his employment is set out below.

Pension benefits (audited)

The following Executive Director was a member of the defined benefit pension arrangements provided by the Company. All of these defined benefit plans were closed to future accrual on 31 May 2008 and replaced by defined contribution arrangements and/or the provision of cash allowances in lieu of pension. Benefits built up in the defined benefit plans continued to receive a salary link until 31 May 2013. The pension entitlements and corresponding transfer values below relate solely to the defined benefit arrangements:

G A Kanellis	Benefits held within both the PZ Cussons Directors' Retirement Benefits Plan and the PZ Cussons Pension Fund and Life Assurance Scheme for Staff Employed Outside the UK. The total entitlement across both arrangements was calculated at 31 May 2013 as 1/30th of Final Pensionable Salary at 31 May 2013 for each year of service within the Company's defined benefit pension arrangements (ceasing on 31 May 2008). From 31 May 2013, total benefits revalue on an annual basis in line with the increase in the Consumer Prices Index (CPI) in the prior year to September (up to retirement age). All benefits are payable from age 62. In total, the sum of the deferred pensions within these two arrangements at 31 May 2019 was £350,867 per annum.

Following closure of the Company's defined benefit plans, the Executive Directors in post during the 2019 financial year became eligible for membership of the Company's defined contribution pension arrangements and/or the provision of cash allowances in lieu of pension. More information on the benefits received by each in this respect is set out in Note 5 to the table on page 100.

Loss of office payments and payments to former Directors (audited)

As announced on 13 June 2019, Mr Leigh stepped down from the Company's Board and ceased employment on 13 June 2019 by mutual agreement. In accordance with the terms of his employment contract the payments in connection with the termination of his employment included:

1. Accrued salary up to the date he ceased employment with the Company for the month of June 2019 plus a further payment of £33,791 in lieu of 20 days' accrued but untaken holiday.
2. A lump sum payment totalling £480,040 in lieu of the value of 12 months' basic salary and contractual benefits.
3. No entitlement to a payment under the Company's annual bonus arrangements for the year ending 31 May 2019.
4. The Committee determined that the previously earned 25,587 deferred bonus shares relating to the 2017 senior executive annual bonus scheme would vest on 13 June 2019. These shares related to the part-deferral of annual bonus earned based on performance in the financial year ending 31 May 2017.
5. The Committee determined that in connection with Mr Leigh's mutually agreed departure he would retain pro-rata rights to the unvested 2016, 2017 and 2018 awards under the Company's Performance Share Plan (PSP) (in respect of 137,808, 125,221, and 209,290 shares respectively). As a result, these share awards will continue to remain eligible to vest on the normal vesting dates. Any vesting of these awards will only take place subject to the satisfaction of the relevant performance conditions at the end of the relevant performance periods and the number of shares in each award will be pro-rated to reflect the period of employment since the relevant grant date. Any vesting will also be subject to the rules of the PSP and the terms associated with the grant of each award (including any applicable holding period). As noted on page 103, the 2016 Awards will lapse in full as the threshold EPS target has not been met.
6. A sum of up to £10,000 will be paid as a contribution in relation to legal services, to be paid directly to a third-party service provider.
7. A contribution will be paid towards outplacement support, to be paid directly to a third-party service provider.

Limits on shares issued to satisfy share incentive plans

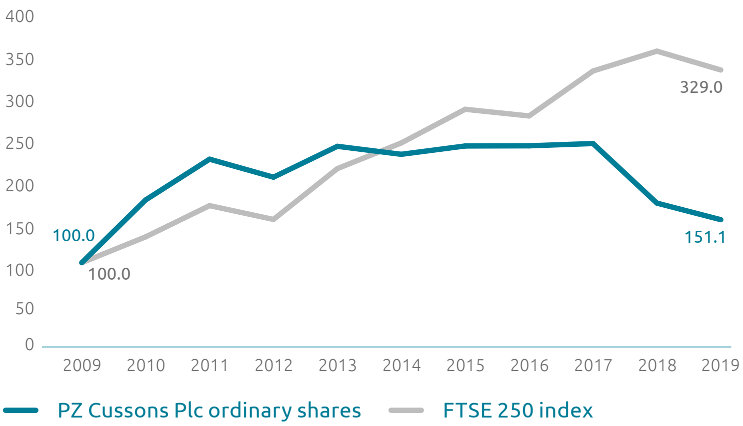
The Company's share incentive plans may operate over new issued ordinary shares, treasury shares or ordinary shares purchased in the market. In relation to all of the Company's share incentive plans, the Company may not, in any ten year period, issue (or grant rights requiring the issue of) more than 10% of the issued ordinary share capital of the Company to satisfy awards to participants, nor more than 5% of the issued ordinary share capital for executive share plans. In respect of awards made during the year ended 31 May 2019 under the Company's share incentive plans, no new ordinary shares were issued.

PERFORMANCE GRAPH

The graph below illustrates the performance of PZ Cussons Plc measured by Total Shareholder Return (TSR) over the ten year period to 31 May 2019 against the TSR of a holding of shares in the FTSE 250 index over the same period, based on an initial investment of £100. The FTSE 250 index has been chosen as PZ Cussons Plc is a constituent of that index.

PZ CUSSONS PLC TSR VS FTSE 250 INDEX TSR

Value £



CHIEF EXECUTIVE OFFICER REMUNERATION FOR PREVIOUS TEN YEARS

	Total remuneration (£)	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2018/19	**802,335**	**0%**	**0%**
2017/18	732,077	0%	0%
2016/17	1,586,330	100.0%	0%
2015/16	1,104,601	47.4%	0%
2014/15	1,463,325	72.8%	32.5%
2013/14	1,052,912	78.0%	0%
2012/13	1,104,089	69.5%	0%
2011/12	599,070	0%	0%
2010/11	1,484,017	18.0%	100.0%
2009/10	1,403,984	67.8%	n/a

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows PZ Cussons' distributions to shareholders and total employee pay expenditure for the financial years ended 31 May 2018 and 31 May 2019, and the percentage change:

	2019 £m	2018 £m	% change
Total employee costs	**91.7**	100.6	(8.8%)
Dividends paid	**34.6**	34.6	0%
Profit before tax and exceptional items	**69.8**	80.1	(12.9%)

CHANGE IN CEO REMUNERATION AND FOR EMPLOYEES AS A WHOLE OVER 2018

The table below shows the change in CEO annual remuneration (defined as salary, taxable benefits and annual bonus), compared to the change in employee annual remuneration for a comparator group, from 2018 to 2019.

The PZ Cussons (International) Limited employee population was chosen as a suitable comparator group because it is considered to be the most relevant, due to the UK employment location and the structure of total remuneration (staff are able to earn an annual bonus as well as receiving a base salary and benefits).

	CEO			Average % change for other employees
	2019 (£)	2018 (£)	% change	
Salary	**604,004**	591,386	2%	2%
Benefits[1]	**77,530**	22,414	345%	0%
Bonus	**–**	–	–	0%

1 Benefits include the provision of a long service award as reported on page 100.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were being considered:

- Mrs Owers (Chair)
- Mr Maiden
- Mr Kucz

The Committee was advised in relation to Directors' remuneration during the year by Korn Ferry. Korn Ferry is a founder member of the Remuneration Consultants Group and has signed the voluntary Code of Practice for remuneration consultants. During the year, it has advised the Committee in relation to market data and evolving market practice and with regard to the Remuneration Policy. The fees paid to Korn Ferry in respect of this work were charged on a time and materials basis and totalled £43,862 for the year. The Committee is satisfied that the advice it has received from Korn Ferry has been objective and independent.

During the year, the Committee consulted Mrs Silver (in her capacity as Non-executive Chair) on issues where it felt her experience and knowledge could benefit its deliberations and she attended meetings by invitation. The Committee also consulted Mr Kanellis (Chief Executive Officer) on proposals relating to the remuneration of members of the Group's senior management team and he too attended meetings by invitation. The Global Human Resources Director also attended meetings by invitation. The Committee is supported by Mr Plant (Company Secretary) who acts as Secretary to the Committee. Invitees are not involved in any decisions or discussions regarding their own remuneration.

STATEMENT OF SHAREHOLDER VOTING

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. During the year, the Committee actively engaged widely with key shareholders and shareholder representative bodies in respect of the approach to executive remuneration, including the performance conditions to be applied to awards under the Performance Share Plan, and their comments were considered when agreeing the proposed approach. The Remuneration Committee Chair will be available to answer questions from shareholders regarding remuneration at the 2019 Annual General Meeting.

The votes cast by proxy at the Annual General Meeting held on 28 September 2018 in respect of resolutions relating to Directors' remuneration are shown below:

Advisory vote on the 2018 Report on Directors' Remuneration (2018 Annual General Meeting):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
329,591,160	98.74%	4,214,455	1.26%	333,805,615	82,275

Binding vote on the Directors' Remuneration Policy (2017 Annual General Meeting):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
345,938,029	99.84%	570,645	0.16%	346,508,674	3,872,099

By order of the Board of Directors

H Owers
Chair of the Remuneration Committee
26 July 2019

REPORT OF THE DIRECTORS

The Directors of the Company are listed on pages 60 and 61.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and distribution of soaps, detergents, toiletries, beauty products, pharmaceuticals, electrical goods, edible oils, fats and spreads and nutritional products. The subsidiary undertakings and joint ventures principally affecting the profits, liabilities and assets of the Group are listed in Note 30 of the Consolidated Financial Statements.

RESULTS AND DIVIDENDS

A summary of the Group's results for the year is set out in the Financial Review on pages 32 to 35 of the Strategic Report.

The Directors recommend a final dividend of 5.61p (2018: 5.61p) per ordinary share to be paid on 3 October 2019 to ordinary shareholders on the register at the close of business on 9 August 2019, which, together with the interim dividend of 2.67p (2018: 2.67p) paid on 8 April 2019, makes a total of 8.28p for the year (2018: 8.28p).

SCOPE OF THE REPORTING IN THIS ANNUAL REPORT & ACCOUNTS

The Group's statement on corporate governance can be found on pages 64 to 77 which is incorporated by reference and forms part of this Report of the Directors. For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the Management Report can be found in the Strategic Report and this Report of the Directors, including the sections of the Annual Report & Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Report on Directors' Remuneration – pages 100 to 109
5	Waiver of emoluments by a Director	Not applicable
6	Waiver of future emoluments by a Director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	ESOT: see Note 25 of the Consolidated Financial Statements
13	Shareholder waivers of future dividends	ESOT: see Note 25 of the Consolidated Financial Statements
14	Agreements with controlling shareholders	Report of the Directors pages 111 and 112

All the information referenced above is hereby incorporated by reference into this Report of the Directors.

DIRECTORS' INTERESTS

The Directors' and connected persons' interests in the share capital of the Company at 31 May 2019, together with their interests at 1 June 2018, are detailed below:

ORDINARY SHARES

Beneficial	2019 Number	2018 Number
Mrs C Silver	**30,000**	20,000
Mr G A Kanellis	**717,557**	709,891
Mr D Kucz	**7,500**	–
Mrs T Minick-Scokalo	**–**	–
Mr B H Leigh	**156,917**	145,917
Mr J K Maiden	**1,000**	1,000
Mr J Nicolson	**–**	–
Mrs H Owers	**1,000**	1,000
Total	**913,974**	877,808

1 The figures in the tables do not include 10,384,591 (2018: 10,415,400) ordinary shares purchased and held by the Employee Share Option Trust (ESOT) as at 31 May 2019. The ESOT is a discretionary trust under which the class of beneficiaries who may benefit comprises certain employees and former employees of the Company and its subsidiaries including members of such employees' and former employees' immediate families. Some or all of the shares held in the ESOT may be the subject of awards to Executive Directors of the Company under the PZ Cussons Plc Performance Share Plan, details of which are given in the Report on Directors' Remuneration. Accordingly, those Executive Directors are included in the class of beneficiaries and are deemed to have a beneficial interest in all the shares acquired by the ESOT.

2 The figures in the tables do not include conditional shares granted under the PZ Cussons Plc Performance Share Plan or deferred share awards under the senior executive annual bonus scheme.

Between 31 May 2019 and the date of this report Mr Leigh stepped down from the Board and his employment ceased, following which he sold his shares. No Director had any beneficial interest during the year in shares or debentures of any subsidiary company. Save for their service contracts or letters of appointment, there were no contracts of significance subsisting during, or at the end of, the financial year with the Company or any of its subsidiaries in which a Director of the Company was materially interested.

During the year and up to the date of this report, the Company maintained liability insurance for its Directors and officers and pension fund trustee liability insurance for Mr Kanellis in his capacity as trustee of certain of the Group's pension schemes.

OTHER SUBSTANTIAL INTERESTS

The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 26 July 2019:

	As at 26 July 2019		As at 31 May 2019	
	Number of shares	%	Number of shares	%
Zochonis Charitable Trust	**56,298,203**	**13.13**	56,298,203	13.13
Sir J B Zochonis Will Trust	**49,320,712**	**11.50**	49,320,712	11.50
Heronbridge Investment Mgt	**34,149,283**	**7.97**	34,149,283	7.97
Mrs C M Green Settlement	**20,328,280**	**4.74**	20,328,280	4.74
J B Zochonis Settlement	**19,927,130**	**4.65**	19,927,130	4.65

No shares were issued during the year. Further information about the Company's share capital is given in Note 24 of the Consolidated Financial Statements.

The Financial Conduct Authority's Listing Rules require a premium listed company with a controlling shareholder (being a shareholder who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at a general meeting) to enter into a written and legally binding agreement that is intended to ensure that the controlling shareholder complies with certain independence provisions. These independence provisions are undertakings that transactions and arrangements with the controlling shareholder and/or any of their associates will be conducted at arm's length and on normal commercial terms; that neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and that neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules (together, 'Independence Provisions').

For the purposes of the Listing Rules, certain shareholders in the Company (principally comprising the founding Zochonis family or certain wider family groups, certain Company trusts, the Executive Directors of the Company and current or former employees) are deemed to be controlling shareholders of the Company (together, the 'Concert Party'). As at 26 July 2019, the Concert Party held 226,986,506 shares, representing approximately 53% of the Company's issued share capital.

As required by the Listing Rules, the Board confirms that the Company entered into a written relationship agreement with the Concert Party on 17 November 2014 containing the Independence Provisions and a procurement obligation (the 'Relationship Agreement'). The Board also confirms that, during the period from 17 November 2014 to 31 May 2019 (being the end of the financial year under review):

- the Company complied with the Independence Provisions in the Relationship Agreement;
- so far as the Company is aware, the Independence Provisions in the Relationship Agreement were complied with by the Concert Party and its associates; and
- so far as the Company is aware, the procurement obligation included in the Relationship Agreement was complied with by the Concert Party.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable contributions in the UK during the year amounted to £1,106,000 (2018: £620,000). No political contributions were made (2018: £nil).

RESEARCH AND DEVELOPMENT

The Group maintains in-house facilities for research and development in the UK, Greece, Indonesia, Thailand, Nigeria and Australia. In addition, research and development is subcontracted to approved external organisations. Currently all such expenditure is charged against profit in the year in which it is incurred, as it does not meet the criteria for capitalisation under IAS 38 'Intangible Assets'.

GREENHOUSE GAS EMISSIONS REPORT

Global greenhouse gas (GHG) emissions data for the year:

Financial year	Scope 1 (absolute tonnes of CO_2)	Scope 2 (absolute tonnes of CO_2)	Total (absolute tonnes of CO_2)
2018/19	**45,516**	**15,916**	**61,432**
2017/18	52,509	18,287	70,796

Scope 1 – Combustion of fuel to operate our factories, facilities and offices.

Scope 2 – Electricity purchased to operate our factories, facilities and offices.

From 1 June 2018 to 31 May 2019 GHG emissions were recorded at 170kg of carbon dioxide per tonne of production.

Further details on the Group's environmental performance is contained within the Good4Business report on pages 51 to 57.

EMPLOYMENT OF DISABLED PERSONS

During the year the Group has maintained its policy of providing equal opportunities for the appropriate employment, training and development of disabled persons. If any employees should become disabled during the course of their employment our policy is to oversee the continuation of their employment and to arrange training for these employees.

EMPLOYEE INFORMATION

The Group recognises the benefits of keeping employees informed of the progress of the business and of involving them in their Company's performance. The methods of achieving such involvement are different in each company and country and have been developed over the years by local management working with local employees in ways that suit their particular needs and environment, with the active encouragement of the parent organisation.

DIVERSITY AND INCLUSION

PZ Cussons is an extremely diverse organisation in terms of its ethnic and cultural make-up and this is something that we continue to promote. We employ many different nationalities including Indian, Chinese, Polish, Indonesian, Singaporean, Thai, Greek, Australian, Nigerian, Ghanaian, Kenyan, American and British. We are clear that we want our leadership team to reflect the diversity of the markets in which we function and for that reason we are focused on developing local talent who understand different cultures. We do not employ any person below the local legal working age and we will not, in any circumstances, employ anyone below the age of 16.

Further details on the composition of our global employee population are set out in the table below:

	2019		2018		2017		2016	
	No.	%	No.	%	No.	%	No.	%
Women employees	**1,064**	**28**	1,183	28	1,252	26	1,354	26
Men employees	**2,717**	**72**	3,003	72	3,523	74	3,824	74
Women senior managers	**77**	**34**	80	35	87	34	86	33
Men senior managers	**150**	**66**	147	65	167	66	173	67
Women Group Board Directors	**3**	**38**	3	38	3	38	3	33
Men Group Board Directors	**5**	**62**	5	62	5	62	6	67
Employees with over 15 years' service	**1,211**	**32**	1,297	31	1,289	27	1,277	25
Employees over 50	**424**	**11**	411	10	401	8	428	8

EXTERNAL AUDITOR

Deloitte LLP has signified its willingness to continue in office as External Auditor to the Company and, in accordance with section 485 of the Companies Act 2006, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting. A statement on the independence of the External Auditor is included in the Report of the Audit & Risk Committee on page 78.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group's business activities, financial condition and results of operations could be affected by a variety of risks or uncertainties. These are summarised in the Principal Risks and Uncertainties section on pages 44 to 49 of the Strategic Report.

ANNUAL GENERAL MEETING

The Company's 2019 Annual General Meeting will be held at the Company's registered office, Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG at 10.30am on 25 September 2019. The resolutions that will be proposed at the 2019 Annual General Meeting are set out in the separate Notice of Annual General Meeting, which accompanies these Governance and Financial Statements.

SHARE CAPITAL

As at 31 May 2019, the Company's issued share capital consisted of 428,724,960 ordinary shares of 1p each.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or, if there is no such resolution or so far as it does not make specific provision, as the Board may decide.

RESTRICTIONS ON VOTING

Unless the Board decides otherwise, no member shall be entitled to vote at any meeting in respect of any shares held by that member if any call or other sum that is then payable by that member in respect of that share remains unpaid.

POWERS OF DIRECTORS

Subject to the Company's Memorandum and Articles of Association, the Companies Acts and any directions given by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

PURCHASE OF OWN SHARES

Pursuant to shareholder approval given at the 2018 Annual General Meeting, the Company is authorised to make market purchases of its own ordinary shares. The Directors intend to seek renewal of this authority at future Annual General Meetings including the 2019 Annual General Meeting. No shares were purchased from 1 June 2018 to 26 July 2019 (2018: nil) other than the acquisitions undertaken by the ESOT (see Note 25 of the Consolidated Financial Statements).

RESTRICTIONS ON THE TRANSFER OF SECURITIES

There are no restrictions on the transfer of securities in the Company except:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, relating to insider trading); and
- pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group and liquidity position are described within the Financial Review. In addition, Note 18 of the Consolidated Financial Statements includes policies in relation to the Group's financial instruments and risk management and policies for managing credit risk, liquidity risk, market risk, foreign exchange risk, price risk, cash flow and interest rate risk and capital risk.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report & Accounts. A viability statement has been prepared and approved by the Board and this is set out on page 44.

EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events.

ADDITIONAL DISCLOSURES

Other information that is relevant to the Report of the Directors, and which is incorporated by reference into this report, can be located as follows:

- proposed future developments for the business are set out on pages 14 to 21.
- details of Group subsidiaries including overseas branches are set out in Note 30 on pages 185 to 187.
- financial instruments and risk management are set out in Note 18 on pages 167 to 175.
- trade payables under vendor financing arrangements are set out in Note 1 on page 146.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE EXTERNAL AUDITOR

In the case of each of the persons who were Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's External Auditor is unaware; and
- each of the Directors has taken all the steps that he or she ought to have taken as Director to make himself or herself aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates which are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS101, have been followed for the Parent Company Financial Statements, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Report on Directors' Remuneration comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website, **www.pzcussons.com**. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance and position, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 60 and 61 confirm that, to the best of their knowledge:

- the Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law), give a true and fair view of the assets, liabilities, financial position and result of the Company;
- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties which it faces.

This information is given and should be interpreted in accordance with the provision of section 418(2) of the Companies Act 2006.

By order of the Board of Directors

S P Plant
Company Secretary
26 July 2019

FINANCIAL STATEMENTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements of PZ Cussons Plc (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and parent Company Balance Sheets;
- the Consolidated and parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Statement of Accounting Policies; and
- the related Notes 1 to 31.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Carrying value of Nutricima, five:am and Rafferty's Garden assets; and • Uncertain tax positions. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year are identified with .
Materiality	The materiality that we used for the Group financial statements was £3.4m which was determined on the basis of adjusted profit before tax.
Scoping	The scope of our audit covered 84% of revenue, 72% of adjusted profit before tax and 86% of net assets.
Significant changes in our approach	In the prior year we included defined benefit obligations and foreign exchange as key audit matters. The judgements related to those matters have reduced significantly since the prior year and therefore these do not form key audit matters in the current year. In agreement with the Audit & Risk Committee, we reduced our scope from the prior year. As part of our first year audit, we included all components within our audit scope where Deloitte performed statutory audits. This was with the expectation that in subsequent years, the scoping of components would be driven by our assessment of the risks of misstatement in the Group financial statements.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in the Report of the Directors on page 114 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 45 to 49 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 44 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 44 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CARRYING VALUE OF NUTRICIMA, FIVE:AM AND RAFFERTY'S GARDEN ASSETS

Key audit matter description

At 31 May 2019, the Group recognised goodwill of £51.0m (FY18: £63.6m) as per Note 10, software of £44.6m (FY18: £47.5m), as per Note 10, property, plant and equipment ('PPE') of £148.8m (FY18: £156.6m) as per Note 11 and brands/patents of £273.6m (FY18: £289.1m) as per Note 10.

The Group has recognised an impairment charge before tax of £26.2m, which has been charged against exceptional items as disclosed in Note 3 to the accounts. £12.0m of this charge has been charged against goodwill, £12.8m against brands/patents (both included in Note 10) and £1.4m against fixed assets. £3.9m of this charge was attributable to the Nutricima brand and £22.3m was attributable to five:am. Also, management's impairment review of the Rafferty's Garden CGU identified only marginal headroom.

There were a number of events, in particular in the second half of the financial year, that management identified as indicators of a heightened risk of impairment in the Nutricima CGU's assets. These include the continued underperformance of the CGU during the year against budget, a continuing depressed market in Nigeria with inflation outstripping wage rises, the general uncertainty that surrounded the economy during the general election in early 2019 and the infrastructure challenges that resulted in significant delays in processing goods through the port of Lagos during the second half of the year.

The performance of the five:am CGU has been marginally lower in the year than that anticipated by management, with wider economic conditions and forecasted growth rates hardening in the year. During the second half of the year, management reviewed its strategy for the five:am brand and as a result revised the longer term cash flows expected to result from the CGU.

Management has prepared a discounted cash flow model to assess the recoverable value of the assets attributable to the Nutricima, five:am and Rafferty's Garden CGUs. The key inputs that require judgement are:

- The identification of the relevant CGU(s);
- The discount rate applied to the cashflows;
- The period of cashflows over which reliable forecasts can be derived;
- The growth rates assumed in the cash flows in relation to each of Nutricima, five:am and Rafferty's Garden's key brands, including in particular for Nutricima and five:am the assumption as to when the current decline in demand is arrested and the pace at which profitability subsequently improves;
- The gross margins, and resultant net cash flows, which will be achieved; and
- Consideration of the estimate of the fair value less costs of disposal of the CGU.

Management concluded that in all three cases, value-in-use exceeded fair value less costs of disposal and hence the value-in-use model formed the basis of the impairment conclusions. Management's base case models showed an impairment of £3.9m for Nutricima and £22.3m for five:am. Management's base case model for Rafferty's Garden identified headroom of £2.1m. Reasonably possible downside sensitivities assessed by management show further potential impairments of up to £5.6m and £3.5m for Nutricima and five:am respectively. Reasonably possible downsides assessed by management show an impairment of £6.9m for Rafferty's Garden.

	Further detail in relation to management's impairment considerations has been provided in Note 10. The key inputs noted above have been identified as a key source of estimation uncertainty on page 148. This area has also been a key matter for discussion during the year at the Audit & Risk Committee, as detailed in its report on page 82. During the audit it was identified that the accounting for certain elements of goodwill and intangible assets was not in line with the Group's accounting policies, nor was it consistent with the requirements of IFRS 3, IAS 21 and IAS 12, resulting in a misstatement in prior years to the carrying values of goodwill and other intangible assets, and thus requiring a reassessment of previous years' impairment conclusions. The resultant misstatements have been corrected by management in the current period via prior period adjustments, as required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The adjustments include the recognition of a cumulative impairment charge of £7.4m as at 31 May 2018. Refer to Note 1c) for further details.
How the scope of our audit responded to the key audit matter	We understood management's process for identifying indicators of impairment and for performing the impairment assessment. We assessed the design and implementation of key relevant controls relating to asset impairment models, the underlying forecasting processes and the impairment reviews performed. We evaluated and challenged the key assumptions and inputs into the impairment models, which included performing sensitivity analyses, to evaluate the impact of selecting alternative assumptions. In challenging the assumptions, we have: • Considered the appropriateness of the judgement that the Nutricima business constitutes a single CGU; • Assessed the discount rate applied. In doing so, we involved our internal valuation specialists to evaluate management's discount rates, which involved benchmarking against available market views and analysis; • Understood the extent to which forecasts can be reliably derived by the Company; • Confirmed that forecast cash flows were consistent with Board-approved forecasts and analysed reasonably possible downside sensitivities. We have also discussed the base case forecasts with our component teams in Nigeria and Australia to understand whether there are any additional matters that should be factored in to the sensitivity analysis and to understand the reasonableness of the base case forecasts relative to our knowledge of the respective businesses and of local macro-economic factors. We audited the integrity of the impairment models and cash flow forecasts to test arithmetical accuracy. We recalculated the impairments charged and agreed the balances to the underlying financial records. We considered the compliance of management's impairment models with the requirements of IAS 36 'Impairment of Assets'. We also reviewed the impairment disclosures against the requirements of IAS 36. We reviewed the presentation and disclosure of management's impairment assessment in the Financial Statements to assess whether the disclosure is consistent with management's methodology and assumptions and relevant accounting standards. In respect of the prior year adjustments recorded, we evaluated the nature of the misstatements noted and considered whether correction through a prior year adjustment was appropriate. We independently recalculated the adjustments and compared the outcome of our calculation to the entity's records.
Key observations	We have obtained suitable audit evidence to support the base case assumptions adopted by management, and therefore concur with the conclusions of management that the impairments recognised for Nutricima and five:am are within a reasonable range and that the related disclosures for both those CGUs and Rafferty's Garden are appropriate. For Nutricima, five:am and Rafferty's Garden, the pre-tax discount rates and growth rates used in management's base case models were outside of our expected ranges but the net effect of the differences when applied to management's base cases were not material. We concurred with management's judgement regarding the correction of prior year errors and consider the related disclosures appropriate.

PROVISION FOR UNCERTAIN TAX POSITIONS

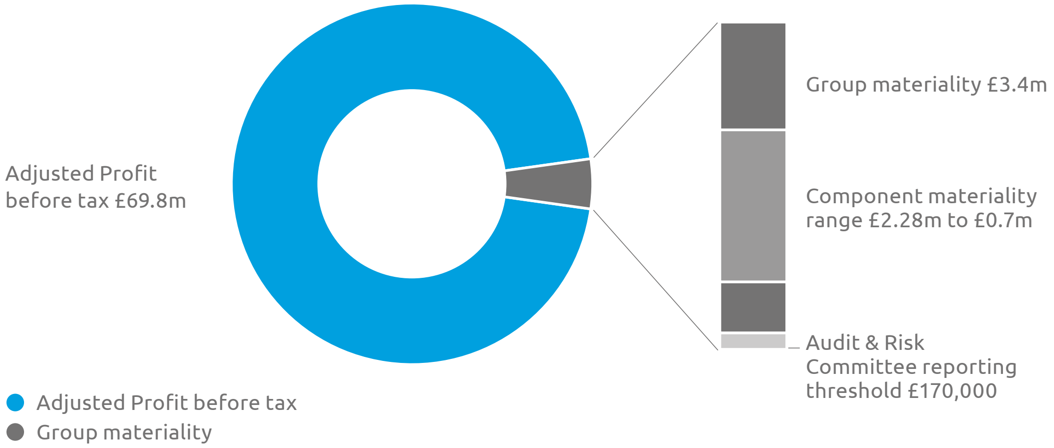
Key audit matter description	The Group operates in a number of overseas territories, including some with rapidly developing or ambiguous tax legislation, and therefore the Group can be subject to unexpected or unsubstantiated tax assessments, which have the potential to be material in nature. In this context, there is a risk around the completeness and valuation of the potential exposures and, therefore, the tax provisions and disclosures required by the Group. The accounting policy applied by the Group in relation to the uncertain tax positions is described on page 148 and the current material current tax estimates of £15.4m, £5.5m and £3.6m are noted in Note 1 to the Consolidated Financial Statements.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of the key control relating to the tax provisions. Our audit team included taxation specialists across corporation tax, transfer pricing and local tax laws. In carrying out our audit, we have understood and challenged the judgements made by management, which are based on discussions and correspondence with local authorities, third-party advice obtained and in-house, local tax knowledge. We have reviewed the disclosures made by management in Notes 1 and 7 around the uncertain tax provisions.
Key observations	We have concluded that the provisions held and the related disclosures overall are reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	£3.4m (2018: £4.0m)	£1.4m (2018: £1.6m)
Basis for determining materiality	5% of adjusted pre-tax profit. The pre-tax profit figure has been adjusted for exceptional items only. This has been reconciled on page 128.	Parent Company materiality equates to 1% of net assets, which is capped at 40% of Group materiality.
Rationale for the benchmark applied	We consider an adjusted pre-tax profit measure to be the most relevant measure of performance for the primary users of the accounts, being the shareholders. This is on the basis that the adjusted profit before tax better reflects the underlying nature and trading of the Group and therefore is considered to be a more representative basis upon which to determine materiality.	We consider the users of the accounts to be most interested in the net assets of the Company, on the basis that it is these assets which will determine the extent to which dividends can be paid.



We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £170,000 (2018: £200,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on this assessment, we focused our Group audit scope primarily on the audit work relating to 11 components, ten of which were subjected to full scope audits. Our full scope audits covered components in the UK, Nigeria, Australia, Indonesia, Greece and Ghana, with specific procedures undertaken in respect of a component in Singapore. The parent Company is located in the UK and audited directly by the Group audit team.

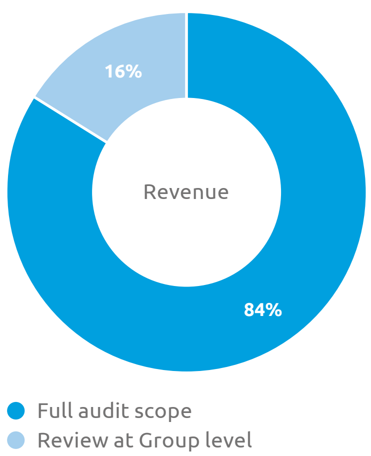
In agreement with the Audit & Risk Committee, we reduced our scope from the prior year. As part of our first year audit, we included all components where statutory audits were required within our audit scope. This was with the expectation that in subsequent years the scoping of components would be driven by our assessment of the risks of misstatement in the Group financial statements.

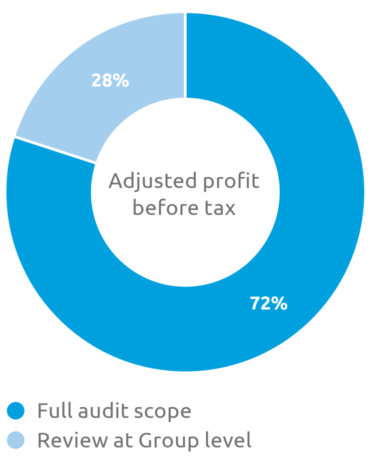
As a consequence of the audit scope determined, we achieved coverage of approximately 84% (2018: 99%) of revenue, 72% (2018: 100%) of adjusted profit before tax and 86% (2018: 100%) of net assets. Our audit work at each component was executed at levels of materiality applicable to each individual component, which were lower than Group materiality. Component materiality, excluding the parent Company, ranged from £2.28m to £0.70m (2018: £1.92m to £0.48m).

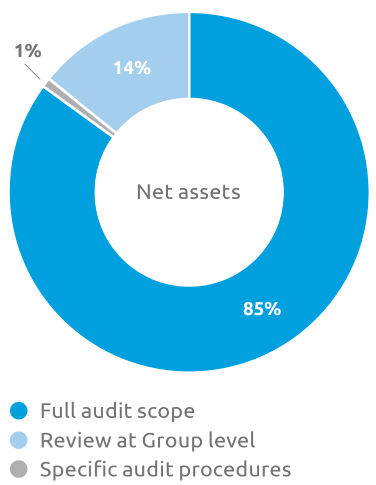
The Group audit team designed the audit procedures for all relevant significant risks to be addressed by the component auditors and issued Group referral instructions detailing the nature and form of the reporting required. The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the significant finance function locations included as full scope for the Group audit on a rotational basis. During the year, senior members of the Group audit team visited Nigeria three times and each of Greece, Indonesia and Singapore once.

We included all component audit teams in our team briefings, discussed their risk assessment, attended close meetings by conference call and reviewed documentation of the findings from their work.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.







Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report & Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit & Risk Committee reporting* – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, and the Audit & Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws;
- discussing among the engagement team, including significant component audit teams and involving relevant internal specialists, including tax, pensions and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the areas of promotional trade spend and classification of exceptional items; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation across a number of jurisdictions.

Audit response to risks identified
As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant tax authorities;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- in addressing the risk of fraud in exceptional items, performing detailed testing over the items classified as exceptional items including the appropriateness of the accounting policy and consistency with the policy, and adequacy of disclosures, and challenging the completeness of items identified as exceptional;
- in addressing the risk of fraud in promotional trade spend, we have obtained a sample of open deals at the year end and agreed back to supporting documentation the validity and accuracy of these balances. In a number of cases, the deals have been settled post year end and therefore we have been able to agree these directly. Where this is not the case, we have agreed the calculation to sales volume data and challenged management as to why the provisions are appropriate to recognise at the year end; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Report of the Directors.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent Company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Other matters

Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the shareholders at the Annual General Meeting on 27 September 2017 to audit the financial statements for the year ending 31 May 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ended 2018 and 2019.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jane Boardman BSc FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
26 July 2019

CONSOLIDATED INCOME STATEMENT
Year ended 31 May 2019

	Notes	Year ended 31 May 2019 Before exceptional items £m	Year ended 31 May 2019 Exceptional items (Note 3) £m	Year ended 31 May 2019 Total £m	(Restated)* Year ended 31 May 2018 Before exceptional items £m	(Restated)* Year ended 31 May 2018 Exceptional items (Note 3) £m	(Restated)* Year ended 31 May 2018 Total £m
Continuing operations							
Revenue	2	**689.4**	**–**	**689.4**	739.8	–	739.8
Cost of sales		**(437.5)**	**–**	**(437.5)**	(477.5)	–	(477.5)
Gross profit		**251.9**	**–**	**251.9**	262.3	–	262.3
Selling and distribution costs		**(102.0)**	**–**	**(102.0)**	(101.1)	–	(101.1)
Administrative expenses		**(75.7)**	**(32.8)**	**(108.5)**	(76.9)	(21.2)	(98.1)
Share of results of joint ventures	12	**2.3**	**–**	**2.3**	1.4	0.3	1.7
Operating profit/(loss)	2	**76.5**	**(32.8)**	**43.7**	85.7	(20.9)	64.8
Finance income		**0.5**	**–**	**0.5**	0.9	–	0.9
Finance costs		**(7.2)**	**–**	**(7.2)**	(6.5)	–	(6.5)
Net finance costs	6	**(6.7)**	**–**	**(6.7)**	(5.6)	–	(5.6)
Profit/(loss) before taxation		**69.8**	**(32.8)**	**37.0**	80.1	(20.9)	59.2
Taxation	7	**(15.8)**	**4.6**	**(11.2)**	(22.1)	4.3	(17.8)
Profit/(loss) for the year	4	**54.0**	**(28.2)**	**25.8**	58.0	(16.6)	41.4
Attributable to:							
Owners of the Parent	9	**54.4**	**(28.3)**	**26.1**	56.0	(15.7)	40.3
Non-controlling interests		**(0.4)**	**0.1**	**(0.3)**	2.0	(0.9)	1.1
		54.0	**(28.2)**	**25.8**	58.0	(16.6)	41.4
Basic Earnings Per Share (p)	9	**13.01**	**(6.77)**	**6.24**	13.39	(3.76)	9.63
Diluted Earnings Per Share (p)	9	**13.01**	**(6.77)**	**6.24**	13.39	(3.76)	9.63

* The results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15 and prior year adjustments. Further details are set out in Note 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 May 2019

	Notes	2019 £m	(Restated)* 2018 £m
Profit for the year		**25.8**	41.4
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	23	**(2.4)**	26.7
Deferred tax gain/(loss) on remeasurement of post-employment benefit obligations	21	**0.4**	(4.5)
Tax on items that will not be subsequently reclassified to profit or loss		**(0.6)**	0.2
Total items that will not be reclassified to profit or loss		**(2.6)**	22.4
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.9)**	(29.0)
Cash flow hedges – fair value gain/(loss) in year net of taxation	18	**0.6**	(1.8)
Cost of hedging reserve	18	**(0.3)**	–
Changes in the fair value during the year in relation to time-period-related hedged items		**–**	–
Total items that may be subsequently reclassified to profit or loss		**(0.6)**	(30.8)
Other comprehensive expense for the year net of taxation		**(3.2)**	(8.4)
Total comprehensive income for the year		**22.6**	33.0
Attributable to:			
Owners of the Parent		**23.1**	36.5
Non-controlling interests		**(0.5)**	(3.5)

* The results for the year ended 31 May 2018 have been restated to reflect prior year adjustments. Further details are set out in Note 1.

CONSOLIDATED BALANCE SHEET
At 31 May 2019

	Notes	31 May 2019 £m	(Restated)* 31 May 2018 £m	(Restated)* 1 June 2017 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	10	**369.2**	400.2	408.4
Property, plant and equipment	11	**148.8**	156.6	177.0
Other investments	13	**–**	0.3	0.3
Net investment in joint ventures	12	**35.6**	22.9	23.1
Trade and other receivables	15	**–**	0.4	1.6
Deferred taxation assets	21	**10.4**	–	–
Retirement benefit surplus	23	**36.3**	33.3	4.1
		600.3	613.7	614.5
Current assets				
Inventories	14	**131.9**	132.6	163.3
Trade and other receivables	15	**157.5**	163.9	190.3
Derivative financial assets	18	**1.6**	–	1.5
Current tax receivable		**2.1**	–	–
Current asset investments	16	**0.3**	0.3	0.3
Cash and short-term deposits	17	**53.5**	102.7	150.6
		346.9	399.5	506.0
Assets held for sale		**–**	–	2.2
		346.9	399.5	508.2
Total assets		**947.2**	1,013.2	1,122.7
Equity				
Share capital	24	**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Hedging reserve		**0.3**	–	1.8
Currency translation reserve		**(86.7)**	(85.4)	(67.7)
Other reserve		**(39.0)**	(39.0)	(38.9)
Retained earnings		**543.8**	554.3	533.2
Attributable to owners of the Parent		**423.4**	434.9	433.4
Non-controlling interests		**28.2**	29.0	33.8
Total equity		**451.6**	463.9	467.2
Liabilities				
Non-current liabilities				
Borrowings	18	**204.0**	–	–
Trade and other payables	20	**0.6**	1.0	0.6
Deferred taxation liabilities	21	**72.1**	65.6	61.1
Retirement benefit obligations	23	**11.3**	12.0	17.9
		288.0	78.6	79.6

	Notes	31 May 2019 £m	(Restated)* 31 May 2018 £m	(Restated)* 1 June 2017 £m
Current liabilities				
Overdrafts	18	–	16.5	–
Borrowings	18	**2.0**	251.9	294.7
Trade and other payables	19	**170.6**	174.4	248.9
Derivative financial liabilities	18	**1.0**	1.1	–
Current taxation payable		**32.4**	25.6	28.4
Provisions	22	**1.6**	1.2	3.9
		207.6	470.7	575.9
Total liabilities		**495.6**	549.3	655.5
Total equity and liabilities		**947.2**	1,013.2	1,122.7

* The balance sheets for the year to 31 May 2018 and as at 1 June 2017 have been restated to reflect prior year adjustments. Further details are set out in Note 1.

The Financial Statements from pages 128 to 187 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

C Silver **G A Kanellis**

26 July 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Parent							
	Notes	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Other reserve £m	Hedging reserve £m	Non-controlling interests £m	Total £m
At 1 June 2017 (as previously reported)		4.3	(58.6)	0.7	501.3	–	2.4	33.8	483.9
Effect of prior year adjustment		–	(9.1)	–	31.9	(38.9)	(0.6)	–	(16.7)
At 1 June 2017 (restated)*		**4.3**	**(67.7)**	**0.7**	**533.2**	**(38.9)**	**1.8**	**33.8**	**467.2**
Profit for the year		–	–	–	40.3	–	–	1.1	41.4
Other comprehensive income/(expense)									
Remeasurement of post-employment obligations	23	–	–	–	26.7	–	–	–	26.7
Exchange differences on translation of foreign operations (restated)*		–	(24.4)	–	–	–	–	(4.6)	(29.0)
Cash flow hedges – fair value gains in year net of taxation		–	–	–	–	–	(1.8)	–	(1.8)
Deferred tax on remeasurement of post-employment obligations	21	–	–	–	(4.5)	–	–	–	(4.5)
Tax on other equity-related items		–	–	–	0.2	–	–	–	0.2
Reclassification between reserves (restated)*		–	6.7	–	(6.7)	–	–	–	–
Total comprehensive (expense)/income for the year		**–**	**(17.7)**	**–**	**56.0**	**–**	**(1.8)**	**(3.5)**	**33.0**
Transactions with owners:									
Ordinary dividends	8	–	–	–	(34.6)	–	–	–	(34.6)
Acquisition of shares by ESOT	25	–	–	–	(0.3)	(0.1)	–	–	(0.4)
Non-controlling interests dividend paid		–	–	–	–	–	–	(1.3)	(1.3)
Total transactions with owners recognised directly in equity		**–**	**–**	**–**	**(34.9)**	**(0.1)**	**–**	**(1.3)**	**(36.3)**
At 31 May 2018 (restated)*		**4.3**	**(85.4)**	**0.7**	**554.3**	**(39.0)**	**–**	**29.0**	**463.9**
At 1 June 2018 (restated)*		**4.3**	**(85.4)**	**0.7**	**554.3**	**(39.0)**	**–**	**29.0**	**463.9**
Profit for the year		**–**	**–**	**–**	**26.1**	**–**	**–**	**(0.3)**	**25.8**
Other comprehensive income/(expense)									
Remeasurement of post-employment obligations	23	**–**	**–**	**–**	**(2.4)**	**–**	**–**	**–**	**(2.4)**
Exchange differences on translation of foreign operations		**–**	**(0.7)**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.9)**
Cash flow hedges – fair value gains in year net of taxation	18	**–**	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Cost of hedging reserve	18	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Changes in the fair value during the period in relation to time-period-related hedged items		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deferred tax on remeasurement of post-employment obligations	21	**–**	**–**	**–**	**0.4**	**–**	**–**	**–**	**0.4**
Tax on other equity-related items		**–**	**(0.6)**	**–**	**–**	**–**	**–**	**–**	**(0.6)**
Total comprehensive (expense)/income for the year		**–**	**(1.3)**	**–**	**24.1**	**–**	**(0.3)**	**(0.5)**	**22.6**
Transactions with owners:									
Ordinary dividends	8	**–**	**–**	**–**	**(34.6)**	**–**	**–**	**–**	**(34.6)**
Non-controlling interests dividend paid		**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Total transactions with owners recognised directly in equity		**–**	**–**	**–**	**(34.6)**	**–**	**–**	**(0.3)**	**(34.9)**
At 31 May 2019		**4.3**	**(86.7)**	**0.7**	**543.8**	**(39.0)**	**0.3**	**28.2**	**451.6**

* The results for the year ended 31 May 2018 and at 1 June 2017 have been restated to reflect prior year adjustments. Further details are set out in Note 1.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 May 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations	26	**82.9**	59.1
Taxation paid		**(10.3)**	(18.0)
Interest paid	6	**(7.2)**	(6.5)
Net cash generated from operating activities		**65.4**	34.6
Cash flows from investing activities			
Interest income	6	**0.5**	0.9
Purchase of property, plant and equipment and software	10,11	**(14.1)**	(22.2)
Proceeds from sale of assets		**4.1**	10.6
Funding to joint ventures	12	**(6.8)**	–
Net cash used in investing activities		**(16.3)**	(10.7)
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(0.3)**	(1.3)
Purchase of shares for ESOT	25	**–**	(0.4)
Dividends paid to Company shareholders	8	**(34.6)**	(34.6)
Increase in borrowings	17	**204.0**	–
Repayment of loan facility	17	**(250.0)**	(7.9)
Net cash used in financing activities		**(80.9)**	(44.2)
Net decrease in cash and cash equivalents		**(31.8)**	(20.3)
Cash and cash equivalents at the beginning of the year		**86.2**	116.1
Effect of foreign exchange rates	17	**(0.9)**	(9.6)
Cash and cash equivalents at the end of the year	17	**53.5**	86.2

GENERAL INFORMATION

PZ Cussons Plc is a public limited company registered in England and Wales which is listed on the London Stock Exchange and is domiciled and incorporated in the UK under the Companies Act 2006. The address of the registered office is given on page 200.

These Financial Statements are presented in Pounds Sterling and have been presented in £m. Foreign operations are included in accordance with the policies set out in Note 1.

For the year ending 31 May 2019 the following subsidiaries of the Company were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Subsidiary name	Companies House registration number
Beauty Source Ltd	03927341
St. Tropez Holdings Ltd	05706646
PZ Cussons (International Finance) Ltd	08589433
The Sanctuary at Covent Garden Ltd	02480670
Thermocool Engineering Company Ltd	09266188
Bronson Holdings Ltd	09771991

1. ACCOUNTING POLICIES

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 Standards Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by the IFRS IC.

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Key sources of estimation uncertainty can be found on page 148.

The Financial Statements have been prepared on a going concern basis and on a historical cost basis except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Financial Statements have been prepared using consistent accounting policies except as stated below.

a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 June 2018:

- IFRS 15 'Revenue from Contracts with Customers'; and
- IFRS 9 'Financial Instruments'.

a) i) IFRS 15 'Revenue from Contracts with Customers' (including Restatement of Income Statement)

During the year, the Group revised its accounting policy in relation to the recognition of revenue as a result of implementing IFRS 15 'Revenue from Contracts with Customers' from 1 June 2018.

The primary impact on the Group is a change in presentation of certain elements of trade spend that do not relate to the Group paying for a separate distinct good or service, but do relate to some form of payment or reduction in transaction price to a customer. These elements were previously recognised within selling and distribution costs; however under IFRS 15 these costs are now recognised as part of the transaction price and therefore as a reduction to revenue.

The Group has elected to restate comparative results under the full retrospective approach. The impacts of restatement due to the change in accounting policy are shown in the table below:

	31 May 2018 £m		
	Under previous policy	Adjustment	As published
Revenue	762.6	(22.8)	739.8
Selling and distribution costs	(123.9)	22.8	(101.1)

The changes described above have not impacted the Group's operating profit, profit before tax or balance sheet for the comparative year.

a) ii) IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaced the classification and measurement models for financial instruments in IAS 39 with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. IFRS 9 impacts the Group in three key areas:

1) Impairment of financial assets

The Group has assessed the impact of IFRS 9 based on a forward-looking expected credit loss model, using the existing impairment provision matrix whilst also incorporating forward-looking information into historical customer default rates. The impact of IFRS 9 is not material and as such no adjustment has been recognised in opening equity at the date of initial application. The Group has amended its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected loss model (consistent with the simplified approach permitted under IFRS 9).

In addition to trade receivables the Group has loan balances receivable from joint ventures. The Group has assessed the impact of IFRS 9 on these loans and concluded that no adjustment is required to the opening equity at the date of application, nor at the balance sheet date.

2) Changes to hedge accounting

Consistent with the non-complex nature of the Group's financial instruments, there has been no adjustment to the financial statements as a result of the implementation of IFRS 9. The Group has undertaken an assessment of its hedge relationships and has concluded that the Group's current hedge relationships continue to qualify for hedge accounting upon the adoption of IFRS 9. The Group has amended its accounting policy to reflect the requirements of IFRS 9.

3) Classification and measurement

The Group has assessed all financial assets within the scope of IFRS 9 and has concluded that there is no impact on the financial statements since all assets meet the criteria to be recognised at amortised cost, as they were previously measured under IAS 39.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early-adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 May 2019 reporting year and have not been early-adopted by the Group. With the exception of IFRS 16 'Leases' for which an impact assessment has been presented below, and IFRIC 23 which will not have a material impact on the Group, the Group will undertake an assessment of the impact of the following new standards and interpretations in due course:

- Amendments to IFRS 9 'Financial Instruments';
- Amendments to IFRS 10 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';
- Amendments to IAS 19 'Employee Benefits'; and
- Annual improvements to the IFRS Standards 2015–2017 cycle.

1. ACCOUNTING POLICIES CONTINUED

b) i) IFRS 16 'Leases'

IFRS 16 'Leases' is effective from 1 January 2019 and replaces IAS 17 'Leases' and related interpretations. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset and a financial liability for future lease payments are recognised. The only exceptions are short-term leases, low-value leases and leases of intangible assets.

As at the balance sheet date, the Group has not yet applied the standard; it will be applied from 1 June 2019. The Group has completed an IFRS 16 assessment and confirmed that the new standard will have a material impact on the Group's consolidated balance sheet, but with no material net impact on profit.

The Group has elected to apply the modified retrospective transition approach and will not restate comparative amounts for the year ended 31 May 2019. The Group has elected to measure the right-of-use asset as if IFRS 16 had been applied since the start of the lease, but using the incremental borrowing rate at 1 June 2019, with the difference between the right-of-use asset and the lease liability taken to retained earnings.

The Group has elected to adopt the following practical expedients on transition:

- not to reassess contracts to determine if the contract contains a lease and not to separate lease and non-lease elements; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Estimated impact of adoption of IFRS 16 'Leases'

Balance sheet

On initial application at 1 June 2019, it is estimated that the Group will recognise a right-of-use lease asset of approximately £14m and lease liabilities of approximately £16m based on calculations to date.

A transition adjustment of approximately £2m will be recognised as a debit to retained earnings. The Group will not capitalise low-value leases on transition, or those which expire before 31 May 2020, and has opted not to apply IFRS 16 to leases relating to intangible assets.

Income statement

Under IFRS 16 the Group will see a different pattern of expense within the income statement, as the IAS 17 operating lease expense is replaced by depreciation and interest charges. In 2020, the Group's EBITDA metric will improve by an estimated £0.1m under IFRS 16 as the new depreciation expense is expected to be lower than the IAS 17 operating lease charge; however the new finance costs are expected to broadly offset this, such that net profit after tax and the underlying earnings metric are not expected to be materially different compared to the previous IAS 17 reporting basis.

c) Restatement due to prior year adjustments

In preparing these financial statements, management have identified a number of errors relating to prior periods. Accordingly, prior year adjustments have been made. Certain of the prior year adjustments reflect historical errors relating to the recognition of goodwill and other intangible assets (i.e. brand values). These errors resulted from incorrect application of the requirements of IFRS 3, IAS 21 and IAS 12 to historic purchase price accounting and are as follows:

- certain goodwill and other intangible assets in foreign operations were recognised in the presentational currency of the Group (GBP), rather than in the functional currency of the cash-generating unit that the goodwill and other intangible assets are attributed to;
- certain deferred tax liabilities had not been recorded in relation to other intangible assets acquired in two foreign business combinations. The correction to record the deferred tax liabilities leads to a corresponding increase to goodwill arising on these acquisitions; and
- certain impairments of goodwill would have been recognised in prior years had the goodwill and other intangible assets been stated at the correct values following recognition of the deferred tax liabilities and foreign exchange remeasurements described above.

The net impact of these three adjustments is to increase goodwill and other intangible assets at 1 June 2017 by £5.0m (31 May 2018: reduce goodwill and other intangible assets by £5.9m) and to increase deferred tax liabilities at 1 June 2017 by £21.7m (31 May 2018: £4.5m). The impact of the adjustments on the income statement for the year ending 31 May 2018 is to increase exceptional items by £7.4m which represents the impairment of an Australian brand.

In addition, a presentational adjustment was made in respect of the classification of reserves in relation to the parent Company's Executive Share Option Trust (ESOT) and certain overseas restricted reserves. These reserves have now been included in the Consolidated Statement of Changes In Equity and Consolidated Balance Sheet as 'Other reserve' given their non-distributable nature. The net impact of this adjustment is to recognise an 'Other reserve' balance at 1 June 2017 of £38.9m (31 May 2018: £39.0m) and to increase the retained earnings balance at 1 June 2017 by £38.9m (31 May 2018: £39.0m).

Further, as a result of incorrect mapping of balances within the consolidation system there have been items recorded erroneously in the currency translation reserve and hedging reserve that should have been reflected in retained earnings. The net impact of this adjustment is to decrease the currency translation reserve at 1 June 2017 by £3.6m (31 May 2018: £nil), decrease the hedging reserve at 1 June 2017 by £0.6m (31 May 2018: £nil) and increase retained earnings by £4.2m.

These adjustments have been recognised as prior year errors in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' with the Financial Statements restated accordingly. The impact of the prior year adjustments on the affected primary statement line items is shown in the tables below:

	31 May 2018 £m				1 June 2017 £m		
	As previously reported	Adjustment to brought forward reserves	Adjustment (in-year impact)	**As restated**	As previously reported	Adjustment to brought forward reserves	**As restated**
Consolidated Income Statement							
Exceptional items	(13.5)	–	(7.4)	**(20.9)**	(15.5)	–	**(15.5)**
Operating profit	72.2	–	(7.4)	**64.8**	89.3	–	**89.3**
Profit before taxation	66.6	–	(7.4)	**59.2**	86.5	–	**86.5**
Profit attributable to owners of the Parent	47.7	–	(7.4)	**40.3**	62.4	–	**62.4**
Consolidated Statement of Other Comprehensive Income							
Profit for the year	48.8	–	(7.4)	**41.4**	65.1	–	**65.1**
Exchange differences on translation of foreign operations	(25.8)	–	(3.2)	**(29.0)**	(53.4)	–	**(53.4)**
Other comprehensive income for the year net of taxation	(5.2)	–	(3.2)	**(8.4)**	(55.6)	–	**(55.6)**
Total comprehensive income for the year	43.6	–	(10.6)	**33.0**	9.5	–	**9.5**
Consolidated Balance Sheet							
Goodwill and other intangible assets	406.1	5.0	(10.9)	**400.2**	403.4	5.0	**408.4**
Deferred taxation liability	(44.2)	(21.7)	0.3	**(65.6)**	(39.4)	(21.7)	**(61.1)**
Retained earnings	(536.4)	(31.9)	14.0	**(554.3)**	(501.3)	(31.9)	**(533.2)**
Other reserve	–	38.9	0.1	**39.0**	–	38.9	**38.9**
Currency translation reserve	79.8	9.1	(3.5)	**85.4**	58.6	9.1	**67.7**
Hedging reserve	(0.6)	0.6	–	**–**	(2.4)	0.6	**(1.8)**
Equity attributable to owners of the Parent	(462.2)	16.7	10.6	**(434.9)**	(450.1)	16.7	**(433.4)**

1. ACCOUNTING POLICIES CONTINUED

	31 May 2018 £m				1 June 2017 £m		
	As previously reported	Adjustment to brought forward reserves	Adjustment (in-year impact)	As restated	As previously reported	Adjustment to brought forward reserves	As restated
Consolidated Statement of Changes in Equity							
Currency Translation Reserve							
At 1 June	58.6	9.1	–	67.7	19.1	–	19.1
Exchange differences on translation of foreign operations	21.2	–	3.2	24.4	39.5	–	39.5
Reclassification of reserves	–	–	(6.7)	(6.7)	–	–	–
At 31 May	79.8	9.1	(3.5)	85.4	58.6	–	58.6
Retained Earnings							
At 1 June	(501.3)	(31.9)	–	(533.2)	(477.4)	–	(477.4)
Profit for the year	(47.7)	–	7.4	(40.3)	(62.4)	–	(62.4)
Reclassification of reserves	–	–	6.7	6.7	–	–	–
Acquisition of shares by ESOT	0.4	–	(0.1)	0.3	1.2	–	1.2
At 31 May	(536.4)	(31.9)	14.0	(554.3)	(501.3)	–	(501.3)

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of PZ Cussons Plc and entities controlled by PZ Cussons Plc (its subsidiaries) made up to 31 May each year. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficit below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The total profits or losses of subsidiaries are included in the Consolidated Income Statement and the interest of non-controlling interests is stated as the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Comprehensive income attributable to the non-controlling interests is attributed to the non-controlling interests even if this results in the non-controlling interests recognising a deficit balance.

The interest of non-controlling interests in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Where non-controlling interests are acquired, the excess of cost over the value of the non-controlling interest acquired is recorded in equity.

Where necessary, the accounts of subsidiaries are adjusted to conform to the Group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The fair value of consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at the lower of the assets' previous carrying value and fair value less costs of disposal. All acquisition costs are expensed as incurred as exceptional items.

Where acquisitions are achieved in stages, commonly referred to as 'stepped acquisitions', and result in control being obtained by the Group as part of a transaction, the Group reassesses the fair value of its existing interest in joint ventures as part of determining the fair value of consideration. In determining the fair value of the Group's existing interest, reference is made to the fair value of consideration paid to increase the Group's interest in joint ventures as well as the specific fair values of assets and liabilities transferred to gain control. Any increase or impairment of the Group's existing interest will be credited/charged to the income statement as an exceptional item.

Goodwill
Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill also includes amounts to reflect deferred tax liabilities established in relation to acquisitions in accordance with IFRS 3 'Business Combinations'. Goodwill is initially recognised as an asset and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests in joint ventures
Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PZ Cussons Plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

1. ACCOUNTING POLICIES CONTINUED

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, trade spend, rebates and sales-related taxes but including interest receivable on sales on extended credit. Sales of goods are recognised when title has passed and the significant risks and rewards of ownership have been transferred, which is generally on receipt or collection by customers. Should management consider that the criteria for recognition are not met, revenue is deferred until such time as the consideration has been fully earned.

Trade spend, which consists primarily of customer pricing allowances, placement/listing fees and promotional allowances, are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

Trade promotions

The Group provides for amounts payable to trade customers for promotional activity. Where a promotional activity spans across the year end, an accrual is reflected in the Group accounts based on our expectation of customer and consumer uptake during the promotional period and the extent to which temporary promotional activity has occurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease even when payments are not made on such a basis. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are presented in Sterling, which is the functional currency of the Company, and the presentational currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the actual rate of exchange prevailing on the dates of the transactions, or at average rates of exchange if they represent a suitable approximation to the actual rate. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing balance sheet rate. Exchange differences are recognised in other comprehensive income.

Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Cumulative foreign currency translation differences arising on the translation and consolidation of foreign operations' income statements and balance sheets denominated in foreign currencies are recorded as a separate component of equity. On disposal of a foreign operation the cumulative translation differences will be transferred to the income statement in the period of the disposal as part of the gain or loss on disposal.

Finance income and costs

Finance income is earned on bank deposits and finance costs are incurred on bank borrowings. Both are recognised in the income statement in the period in which they are incurred.

Government grants

Government grants related to property, plant and equipment are reflected in the balance sheet as deferred income and credited to the income statement over the useful lives of the assets concerned. Government grants relating to income are reflected in the balance sheet as deferred income and credited to the income statement over the period to which the grant relates.

Research and development

Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalisation set out in IAS 38 'Intangible Assets'.

Operating profit

Operating profit is the profit of the Group (including share of joint venture profit) before finance income, finance costs and taxation.

Retirement benefit obligations

The Group operates retirement benefit schemes in the UK and for most overseas countries in which it carries out business. Those in the UK are defined benefit schemes and defined contribution schemes; overseas schemes vary in detail depending on local practice. The UK defined benefit schemes were closed to future accrual on 31 May 2008.

The Group accounts for the defined benefit scheme under IAS 19 'Employee Benefits'.

The deficit/surplus of the defined benefit pension schemes is recognised on the balance sheet (with surpluses only recognised to the extent that the Group has an unconditional right to a refund) and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and the defined benefit obligation/surplus is updated on an annual basis, by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Pension charges/income recognised in the income statement consists of administration charges of the scheme and a cost based on the interest/income on net pension scheme liabilities/surpluses calculated in accordance with IAS 19.

Differences between the actual return on assets and interest income, experience gains and losses and changes in actuarial assumptions are included directly in the Group's Statement of Comprehensive Income.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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, but are not limited to, items such as certain foreign exchange losses, restructuring costs, acquisition-related costs, material impairments of non-current assets or receivables, material profits and losses on disposal of property, plant, equipment and brands, 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 magnitude 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.

1. ACCOUNTING POLICIES CONTINUED

The Directors believe that the adjusted presentation assists shareholders by providing a more meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each of the half year and full year results.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been in effect throughout the year.

The Group makes provision for current tax payable based on the Directors' best estimate of likely tax liabilities that may arise based on interpretations of current and expected tax legislation. Where tax legislation is not clear or is ambiguous the Directors make estimates of potential tax exposures that are reviewed and revised as additional information becomes available.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities on a net basis.

The Group continues to believe that it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. In assessing these income tax uncertainties, management is required to make judgements on: the determination of the unit of account; the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken; and estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As the Group operates in a multinational tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes known.

Property, plant and equipment

Land and buildings held at the date of transition to IFRS for use in the production or supply of goods or services, or for administration purposes, are stated in the balance sheet at deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses. All other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight-line method, on the following basis:

Freehold buildings at rates not less than	2%
Leasehold buildings at rates which will reduce the book value to nil on or before the termination of the leases, with a minimum of	2%
Plant and machinery not less than	8%
Fixtures, fittings and vehicles not less than	20%

In the case of major projects depreciation is provided from the date the project in question is brought into use. Land and assets in the course of construction are not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement for the year.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Other intangible assets

An acquired brand is only recognised on the balance sheet where it is supported by a registered trademark, where brand earnings are separately identifiable and the brand could be sold separately from the rest of the business. Brands acquired as part of a business combination are recorded in the balance sheet at fair value at the date of acquisition. Trademarks, patents and purchased brands are recorded at purchase cost. In accordance with IAS 36 'Impairment of Assets', the brands are tested for impairment annually, and more frequently where there is an indication that the asset may be impaired. Any impairment is recognised immediately in the income statement.

The Directors believe that the acquired brands have indefinite lives because, having considered all relevant factors, there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group. Further, the Directors have the intention and the ability to maintain the brands. In forming this conclusion they have not taken into consideration planned future expenditure in excess of that required to maintain the asset at that standard of performance. Indefinite life brands are allocated to the cash-generating units to which they relate and are tested annually for impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as income. Profit or losses on disposal of brands are included within operating profit within exceptional items.

1. ACCOUNTING POLICIES CONTINUED

Software development

Expenditure on research activities is recognised in the income statement as an expense as incurred. Expenditure on development activities directly attributable to the design and testing of identifiable software products and systems is capitalised if the product or systems meet the following criteria:

- the completion of the development is technically and commercially feasible to complete;
- adequate technical resources are sufficiently available to complete development;
- it can be demonstrated that future economic benefits are probable; and
- the expenditure attributable to the development can be measured reliably.

Development activities involve a plan or design for the production of new or substantially improved products or systems. Directly attributable costs that are capitalised as part of the software product or system include employee costs. Other development expenditures that do not meet these criteria as well as ongoing maintenance are recognised as an expense as incurred. Development costs for software are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding ten years) at the point in which they come into use.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated based on standard costs, with material price and usage variances apportioned using the periodic unit pricing method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Where net realisable value is lower than cost, provision for impairment is made which is charged to cost of sales in the income statement.

Trade receivables

Trade receivables are initially recognised at fair value, normally being the invoiced amount, and subsequently carried at invoiced amount less allowance for expected credit losses, which equals amortised cost since the terms are generally 30 days and the recognition of interest would be immaterial. An estimate of the amount of allowance for expected credit losses is recognised and reduces the carrying amount of the trade receivables. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Bad debts are written off when identified and charged to administrative expenses.

Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts includes cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of deposit. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management.

Where the Group has the legally enforceable right, and has settled balances on a net basis at the reporting date, bank overdrafts and cash balances are offset and presented on a net basis within the Financial Statements.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and to fluctuations in interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group designates gross positions and hedge documentation is prepared in accordance with IFRS 9.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles for the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income, and any ineffective portion is recognised immediately in the income statement.

Financial assets

The Group classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets include current asset investments, which relate to unlisted equity investments. These are held at cost because their fair value cannot be reliably measured.

Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the year in which they arise.

1. ACCOUNTING POLICIES CONTINUED

Trade payables

Trade payables are initially recognised at fair value, normally being the invoiced amounts, and subsequently measured at invoiced amounts, which equals amortised cost, using the effective interest rate method, since generally the payments' terms are such that the impact of discounting would be immaterial.

(a) Trade payables under vendor financing arrangements

Accounts payable under vendor financing arrangements are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables, but are specified in the disclosures. The credit period does not exceed 12 months and the accounts payables are therefore not discounted.

The Group has an arrangement with a bank under which the bank offers vendors the option to receive earlier payment of accounts payables. Vendors utilising the financing arrangement pay a credit fee to the bank. The Group does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. Based on the Group's assessment the liabilities under the vendor financing arrangement are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables with separate disclosures in the notes. The credit period does not exceed 12 months and the accounts payables are therefore not discounted. Accounts payables under vendor financing arrangements were £6.0m (2018: £7.9m); see Note 19.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Investments

Investments (other than interests in joint ventures) are recognised and derecognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as available for sale. Subsequently, investments are measured at cost because they are investments in unquoted equities for which a fair value cannot be reliably measured. Loans to joint ventures, presented in the balance sheet as 'investments', are classified as loans and receivables and measured at amortised cost.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

Capital redemption reserve

Amounts in respect of the redemption of certain of the Company's ordinary shares are recognised in the capital redemption reserve.

Currency translation reserve

On translation of the Group's overseas operations and related balances from their local functional currency to the Group's presentational currency, foreign exchange differences arise, the cumulative effect of which is recognised in the currency translation reserve.

Segmental reporting

Operating segments are identified in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board. For reporting purposes, in accordance with IFRS 8 'Operating Segments', the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report, with the CODM identifying three reporting segments – Africa, Asia Pacific and Europe & the Americas.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share-based payments

The Group operates a Performance Share Plan and an Executive Share Option Scheme for senior executives, both of which involve equity-settled share-based payments.

Equity-settled share-based payments under the Executive Share Option Scheme were measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date was expensed on a straight-line basis over the vesting period. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The awards under the Performance Share Plan are measured at the fair value at the date of grant and are expensed over the vesting period based on the expected outcome of the performance and service conditions. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

Accounting estimates and judgements

The Group's significant accounting policies under IFRS have been set by management with the approval of the Audit & Risk Committee. The application of these policies requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period.

1. ACCOUNTING POLICIES CONTINUED

Key sources of estimation uncertainty

Pensions

The Group's UK defined benefit pension schemes are closed to new members and future accruals. Year end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability/asset in the balance sheet. See Note 23 for details of key estimates and assumptions applied in valuing the pension schemes.

Fair value of goodwill, intangible assets and tangible fixed assets

The Group records all intangible assets acquired as part of a business combination at fair value. Intangible assets are deemed to have indefinite lives and as such are not amortised but are subject, as a minimum, to annual tests for impairment. Determining whether intangible assets are impaired requires an estimation of the recoverable amount through value-in-use of the cash-generating units (CGUs) to which the intangible asset has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The key estimates made by the Group include the discount rate, growth rates in revenue and gross margin and terminal growth rates, details of which are discussed in Note 10. Currently the most sensitive estimates relate to the Nutricima, Rafferty's Garden and five:am CGUs. The sensitivity analysis in respect of the recoverable amount of these CGUs is also presented in Note 10.

Current tax

The current tax liabilities/assets directly relate to the actual tax payables/receivables on the Group's profits and are determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions and judgements are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined.

Included within the current tax liability of the Group are three material current tax estimates with carrying values as at 31 May 2019 of £15.4m (2018: £13.5m), £5.5m (2018: £6.2m) and £3.6m (2018: £3.7m).

The tax estimate of £15.4m has arisen due to a difference in technical standpoint between PZ Cussons Plc and a tax authority on a subjective and complex piece of legislation. This difference of opinion has led to an audit of the associated tax returns. This potential tax liability has been provided for in full due to the subjectivity of the legislation. It is expected that the range of possible outcomes could be a liability between £nil and £15.4m. A material movement to this current tax estimate is not expected within the next 12 months.

The tax estimate of £5.5m has arisen due to the risk of non-tax deductibility of a specific category of expense where it has come to light that formal government approval in the relevant jurisdiction may be required. It is expected that the range of possible outcomes could be a liability between £nil and £5.5m. This potential tax liability has been provided for in full due to the subjectivity of the guidance around the requirement for the government approval. A material movement to this current tax estimate is not expected within the next 12 months.

The tax estimate of £3.6m has arisen due to the risk that a tax authority may challenge the tax residency of a company not incorporated in that jurisdiction. This risk is based on the argument that the past functions of this entity could suggest tax residency outside of the incorporation jurisdiction. While the functions of this entity have been altered to address this risk going forward, the risks associated with past years remain until such time that the tax status of this entity has been audited by the relevant authorities. The potential tax liability has been provided for in full due to the subjectivity of the legislation around the tax residency of the entity based on previous functions. It is expected that the range of possible outcomes could be a liability between £nil and £3.6m. A material movement to this current tax liability is not expected within the next 12 months.

Critical areas of judgement

Foreign exchange rates in Nigeria

The Nigerian foreign exchange regime is such that there are currently two official rates of exchange; the Central Bank of Nigeria spot rate (CBN), and NAFEX. An unofficial parallel market rate and the NIFEX rate are also legally available, although not consistently publicly quoted. Judgement is required in selecting the rate at which to translate US Dollar-denominated balances held in the Group's Nigerian entities into Naira, and the results of the Nigerian businesses into Sterling for consolidation purposes. At 31 May 2018, the rate used by management was the NIFEX rate. At this time, this was an official rate of exchange and was publicly quoted. However in December 2018, the NIFEX rate ceased to be publicly quoted, and as such the Group changed the rate of translation to NAFEX from 1 January 2019.

After closely monitoring the profile of exchange rates accessed by the Group for settlement of transactions throughout the year, and observing a trend towards the majority of the Group's transactions now being settled at NAFEX rates, which is anticipated to continue, the Group concluded that NAFEX is the most appropriate rate to translate US Dollar-denominated balances in Nigeria and the results of Nigerian operations as at 31 May 2019. The impact of moving the rate of translation from NIFEX to NAFEX is not material to the Financial Statements.

Basis of recognition of pension scheme surplus

Judgement is applied in the consideration of trustees' rights in relation to pension scheme surpluses. The trust deeds for the Directors' and Main staff plan provides the Group with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up the scheme, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in these two UK schemes are recognised in full. Where it is deemed that there is no such unconditional right to refund, such as in the case of the expatriate plan, where the trustees have unilateral rights to wind up the scheme and distribute the surplus to members, no surplus is recognised.

Assessment of useful lives of acquired brands

The Directors are required to assess whether the useful lives of acquired brands are finite or indefinite. Under IAS 38 'Intangible Assets', an intangible asset should be regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

In forming their judgement that the acquired brands have indefinite lives, the Directors give consideration to such factors as their expected usage of the brands, typical product life cycles, the stability of the markets in which the brands are sold, the competitive positioning of the brands and the level of marketing and other expenditure required to maintain the brands.

2. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker (CODM) has been identified as the Executive Board, which comprises the Chief Executive Officer at the date of this report. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports, which include an allocation of central revenue and costs as appropriate. For reporting purposes, in accordance with IFRS 8 'Operating Segments', the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report.

The CODM considers the business from a geographic perspective, with Europe & the Americas, Asia Pacific and Africa being the operating segments. The CODM assesses the performance based on operating profit before any exceptional items. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that of the Financial Statements.

Revenues and operating profit of the Europe & the Americas and Asia Pacific segments arise from the sale of Personal Care, Home Care and Food & Nutrition products. Revenue and operating profit from the Africa segment arise from the sale of Personal Care, Home Care, Food & Nutrition and Electricals products. Sales between segments are carried out on an arm's length basis.

Reporting segments

2019	Europe & the Americas £m	Asia Pacific £m	Africa £m	Eliminations £m	Total £m
Gross segment revenue	383.1	204.7	232.4	(130.8)	689.4
Inter-segment revenue	(119.1)	(11.7)	–	130.8	–
Revenue	264.0	193.0	232.4	–	689.4
Segmental operating profit before exceptional items and share of results of joint ventures	57.1	20.4	(3.3)	–	74.2
Share of results of joint ventures	–	–	2.3	–	2.3
Segmental operating profit before exceptional items	57.1	20.4	(1.0)	–	76.5
Exceptional items	(7.5)	(23.7)	(1.6)	–	(32.8)
Segmental operating profit	49.6	(3.3)	(2.6)	–	43.7
Finance income					0.5
Finance cost					(7.2)
Profit before taxation					37.0
Depreciation and amortisation	12.0	3.6	7.5	–	23.1
Impairment of intangible assets	–	21.3	3.5	–	24.8
Impairment of tangible assets	–	1.0	0.4	–	1.4

2018 (restated)*	Europe & the Americas £m	Asia Pacific £m	Africa £m	Eliminations £m	Total £m
Gross segment revenue	386.0	214.8	274.1	(135.1)	739.8
Inter-segment revenue	(121.6)	(13.5)	–	135.1	–
Revenue	264.4	201.3	274.1	–	739.8
Segmental operating profit before exceptional items and share of results of joint ventures	60.8	18.6	4.9	–	84.3
Share of results of joint ventures	–	–	1.4	–	1.4
Segmental operating profit before exceptional items	60.8	18.6	6.3	–	85.7
Exceptional items	(12.6)	(3.6)	(4.7)	–	(20.9)
Segmental operating profit	48.2	15.0	1.6	–	64.8
Finance income					0.9
Finance cost					(6.5)
Profit before taxation					59.2
Depreciation and amortisation	12.7	3.9	7.9	–	24.5
Impairment of intangible assets	–	7.4	–	–	7.4
Impairment of tangible assets	2.8	–	–	–	2.8

* See Note 1a) and 1c) for details.

The Group's Parent Company is domiciled in the UK. The split of revenue from external customers and non-current assets between the UK, Nigeria and the rest of the world (Other) is:

2019	**UK £m**	**Nigeria £m**	**Other £m**	**Total £m**
Revenue	**177.0**	**197.3**	**315.1**	**689.4**
Goodwill and other intangible assets	**279.6**	**14.1**	**75.5**	**369.2**
Property, plant and equipment	**32.8**	**71.6**	**44.5**	**148.9**
Pension surplus	**36.3**	**–**	**–**	**36.3**
Financial instruments	**17.0**	**7.7**	**11.0**	**35.7**

2018 (restated)*	UK £m	Nigeria £m	Other £m	Total £m
Revenue	176.6	237.6	325.6	739.8
Goodwill and other intangible assets	282.1	17.9	100.2	400.2
Property, plant and equipment	35.8	74.5	46.3	156.6
Pension surplus	33.3	–	–	33.3
Financial instruments	8.0	8.0	7.6	23.6

* See Note 1a) and 1c) for details.

The Group analyses its net revenue by the following categories:

	2019 £m	(Restated)* 2018 £m
Personal Care	**403.5**	420.1
Home Care	**93.9**	116.3
Food & Nutrition	**109.8**	125.5
Electricals	**76.8**	72.1
Other	**5.4**	5.8
	689.4	739.8

* See Note 1a) for details.

3. EXCEPTIONAL ITEMS

Year to 31 May 2019

Exceptional items included within operating profit:	Exceptional items before taxation £m	Taxation £m	Exceptional items after taxation £m
Group structure and systems project	5.0	(1.1)	3.9
Group strategy project	4.2	–	4.2
Sale of Norpalm investment in Ghana	(3.3)	0.8	(2.5)
Guaranteed Minimum Pension (GMP) past service cost	0.7	(0.1)	0.6
Impairment of Australian and Nigerian assets	26.2	(4.2)	22.0
	32.8	(4.6)	28.2

Year to 31 May 2018 (restated)*

Exceptional items included within operating profit:	Exceptional items before taxation £m	Taxation £m	Exceptional items after taxation £m
Group structure and systems project	11.6	(2.3)	9.3
Impairment of non-operational European fixed asset	3.7	–	3.7
Sale of land relating to redundant manufacturing site in Australia	(8.1)	2.1	(6.0)
Change in Naira exchange rate for translation purposes	6.3	(1.8)	4.5
Sale of Australian brand	–	(2.3)	(2.3)
Impairment of Australian intangible assets	7.4	–	7.4
	20.9	(4.3)	16.6

* See Note 1c) for details.

Explanation of exceptional items

Year to May 2019

Group structure and systems project

The Group incurred exceptional costs of £5.0m relating to the project to realign the organisation design to create a more effective operating model. These represent a continuation of the same project on which exceptional costs were recognised in previous years and mainly consist of restructuring costs.

Group strategy project

The Group incurred exceptional costs of £4.2m relating to the strategic review of the Group's operating units. These costs largely represent professional services fees.

Sale of Norpalm investment in Ghana

In April 2019, the Group sold the Norpalm investment that was held in Ghana. Net proceeds of £3.6m were received against a book value of £0.3m resulting in exceptional income of £3.3m.

Guaranteed Minimum Pension (GMP) past service cost

This relates to the provision required for GMP equalisation following a UK High Court judgment confirming companies are required to equalise male and female members' benefits. As at the half year to 30 November 2018, this provision was estimated at £2.0m; however the provision as at 31 May 2019 has been revised to £0.7m following a detailed analysis by the Group's third-party independent actuary.

Impairment of Australian and Nigerian assets

The Group performed a review of future growth assumptions in relation to five:am in Australia and Nutricima in Nigeria and concluded that the value-in-use of these cash-generating units was lower than the carrying value, and therefore booked an aggregate impairment charge of £26.2m (£12.0m goodwill, £12.8m other intangible assets and £1.4m property, plant and equipment) as per IAS 36. More detail is provided in Note 10.

Year to May 2018

Group structure and systems project

The Group incurred exceptional costs of £11.6m relating to the project to realign the organisation design to create a more effective operating model. These represent a continuation of the same project on which exceptional costs were recognised in previous years and mainly consisted of restructuring, advisory and IT system-related costs.

Impairment of a non-operational European fixed asset

A decision was made to impair a non-operational European fixed asset to its latest market value, resulting in a £3.7m impairment loss being recognised.

Sale of land relating to redundant manufacturing site in Australia

In November 2017, the Group sold land relating to a redundant manufacturing site in Australia. Net proceeds of £10.3m were received against a net book value of £2.2m, resulting in exceptional income before tax of £8.1m.

Change in Naira exchange rate for translation purposes

As a result of the evolution of the foreign exchange market in Nigeria, the Group shifted over the course of the financial year to a position where it was predominantly accessing US Dollars at the NIFEX rate, which is one of the three official rates of exchange in existence in Nigeria. As a result of this shift, in May 2018 the Directors reassessed the likely rate of settlement of the Group's Nigerian US Dollar monetary assets and liabilities and concluded that it was appropriate for the Group to move from translating both the Nigerian businesses' US Dollar-denominated monetary assets and liabilities, and the balance sheets of its Nigerian operations, at the Central Bank of Nigeria (CBN) rate to the NIFEX exchange rate from May 2018 onwards. This change of accounting estimate resulted in an exceptional charge of £6.3m before tax as a result of translating the year end balances at the NIFEX rate rather than the CBN rate.

Sale of Australian brand

In May 2018, the Group sold a non-core Australian brand, resulting in a £2.3m tax credit. The pre-tax profit on disposal was £nil.

Impairment of Australian asset

The Group has recognised an impairment charge of £7.4m on a restated goodwill balance within an Australian cash-generating unit as a result of a prior year restatement. See Note 1c) for further details.

4. PROFIT FOR THE YEAR – ANALYSIS BY NATURE

Profit for the year before exceptional items has been arrived at after charging/(crediting):

	2019 £m	(Restated)* 2018 £m
Net foreign exchange losses	**1.5**	12.8
Research and development costs	**2.5**	3.5
Amortisation of government grants	**–**	0.1
Impairment of property, plant and equipment (Note 11)	**1.4**	2.8
Depreciation of property, plant and equipment (Note 11)	**16.9**	18.1
Impairment of intangible assets (Note 10)	**24.8**	7.4
Amortisation of intangible assets (Note 10)	**6.2**	6.4
Gain on disposal of assets	**(3.5)**	(7.7)
Raw and packaging materials and goods purchased for resale (Note 14)	**418.0**	444.0
Inventory provisions (Note 14)	**5.1**	5.3
Accounts receivable provisions (Note 15)	**1.4**	1.7
Operating lease rentals	**2.0**	1.7
Employee costs (Note 5)	**91.7**	100.6
Auditor's remuneration (see below)	**0.8**	0.8

* See Note 1c) for details.

4. PROFIT FOR THE YEAR – ANALYSIS BY NATURE CONTINUED

Auditor's remuneration

A more detailed analysis of the External Auditor's remuneration on a worldwide basis is provided below:

	2019 £m	2018 £m
Fees payable to the Company's External Auditor for the audit of the Company's annual Financial Statements and Consolidation	0.2	0.2
Fees payable to the Company's External Auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	0.6	0.6
Total audit fees	0.8	0.8
Fees payable to the Company's External Auditor and its associates for other services:		
– Tax services	–	–
– Other services	–	–
Total fees	0.8	0.8

Fees for permitted non-audit services paid to the Company's External Auditor totalled £42,000 (2018: £41,000).

5. DIRECTORS AND EMPLOYEES

Employee costs

The average monthly number of employees (including Executive Directors) was as follows:

	2019 Number	2018 Number
Production	2,476	2,696
Selling and distribution	991	1,205
Administration	519	575
	3,986	4,476

The costs incurred in respect of the above were as follows:

	2019 £m	2018 £m
Wages and salaries	81.1	89.9
Social security costs	5.3	5.6
Other pension costs	5.3	5.1
	91.7	100.6

The other pension costs consist of:

	2019 £m	2018 £m
Defined benefit schemes (Note 23)	0.7	0.2
Defined contribution schemes (Note 23)	3.9	3.9
Overseas minor defined benefit schemes and Nigerian gratuity scheme (Note 23)	0.7	1.0
	5.3	5.1

Directors' remuneration

The costs incurred in respect of the Directors, who are regarded as the key management personnel, were as follows:

	2019 £m	2018 £m
Short-term employee benefits	1.6	1.8
Post-employment benefits	0.2	0.2
Total	1.8	2.0

Additional details are within the Report on Directors' Remuneration on pages 91 to 109.

6. NET FINANCE COSTS

	2019 £m	2018 £m
Interest receivable on cash deposits	0.5	0.9
Interest income	0.5	0.9
Interest payable on bank loans and overdrafts	(5.6)	(6.5)
Interest payable to external third parties	(0.5)	–
Finance costs incurred on Revolving Credit Facility renewal	(1.1)	–
Net finance costs	(6.7)	(5.6)

7. TAXATION

	2019 £m	2018 £m
Current tax		
UK corporation tax charge for the year	4.3	5.7
Adjustments in respect of prior years	0.6	0.1
Double tax relief	(1.5)	(2.1)
	3.4	3.7
Overseas corporation tax charge for the year	10.4	13.0
Adjustments in respect of prior years	(0.5)	–
	9.9	13.0
Total current tax charge	13.3	16.7
Deferred tax		
Origination and reversal of temporary timing differences	(0.4)	0.6
Adjustments in respect of prior years	(0.7)	(0.1)
Effect of rate change adjustments	(1.0)	0.6
Total deferred tax charge	(2.1)	1.1
Total tax charge	11.2	17.8

UK corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group has chosen to use a weighted average tax rate rather than the UK rate for the reconciliation of the charge for the year to the profit before taxation per the Consolidated Income Statement. The Group operates in a number of overseas jurisdictions which have tax rates in excess of the UK rate. As such, a weighted average tax rate is believed to provide more meaningful information to users of the Financial Statements. The approximate tax rate for this comparison is 17.02% (2018: 23.05%).

	2019 £m	(Restated)* 2018 £m
Profit before tax	37.0	59.2
Tax at the weighted average tax rate of 17.02% (2018: 23.05%)	6.3	13.6
Adjusted for:		
Tax effect of expenses that are not deductible	8.7	5.0
Tax effect of non-taxable income	(3.0)	(7.4)
Effect of rate change on deferred taxation	(1.0)	0.6
Tax effect of share of results of joint ventures	(0.6)	(0.5)
Overseas withholding tax suffered on dividends	2.3	1.8
Net adjustment to amount carried in respect of unresolved tax matters	(1.1)	5.7
Creation/(utilisation) of deferred tax assets not recognised	0.2	(0.8)
Research and development relief	–	(0.2)
Adjustments in respect of prior years	(0.6)	–
Tax charge for the year	11.2	17.8

* See Note 1c) for details.

7. TAXATION CONTINUED

The weighted average tax rate (based on where the Group has made profits and the tax rates applicable in those countries) has reduced when compared to the prior year. This reduction is primarily driven by the exceptional impairment charge of £26.2m which relates to cash-generating units in higher tax jurisdictions.

The main movements in the tax reconciliation from the tax at the weighted average rate and the actual tax charge for the year are explained as follows:

- The effect of items being treated as non-tax-deductible has increased the tax charge for the year by £8.7m. Of this amount, the largest impact is due to the impairment of non-deductible goodwill which has increased the tax charge by £3.3m. In addition, non-deductible expenses in Nigeria and professional service costs relating to the Group's strategy project increase the tax charge by £2.5m and £0.8m respectively.
- The effect of items being treated as non-taxable has reduced the tax charge for the year by £3.0m. The largest impact is due to non-taxable foreign exchange movements, predominantly in Nigeria, which reduced the tax charge by £1.6m.
- The impact of future changes to corporation tax rates has reduced the tax charge by £0.9m. The largest impact relates to the prospective reductions to the corporation tax rate in Greece, reducing the tax charge by £0.5m.
- Under UK tax law any local withholding taxes on dividend income received are an irrecoverable cost. The impact of the withholding taxes suffered increases the tax charge by £2.3m.
- PZ Cussons Plc is subject to taxation in all of the countries in which it operates. The tax legislation applicable in these countries is often complex and subject to interpretation both by management and government authorities. These judgemental interpretations give rise to quantifiable risks which are provided for on the balance sheet. The adjustment this year decreases the tax charge by £1.1m.

The resulting income statement tax charge for the year represents a post-exceptional effective tax rate of 30.27% (2018: 26.73%).

The Group continues to believe that it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. In assessing these income tax uncertainties, management is required to make judgements in the determination of the unit of account, the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken, together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As the Group operates in a multinational tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes known.

Taxation on items taken directly to equity and other comprehensive income was a charge of £0.2m (2018: charge of £4.3m) and mainly relates to deferred tax on pensions (as described in Note 21).

8. DIVIDENDS

	2019 £m	2018 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2018 of 5.61p (2017: 5.61p) per ordinary share	**23.5**	23.5
Interim dividend for the year ended 31 May 2019 of 2.67p (2018: 2.67p) per ordinary share	**11.1**	11.1
	34.6	34.6
Proposed final dividend for the year ended 31 May 2019 of 5.61p (2018: 5.61p) per ordinary share	**23.5**	23.5

The proposed final dividends for the years ended 31 May 2018 and 31 May 2019 were/are subject to approval by shareholders at the Annual General Meeting and hence have not been included as liabilities in the Financial Statements at 31 May 2018 and 31 May 2019 respectively.

9. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Parent by the weighted average number of shares in issue:

	2019 Number 000	2018 Number 000
Basic weighted average	**418,332**	418,313
Diluted weighted average	**418,332**	418,313

The difference between the average number of ordinary shares and the basic weighted average number of ordinary shares represents the shares held by the Employee Share Option Trust, whilst any difference between the basic and diluted weighted average number of shares represents the potentially dilutive effect of the Executive Share Option Schemes and the Performance Share Plan. The average number of shares is reconciled to the basic and diluted weighted average number of shares below:

	2019 Number 000	2018 Number 000
Average number of ordinary shares in issue during the year	**428,725**	428,725
Less: weighted average number of shares held by Employee Share Option Trust	**(10,393)**	(10,412)
Basic weighted average number of shares in issue during the year	**418,332**	418,313
Dilutive effect of share incentive plans	**–**	–
Diluted weighted average number of shares in issue during the year	**418,332**	418,313

At 31 May 2019, the Employee Share Option Trust held 10,384,591 ordinary shares (2018: 10,415,400 ordinary shares).

Adjusted earnings per share

	2019	(Restated)* 2018
Basic earnings per share	**6.24p**	9.63p
Exceptional items	**6.77p**	3.76p
Adjusted basic earnings per share	**13.01p**	13.39p
Diluted earnings per share	**6.24p**	9.63p
Exceptional items	**6.77p**	3.76p
Adjusted diluted earnings per share	**13.01p**	13.39p

* See Note 1c) for details.

Adjusted basic and diluted earnings per share figures are calculated by dividing adjusted profit after tax for the year by the weighted average number of shares in issue (as above). The adjusted profit after tax for the year is as follows:

	2019 £m	(Restated)* 2018 £m
Profit attributable to owners of the Parent	**26.1**	40.3
Exceptional items (net of taxation effect)	**28.3**	15.7
Adjusted profit after tax	**54.4**	56.0

* See Note 1c) for details.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill £m	Software £m	Other £m	Total £m
Cost				
At 1 June 2017 (as previously reported)	63.1	45.7	295.5	404.3
Effect of prior year adjustment	9.0	–	(4.0)	5.0
At 1 June 2017 (restated)*	72.1	45.7	291.5	409.3
Currency retranslation (restated)*	(1.1)	(0.3)	(2.4)	(3.8)
Additions	–	6.8	–	6.8
Reclassifications from property, plant and equipment	–	2.8	–	2.8
Revised analysis between cost and amortisation of intangible assets between categories	–	0.2	–	0.2
At 31 May 2018	71.0	55.2	289.1	415.3
Currency retranslation	(0.6)	0.1	(2.7)	(3.2)
Additions	–	0.6	–	0.6
Reclassifications from property, plant and equipment	–	3.1	–	3.1
Revised analysis between cost and amortisation of intangible assets between categories	–	1.0	–	1.0
At 31 May 2019	**70.4**	**60.0**	**286.4**	**416.8**
Accumulated amortisation				
At 1 June 2017	–	0.9	–	0.9
Charge for the year	–	6.4	–	6.4
Reclassifications from property, plant and equipment	–	0.2	–	0.2
Revised analysis between cost and amortisation of intangible assets between categories	–	0.2	–	0.2
Impairment loss*	7.4	–	–	7.4
At 31 May 2018	7.4	7.7	–	15.1
Currency retranslation	–	0.1	–	0.1
Charge for the year	–	6.2	–	6.2
Reclassifications from property, plant and equipment	–	0.4	–	0.4
Revised analysis between cost and amortisation of intangible assets between categories	–	1.0	–	1.0
Impairment loss	12.0	–	12.8	24.8
At 31 May 2019	**19.4**	**15.4**	**12.8**	**47.6**
Net book values				
At 31 May 2019	**51.0**	**44.6**	**273.6**	**369.2**
At 31 May 2018	63.6	47.5	289.1	400.2

* See Note 1c) for details.

Transfers from property, plant and equipment mainly represent the capitalised element of software costs relating to the completion of the Business Planning and Consolidation tool project. Amortisation is charged to administrative expenses in the income statement.

Software includes the ERP system (SAP), the implementation and embedding of which was completed during the year ended 31 May 2019. The carrying value of this asset as at 31 May 2019 is £41.5m, with eight years of amortisation remaining.

The carrying amounts of software are reviewed at each reporting date to determine whether there is any indication of impairment.

Goodwill and other intangible assets (excluding software), which include the Group's acquired brands, all have indefinite useful lives and are subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The method used is as follows:

- intangible assets (including goodwill) are allocated to appropriate cash-generating units (CGUs) based on the smallest identifiable group of assets that generate cash inflows independently in relation to the specific intangible/goodwill.
- the recoverable amounts of the CGUs are determined through value-in-use calculations that use cash flow projections from approved budgets and plans over a period of five years, which are then extrapolated beyond the five year period based on estimated long-term growth rates.

As the Group's other intangible assets, which represent brand values, and goodwill have all arisen from previous business combinations, CGUs have been identified as the business units acquired, as they represent the smallest group of assets which independently generate cash flows. This is the case for all intangible assets and goodwill other than the Beauty business unit and Greek acquired brands where the CGU has been identified as the overall operating unit.

The table below summarises the allocation of goodwill and other intangible assets to each CGU.

	Goodwill 2019 £m	(Restated)* Goodwill 2018 £m	**Other intangible assets 2019 £m**	(Restated)* Other intangible assets 2018 £m
Original Source	**–**	–	**9.8**	9.8
Beauty business unit brands	**40.4**	40.4	**188.2**	188.2
Rafferty's Garden	**6.8**	7.1	**35.6**	36.9
Nutricima	**–**	3.0	**9.6**	10.2
five:am	**–**	9.2	**20.7**	34.5
Other[1]	**3.8**	3.9	**9.7**	9.5
Total	**51.0**	63.6	**273.6**	289.1

* See Note 1c) for details.

1 Other includes two brands acquired by the Group's Greek business in previous years and goodwill arising on the purchase of shares in PZ Cussons Nigeria Plc.

The carrying value of each CGU as used in the value-in-use model may differ from the values disclosed above due to the inclusion of any non-current assets directly related to driving economic benefit from the brand.

Key assumptions in the budgets and plans include future revenue volume/price growth rates, associated future levels of marketing support, cost base of manufacture and supply and directly associated overheads. These assumptions are based on historical trends and future market expectations specific to each CGU and the markets and geographies in which each CGU operates.

Other key assumptions applied in determining value-in-use are:

- growth rates – short-term growth rates are based on the latest approved management forecasts. Cash flows beyond the five year period are extrapolated using the estimated long-term growth rate applicable for the geographies in which the CGUs operate;
- terminal growth rates; and
- discount rate – based on a pre-tax Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group, adjusted for risks specific to each CGU.

10. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

The long-term growth rates and discount rates applied in the value-in-use calculations have been set out below:

	Pre-tax discount rate FY19	Pre-tax discount rate FY18	Long-term growth rate FY19	Long-term growth rate FY18
Original Source	9.3%	8.1%	1.8%	2.5%
Beauty business unit brands	9.3%	8.1%	1.8%	2.5%
Rafferty's Garden	10.0%	8.7%	2.3%	3.3%
Nutricima	17.9%	15.0%	2.4%	4.5%
five:am	9.3%	8.5%	2.3%	3.3%
Greece	19.8%	20.9%	2.0%	1.0%

The discount rates disclosed above are the pre-tax discount rates applied in the FY19 value-in-use calculations. Discount rates have been used which reflect the similar geographic and product diversification within each CGU's market and the similar risks associated with each CGU.

Long-term growth rates have been set for each CGU based on estimated long-term growth rates for the territories in which the CGUs operate. All CGUs, other than Nutricima, operate in geographies which include the UK, Australia, the US and central Europe.

Long-term growth rates have been set with reference to estimated long-term GDP growth forecasts, which have been deemed an appropriate proxy for long-term growth. The long-term growth rate for the Nutricima CGU reflects the estimated long-term growth rate in the key geography of Nigeria in which the CGU operates.

Having performed the annual impairment tests, impairments on intangible assets of two CGUs totalling £24.8m have been recognised for the year ended 31 May 2019 (31 May 2018 restated: one CGU totalling £7.4m). In forming this conclusion the Directors reviewed a sensitivity analysis performed by management, which focused on the reasonably possible downsides of key assumptions, both individually and in reasonably possible combinations, and considered whether these reasonably possible downsides give rise to an impairment, with the conclusion that no reasonably possible changes in key assumptions would cause the recoverable amount of the CGU to be less than the carrying value, other than for three CGUs: Nutricima, five:am and Rafferty's Garden.

For the Nutricima CGU, the recoverable amount determined by the Directors was £19.2m. As the CGU had a carrying value of £23.1m, the Directors concluded that an impairment of £3.9m was necessary in order to reflect the CGU at the higher of its value-in-use or fair value less costs of disposal as per IAS 36. The key drivers behind the decrease in value-in-use when compared to prior year include worsening macroeconomic factors such as long-term growth rate and discount rate as well as a change in the future cash flows expected from the business.

The impairment charge of £3.9m has been recognised as an exceptional item in line with the Group's accounting policy and is split across the relative classes of assets as follows: goodwill £3.0m, other intangible assets £0.5m and property, plant and equipment £0.4m, in accordance with IAS 36 'Impairment of Assets'.

Given that this CGU is located in Nigeria where the macroeconomic environment is volatile, management has had to carefully consider the range of reasonably possible changes in assumptions when performing sensitivity analysis. Whilst it is not management's current expectation, should Nutricima trading results in FY20 be in line with those achieved in FY19, which is considered by the Directors to be reasonably possible given the inherent market uncertainty, this would result in a further impairment of £5.6m.

For the five:am CGU, the recoverable amount determined by the Directors was £22.5m. As the CGU had a carrying value of £44.8m, the Directors concluded that an impairment of £22.3m was necessary in order to reflect the CGU at the higher of its value-in-use or fair value less costs of disposal as per IAS 36. The key drivers behind the decrease in value-in-use when compared to prior year include worsening macroeconomic factors such as long-term growth rate and discount rate as well as a change in the future cash flows expected from the business. Whilst the FY19 performance has been broadly in line with previous expectations, management has revisited the forecasts for this CGU in the outer years i.e. FY20 to FY24 and revised the forecasts accordingly based on the latest view of the market in which five:am operates, which is extremely fragmented and has high levels of competition.

The impairment charge of £22.3m has been recognised as an exceptional item in line with the Group's accounting policy and is split across the relative classes of assets as follows: goodwill £9.0m, other intangible assets £12.3m and property, plant and equipment £1.0m, in accordance with IAS 36 'Impairment of Assets'.

The key assumptions considered by the Directors, where a reasonably possible change could give rise to impairment, were the discount factor and terminal growth rate applied to the value-in-use model. If the discount rate were to increase by 0.5% and the terminal growth rate were to decrease by 0.5%, which whilst not management's current expectation is considered by the Directors to be reasonably possible, this would lead to a further impairment charge of £3.5m.

For the Rafferty's Garden CGU, the recoverable amount determined by the Directors was £44.6m. As the CGU had a carrying value of £42.5m, the Directors concluded that no impairment was required; however, they recognise that this gives limited headroom. The key drivers behind the decrease in value-in-use when compared to prior year include worsening macroeconomic factors such as long-term growth rate and discount rate as well as a change in the future cash flows expected from the business. In addition, due to the recognition of goodwill in relation to the deferred tax liability, the carrying value of this cash-generating unit has increased by circa £9m compared to the amount previously reported at 31 May 2018. See Note 1c) for details.

The key assumptions considered by the Directors, where a reasonably possible change could give rise to impairment, were the discount factor and terminal growth rate applied to the value-in-use model. If the discount rate were to increase by 0.5% and the terminal growth rate were to decrease by 0.5%, which whilst not management's current expectation is considered by the Directors to be reasonably possible, this would lead to an impairment charge of £6.9m.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Assets in the course of construction £m	Total £m
Cost					
At 1 June 2017	133.4	204.5	53.6	34.6	426.1
Currency retranslation	(7.7)	(9.9)	(1.6)	(1.4)	(20.6)
Additions	0.9	1.4	2.5	10.6	15.4
Disposals	(9.7)	(37.8)	(5.2)	(0.3)	(53.0)
Reclassification	3.1	11.5	18.8	(33.4)	–
Reclassification to software within intangible assets	–	–	(2.8)	–	(2.8)
Revised analysis between cost and depreciation of fixed assets within and between categories	1.8	8.7	(1.3)	2.8	12.0
At 31 May 2018	121.8	178.4	64.0	12.9	377.1
Currency retranslation	0.7	1.3	0.2	(0.1)	2.1
Additions	0.1	0.7	0.3	12.4	13.5
Disposals	(0.7)	(0.7)	(0.8)	–	(2.2)
Reclassification	0.2	7.9	0.2	(8.3)	–
Reclassification to software within intangible assets	–	–	–	(3.1)	(3.1)
Revised analysis between cost and depreciation of fixed assets within and between categories	(1.5)	3.9	(9.2)	(2.6)	(9.4)
At 31 May 2019	**120.6**	**191.5**	**54.7**	**11.2**	**378.0**
Accumulated depreciation and amounts written off					
At 1 June 2017	42.8	152.7	53.6	–	249.1
Currency retranslation	(1.6)	(6.1)	(1.3)	–	(9.0)
Charge for the year	2.2	11.6	4.3	–	18.1
Disposals	(9.7)	(37.4)	(5.2)	–	(52.3)
Reclassification	(0.4)	–	0.4	–	–
Reclassification to software within intangible assets	–	–	(0.2)	–	(0.2)
Revised analysis between cost and depreciation of fixed assets within and between categories	1.1	9.7	1.2	–	12.0
Impairment loss	2.7	–	0.1	–	2.8
At 31 May 2018	37.1	130.5	52.9	–	220.5
Currency retranslation	0.4	1.4	0.3	–	2.1
Charge for the year	2.1	10.7	4.1	–	16.9
Disposals	(0.4)	(0.7)	(0.8)	–	(1.9)
Reclassification	–	–	–	–	–
Reclassification to software within intangible assets	–	–	(0.4)	–	(0.4)
Revised analysis between cost and depreciation of fixed assets within and between categories	(0.4)	0.1	(9.1)	–	(9.4)
Impairment loss	–	1.4	–	–	1.4
At 31 May 2019	**38.8**	**143.4**	**47.0**	**–**	**229.2**
Net book values					
At 31 May 2019	**81.8**	**48.1**	**7.7**	**11.2**	**148.8**
At 31 May 2018	84.7	47.9	11.1	12.9	156.6

Depreciation is charged to administrative expenses in the income statement. At 31 May 2019, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £0.4m (2018: £1.6m). At 31 May 2019, the Group's share of the capital commitments of the joint ventures was £nil (2018: £nil).

12. NET INVESTMENTS IN JOINT VENTURES

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

Net investments in joint ventures include the Group's equity investment in joint ventures, long-term loans issued to joint ventures and the Group's share of the joint ventures' net assets.

The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Long-term loans issued to joint ventures	Group's share of net assets/ (liabilities) of joint ventures	Net investments in joint ventures
Carrying value			
At 1 June 2017	34.1	(11.0)	23.1
Exchange differences on translation of overseas net liabilities recognised in equity	–	(1.1)	(1.1)
Exchange differences on translation of foreign currency loans classified as 'permanent as equity' recognised in equity	(0.8)	–	(0.8)
Share of result for the year taken to the income statement	–	1.7	1.7
At 31 May 2018	33.3	(10.4)	22.9
Increased funding to joint ventures in year	6.8	–	6.8
Increased equity investment	–	2.1	2.1
Exchange differences on translation of overseas net liabilities recognised in equity	–	(0.5)	(0.5)
Exchange differences on translation of foreign currency loans classified as 'permanent as equity' recognised in equity	2.0	–	2.0
Share of result for the year taken to the income statement	–	2.3	2.3
At 31 May 2019	**42.1**	**(6.5)**	**35.6**

Set out below is the summarised financial information for the consolidated PZ Wilmar joint ventures, including PZ Wilmar Limited, PZ Wilmar Food Limited and Wilmar PZ International Pte Limited, which are accounted for using the equity method.

Aggregated amounts relating to joint ventures	2019 £m	2018 £m
Assets		
Non-current assets		
Assets	**62.0**	73.8
Current assets		
Cash and cash equivalents	**3.7**	15.8
Other current assets	**57.3**	32.5
	61.0	48.3
Total assets	**123.0**	122.1
Liabilities		
Non-current liabilities	**(98.8)**	(80.0)
Current liabilities	**(41.3)**	(62.8)
Total liabilities	**(140.1)**	(142.8)
Net liabilities	**(17.1)**	(20.7)

12. NET INVESTMENTS IN JOINT VENTURES CONTINUED

Aggregated amounts relating to joint ventures	2019 £m	2018 £m
Revenues	**124.2**	141.6
Profit before tax for the year	**5.4**	5.5
Total comprehensive income/(expense)	**(0.6)**	1.3

The above information reflects the amounts presented in the Financial Statements of the joint venture adjusted for differences in accounting policies between the Group and the joint venture, and before Wilmar International Limited's share of those amounts.

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in Note 30.

The Directors review the carrying value of the net investments in joint ventures annually and consider that the financial position of the companies and the recurring annual profits support the carrying value at 31 May 2019.

13. OTHER INVESTMENTS

Previously held non-current other investments of £0.3m comprising a 28% investment in Norpalm Ghana Limited, a palm oil plantation in Ghana, was sold during the year. The profit on the sale of this investment totalled £3.3m, which is further discussed in Note 3.

14. INVENTORIES

	2019 £m	2018 £m
Raw materials and consumables	**30.2**	48.5
Work in progress	**19.1**	9.6
Finished goods and goods for resale	**82.6**	74.5
	131.9	132.6

During the year ended 31 May 2019, £5.1m (2018: £5.3m) was charged to the income statement for slow-moving and obsolete inventories. The cost of the inventories recognised as an expense and included in cost of sales amounted to £418.0m (2018: £444.0m). Inventories are stated after provisions for impairment of £2.1m (2018: £2.7m).

15. TRADE AND OTHER RECEIVABLES

Receivables due within one year	2019 £m	2019 £m
Trade receivables	**140.1**	140.0
Less: provision for impairment of trade receivables	**(8.4)**	(7.0)
Net trade receivables	**131.7**	133.0
Amounts owed by joint ventures	**2.5**	8.9
Other receivables	**15.4**	16.8
Prepayments and accrued income	**7.9**	5.2
	157.5	163.9

The Directors consider the carrying amount of trade and other receivables approximates to their fair value due to their short-term nature.

Receivables due after more than one year	2019 £m	2018 £m
Prepayments and accrued income	**–**	0.2
Other receivables	**–**	0.2
	–	0.4

Movements in the Group provision for impairment of trade receivables are as follows:

	2019 £m	2018 £m
At 1 June	**(7.0)**	(6.2)
Provision for receivables impairment	**(1.4)**	(1.7)
Receivables written off during the year	**(0.4)**	(0.2)
Receivables recovered during the year	**0.4**	0.5
Currency translation	**–**	0.6
At 31 May	**(8.4)**	(7.0)

Provisions are estimated by management based on the expected credit loss model. The creation and release of provisions for receivables is charged to administrative expenses in the income statement. Receivables are written off when all possible routes through which amounts can be recovered have been exhausted.

Trade receivables consist of a broad cross-section of the international customer base for which there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account the customers' financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors. The credit period given on sales is mainly 30 days, but ranges from 14 to 90 days (2018: 14 to 90 days) due to the differing nature of trade receivables in the Group's geographical segments.

No other receivables have been deemed to be impaired.

The carrying amount of the Group's net trade receivables are denominated in the following currencies:

	2019 £m	2018 £m
Sterling	**37.6**	39.8
US Dollar	**10.1**	13.1
Nigerian Naira	**29.4**	24.4
Euro	**12.9**	13.6
Polish Zloty	**2.5**	2.3
Indonesian Rupiah	**18.0**	15.8
Ghana Cedi	**–**	2.2
Australian Dollar	**15.4**	16.0
Other currencies	**5.8**	5.8
	131.7	133.0

15. TRADE AND OTHER RECEIVABLES CONTINUED

The following table shows the age of net trade receivables at the reporting date:

	2019 £m	2018 £m
Not past due	**103.7**	102.3
Past due 0–90 days	**25.8**	25.8
Past due 90–180 days	**1.6**	2.0
Past due >180 days	**0.6**	2.9
	131.7	133.0

16. CURRENT ASSET INVESTMENTS

	2019 £m	2018 £m
Unlisted	**0.3**	0.3
	0.3	0.3

17. CASH AND CASH EQUIVALENTS

	1 June 2017 £m	Net cash flow £m	Foreign exchange movements £m	31 May 2019 £m
Cash at bank and in hand	134.5	(28.0)	(8.7)	**97.8**
Short-term deposits	16.1	(10.4)	(0.8)	**4.9**
Cash and short-term deposits	150.6	(38.4)	(9.5)	**102.7**
Overdrafts	(34.5)	18.1	(0.1)	**(16.5)**
Cash and cash equivalents	116.1	(20.3)	(9.6)	**86.2**
Loans due within one year	(260.2)	7.9	0.4	**(251.9)**
Loans due in greater than one year	–	–	–	**–**
Financing liabilities	**(260.2)**	**7.9**	**0.4**	**(251.9)**
Current asset investments	0.3	–	–	**0.3**
Net debt	**(143.8)**	**(12.4)**	**(9.2)**	**(165.4)**

	1 June 2018 £m	Net cash flow £m	Foreign exchange movements £m	31 May 2019 £m
Cash at bank and in hand	97.8	(46.4)	(0.8)	**50.6**
Short-term deposits	4.9	(2.0)	–	**2.9**
Cash and short-term deposits	102.7	(48.4)	(0.8)	**53.5**
Overdrafts	(16.5)	16.6	(0.1)	**–**
Cash and cash equivalents	86.2	(31.8)	(0.9)	**53.5**
Loans due within one year	(251.9)	249.9	–	**(2.0)**
Loans due in greater than one year	–	(204.0)	–	**(204.0)**
Financing liabilities	(251.9)	45.9	–	**(206.0)**
Current asset investments	0.3	–	–	**0.3**
Net debt	**(165.4)**	**14.1**	**(0.9)**	**(152.2)**

The effective interest rate on cash and cash equivalents during the year ended 31 May 2019 was 2.7% (2018: 3.5%).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including market risk (which includes foreign currency risk, interest rate risk and price risk), counterparty and credit risk and liquidity risk.

The Group's Treasury function seeks to manage potential adverse effects on the Group's financial performance, by coordinating access to domestic and international financial markets, and monitoring and managing the financial risks relating to the operations of the Group.

The Group uses derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Internal Audit function on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Classification of financial instruments

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments; and
- fair values of financial instruments (except financial instruments whose carrying amount approximates their fair value).

Financial assets

£m	2019	2018
Total financial assets at fair value		
Derivatives designated as hedging instruments	**1.6**	–
Debt instruments at amortised cost		
Trade and other receivables	**147.1**	155.0
Loans to joint venture	**2.5**	8.9
Total current	**149.6**	163.9
Total non-current	**–**	–
Total	**151.2**	163.9

Financial liabilities

£m	Interest rate (%)	Maturity	2019	2018
Current interest-bearing loans and borrowings				
Unsecured borrowings/overdrafts	2.0–5.0	2020	**2.0**	16.5
Senior Revolving Credit Facility	1.86	2018	**–**	251.9
Non-current interest-bearing loans and borrowings				
Senior Revolving Credit Facility	1.82	2023	**204.0**	–
Other financial liabilities				
Derivatives designated as hedging instruments			**1.0**	1.1
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings				
Trade and other payables			**103.6**	90.9
Total current			**106.6**	360.4
Total non-current			**204.0**	–
Total			**310.6**	360.4

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

(b) Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk.

The Group's risk management strategy and how it is applied to manage risk are explained in Note 18 (d).

Derivatives designated as hedging instruments

The Group only applies cash flow hedge accounting with the following risks:

Foreign currency risk

Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The foreign currency risk associated with anticipated sales and purchase transactions is hedged out to 24 months. Basis adjustments are made to the initial carrying amounts of inventories when the inventories are initially recorded.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying amount) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates. This means that there is an economic relationship between the hedging instrument (the foreign exchange forward derivatives) and the hedged item (highly probable forecast sales and purchases in foreign currency).

The notional of the hedging instrument (the derivative) is consistent with the designated amount of the underlying exposure; therefore hedge ratio is 1:1 in all cases. However, potential future rebalancing can be performed if needed.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other potential sources of ineffectiveness in these hedging relationships are changes in the settlement date or amount. However, the Group reviews each hedge on every reporting date to ensure its effectiveness.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting year.

£m	Notional amount	Carrying amount	Change in fair value used for measuring ineffectiveness for the year
As at 31 May 2019			
Assets	**51.2**	**1.6**	**1.4**
Liabilities	**25.6**	**1.0**	**1.0**
As at 31 May 2018			
Assets	52.8	0.3	0.3
Liabilities	29.2	1.1	1.1

As at 31 May 2019, the aggregate gains under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to anticipated future purchase transactions amount to a loss of £0.5m (2018: loss of £0.8m). It is anticipated that the purchases will take place during the first 12 months of the next financial year, at which time the amount deferred in equity will be removed from equity and included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months of purchase.

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

£m	Cash flow reserve	Cost of hedging reserve
As at 1 June 2017 (restated)*	1.8	–
Effective portion of changes in fair value arising from:		
Sales and purchases	(0.6)	–
Amount reclassified to profit or loss	(1.2)	–
Tax effect	–	–
As at 1 June 2018	–	–
Effective portion of changes in fair value arising from:		
Sales and purchases	0.7	(0.3)
Amount reclassified to profit or loss	(0.1)	–
Amount transferred to inventories	–	–
Tax effect	–	–
As at 31 May 2019	**0.6**	**(0.3)**

* See Note 1 for details.

Interest rate risk

The Group has exposure to interest rate risk, principally in relation to cash and cash equivalents and fixed and floating rate debt facilities. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of an interest rate derivative: namely, a cap option.

In December 2018, the Group bought an interest rate cap (+1.25%) and designated it as a hedging instrument in a cash flow hedge of the GBP debt facility. The main terms of this financial option are £75m Notional on 3-month LIBOR floating to fixed, maturing 21 December 2021.

As at 31 May 2019, the change in fair value since the inception of the derivative has been £0.01m. This change in fair value can be split between intrinsic value (£nil) and time value (£0.01m).

(c) Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments for those groups of financial instruments accounted at amortised cost rather than at fair value, other than those with carrying amounts that are reasonable approximations of fair values:

	2019		2018	
£m	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-listed equity investments	**0.3**	**0.3**	0.3	0.3
Total	**0.3**	**0.3**	0.3	0.3
Financial liabilities				
Interest-bearing loans and borrowings				
Floating rate borrowings	**(206.0)**	**(206.0)**	(251.9)	(251.9)
Total	**(206.0)**	**(206.0)**	(251.9)	(251.9)

Management has assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The following methods and assumptions were used to estimate the fair values:

- Foreign currency forward contracts: Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- Interest rate cap: the Black-Scholes method is used when estimating fair value for this type of financial option. Subsequently, the fair value is split between intrinsic value and time value in order to properly allocate the changes in fair value between other comprehensive income and income statement, in compliance with IFRS 9.
- Non-listed equity investments: income approach using the discounted cash flow method to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.
- Interest-bearing loans and borrowings: future cash flows are estimated based on the agreement's fixed/forward (from observable forward interest rates at the end of the reporting period) rates, discounted at the rate that reflects the Group's credit risk.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 May 2019			
£m	Fair value	Level 1	Level 2	Level 3
Financial assets				
Non-listed equity investments	0.3	–	–	0.3
Derivatives designated as hedging instruments	1.6	–	1.6	–
Total	1.9	–	1.6	0.3
Financial liabilities				
Derivatives designated as hedging instruments	(1.0)	–	(1.0)	–
Total	0.9	–	0.6	0.3

	As at 31 May 2018			
£m	Fair value	Level 1	Level 2	Level 3
Financial assets				
Non-listed equity investments	0.3	–	–	0.3
Derivatives designated as hedging instruments	0.3	–	0.3	–
Total	0.6	–	0.3	0.3
Financial liabilities				
Derivatives designated as hedging instruments	(1.1)	–	(1.1)	–
Total	(0.5)	–	(0.8)	0.3

There were no transfers between Levels 1, 2 and 3 during the current or prior year.

(d) Financial instruments risk management objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Finance function provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

A. Market risk
Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the import and export of goods;
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations; and
- interest rate instruments (cap option) to mitigate the risk of rising interest rates.

The sensitivity analyses in the following sections relate to the position as at 31 May in 2019 and 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant, and on the basis of the hedge designations in place at 31 May 2019.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(a)(i) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to the fluctuations in foreign currency rates resulting from committed and forecast transactions in foreign currencies, principally in relation to purchases of raw materials. These purchases are typically denominated in US Dollars or Euros.

When a derivative is entered into for the purpose of creating a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The carrying amounts of the Group's foreign-currency-denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2019		2018	
£m	**Equity**	**Income statement**	Equity	Income statement
Nigerian Naira	**108.8**	**(11.9)**	128.5	3.4
US Dollar	**13.2**	**6.9**	13.2	0.5
Euro	**36.8**	**1.7**	34.9	5.5
Indonesian Rupiah	**29.1**	**8.0**	35.3	12.2
Australian Dollar	**25.5**	**5.8**	29.8	1.6

(a)(ii) Foreign currency sensitivity
The table below details the Group's sensitivity to a 5% increase or decrease in currency units against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currency-denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number indicates an increase in profit and other equity where currency units strengthen 5% against the relevant currency. For a 5% weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

£m	Change	2019 Effect on profit before tax	2019 Effect on pre-tax equity	2018 Effect on profit before tax	2018 Effect on pre-tax equity
Nigerian Naira	+5%	(0.6)	5.4	0.1	2.1
	-5%	0.6	(5.4)	(0.1)	(2.1)
US Dollar	+5%	0.3	0.7	0.2	0.7
	-5%	(0.3)	(0.7)	(0.2)	(0.7)
Indonesian Rupiah	+5%	0.4	1.5	(0.5)	(3.5)
	-5%	(0.4)	(1.5)	0.5	3.5
Australian Dollar	+5%	0.3	1.3	1.2	3.1
	-5%	(0.3)	(1.3)	(1.2)	(3.1)

(b)(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates and their related hedging derivatives.

The Group manages cash balances to protect against adverse changes in rates whilst retaining liquidity. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; this ensures that the most cost-effective hedging strategies are applied.

The Group has entered into an interest rate cap (financial option), in which it agrees to receive, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed notional principal amount, when the floating rate is above a certain level (strike 1.25%). The Group has designated this cap as a hedging instrument in a cash flow hedge, specifying that the time value of the option is a cost of hedging.

(b)(ii) Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at reporting date to have been outstanding for the whole year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

£m	Increase/ decrease in basis points	Effect on profit before tax	Effect on pre-tax equity
2019			
Sterling	+10	(0.2)	–
	-10	0.2	–
Total		–	–
2018			
Sterling	+10	(0.3)	–
	-10	0.3	–
Total		–	–

The Group's sensitivity to interest rates has decreased during the current year, mainly due to the reduction in variable rate debt instruments.

B. Credit risk
The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group has dedicated standards, policies and procedures to control and monitor credit risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating and equity price reviews of the counterparties and by limiting the total amount of exposure to any one party. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

The Group does not believe it is exposed to any material concentrations of credit risk. An analysis of the international long-term credit ratings of counterparties where cash and cash equivalents (including overdrafts) are held is as follows:

£m	31 May 2019 Cash and cash equivalents and financial derivatives	31 May 2018 Cash and cash equivalents and financial derivatives
AA-	**42.2**	34.7
A+ to A-	**71.1**	86.9
BBB+ to BBB-	**3.0**	2.1
B+ to B-	**11.7**	40.0
CCC+	**–**	1.1
Not rated	**2.3**	3.4
Total	**130.3**	168.2

Trade receivables and contract assets
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets, by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

As permitted by IFRS 9, the Group used the simplified approach in calculating ECL for trade receivables and contract assets that did not contain a significant financing component. The Group applied the practical expedient to calculate ECL using a provision matrix. The Group has concluded that current and forward-looking information does not affect its customers' historical default rates and, consequently, the expectation and estimation of the ECL has not changed.

As stated above, in light of the credit ratings of its counterparties, the Group has applied the optional low credit risk operational simplification in assessing whether there is a significant increase in credit risk of its debt instruments at fair value through other comprehensive income.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

C. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the undiscounted cash flows of financial liabilities at the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Where interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The amounts included for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount were claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting year, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee. The contractual maturity is based on the earliest date on which the Group could be required to pay.

	31 May 2019				
£m	**< 3 months**	**3 to 12 months**	**1–2 years**	**2–5 years**	**Total**
Non-interest-bearing					
Floating interest rate instruments	2.0	–	–	204.0	206.0
Trade and other payables	103.2	–	–	–	103.2
Derivatives	0.5	0.5	–	–	1.0

	31 May 2018				
£m	< 3 months	3 to 12 months	> 1 year	2–5 years	Total
Non-interest-bearing					
Floating interest rate instruments	16.5	251.9	–	–	268.4
Trade and other payables	90.9	–	–	–	90.9
Derivatives	0.6	0.5	–	–	1.1

Financing facilities

The Group has access to financing facilities as described below. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

£m	31 May 2019	31 May 2018
Unsecured bank overdraft facilities, reviewed annually and payable at call:		
– Amount used	**(2.0)**	(16.5)
– Amount unused	**171.4**	197.9
Unsecured bill acceptance facilities, reviewed annually:		
– Amount used	**(12.7)**	(13.8)
– Amount unused	**248.6**	181.9
Secured bank loan facilities with maturity dates listed on page 167:		
– Amount used	**(204.0)**	(251.9)
– Amount unused	**121.0**	33.1

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising returns to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from May 2018. The capital structure of the Group consists of net debt and equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

The Group had net debt positions as at 31 May 2019 and 31 May 2018, respectively, as shown below:

£m	31 May 2019	31 May 2018
Cash at bank and in hand (see Note 17)	**50.6**	97.8
Short-term deposits (see Note 17)	**2.9**	4.9
Bank overdrafts	**–**	(16.5)
Cash and cash equivalents (see Note 17)	**53.5**	86.2
Current asset investments	**0.3**	0.3
Current interest-bearing loans and borrowings	**(2.0)**	(251.9)
Non-current interest-bearing loans and borrowings	**(204.0)**	–
Net debt	**(152.2)**	(165.4)

19. TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Trade payables	**93.8**	89.9
of which trade payables under vendor financing arrangements	**6.0**	7.9
Other taxation and social security	**2.1**	8.3
Other payables	**9.8**	1.0
Accruals and deferred income	**64.9**	75.2
	170.6	174.4

For trade payables and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note 18 for more information on financial instruments classified by category/fair value hierarchy level and management of liquidity risk. The Group has an arrangement with a bank under which the bank offers vendors the option to receive earlier payment of the Group's trade payables. Vendors utilising the financing arrangement pay a credit fee to the bank. The Group does not pay any credit fees and does not provide any additional collateral or guarantee to the bank.

20. OTHER NON-CURRENT LIABILITIES

	2019 £m	2018 £m
Other payables	**0.6**	1.0
	0.6	1.0

21. DEFERRED TAX

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Other timing differences £m	Business combinations £m	Accruals and provisions £m	Tax losses £m	Total £m
At 1 June 2017 (restated)*	(15.2)	2.8	(8.0)	3.4	(49.7)	5.5	0.1	(61.1)
(Charge)/credit to income (restated)*	(2.9)	(1.0)	0.1	(5.3)	1.3	(0.5)	7.2	(1.1)
(Charge)/credit to equity (restated)*	–	(4.5)	0.5	0.6	–	–	(0.3)	(3.7)
Currency translation (restated)*	1.3	(0.1)	0.8	(1.1)	0.3	(0.3)	(0.6)	0.3
At 31 May 2018 (restated)*	(16.8)	(2.8)	(6.6)	(2.4)	(48.1)	4.7	6.4	(65.6)
Credit/(charge) to income	3.1	(1.0)	1.0	(4.8)	3.8	0.3	(0.3)	2.1
Credit to equity	–	0.4	–	–		–	–	0.4
Currency translation	0.1	(0.1)	(0.1)	(0.2)	1.7	–	–	1.4
Reclassification	2.1	–	–	(2.1)	–	–	–	–
At 31 May 2019	**(11.5)**	**(3.5)**	**(5.7)**	**(9.5)**	**(42.6)**	**5.0**	**6.1**	**(61.7)**

* See Note 1c) for details.

As at 31 May 2019, the deferred tax liability of £9.5m categorised as 'Other timing differences' predominantly relates to intangible assets of £6.0m and unrealised foreign exchange movements of £3.1m.

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £m	(Restated)* 2018 £m
Deferred tax assets	**10.4**	15.0
Deferred tax liabilities	**(72.1)**	(80.6)
	(61.7)	(65.6)

* See Note 1c) for details.

Deferred income taxes at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. For UK deferred income tax, management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred tax assets and liabilities are forecast to be realised. This resulted in a UK deferred income tax rate of 17.0% being used to measure all deferred tax balances as at 31 May 2019 (2018: 17.0%).

Unremitted earnings may be liable to overseas withholding taxes if distributed as dividends. No deferred tax liability has been provided for unremitted earnings of Group companies overseas as these are considered indefinitely reinvested outside the UK. The aggregate amount of temporary differences associated with investment in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately £13.1m as at 31 May 2019 (2018: £16.6m).

Deferred income tax assets are recognised for tax losses brought forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At the balance sheet date, the Group had £6.1m of recognised unused tax losses (2018: £6.4m).

22. PROVISIONS

	Restructuring and warranty provisions £m
At 1 June 2017	3.9
Charged to the income statement	0.6
Currency retranslation	(0.2)
Used during year	(3.1)
At 31 May 2018	1.2
Charged to the income statement	1.1
Currency retranslation	–
Used during year	(0.7)
At 31 May 2019	**1.6**

Provisions as at 31 May 2019 relate to restructuring costs in connection with the Group structure and systems project (2019: £nil, 2018: £0.6m), long-term employee provisions (2019: £1.5m, 2018: £0.2m) and warranty costs in relation to the Africa Electricals division (2019: £0.1m, 2018: £0.4m). The majority of provisions are expected to be utilised in the next 12 months.

23. RETIREMENT BENEFITS

The Group operates retirement benefit schemes for most of its UK and overseas subsidiaries. The defined benefit scheme associated obligations have all been measured in accordance with IAS 19 (revised).

Summary of Group retirement schemes

UK retirement benefits
The UK operates a defined contribution scheme for current employees. The UK's defined benefit schemes were closed to future accrual on 31 May 2008. The following four defined benefit schemes are the UK's main schemes:

- Main staff plan – for all historically eligible UK-based staff, excluding PZ Cussons Plc Executive Directors;
- Directors' plan – for PZ Cussons Plc Executive Directors;
- Expatriate plan – for all eligible expatriate staff based outside the UK; and
- Unfunded plan – unfunded unapproved retirement scheme.

Current and past employees within these schemes are provided with defined benefits based on service and final salary. The assets of the schemes are administered by trustees and are held in trust funds independent of the Group. In relation to the unfunded plan, the Group made payments during the year to former Directors of £178,747 (2018: £172,208).

Overseas retirement benefits
Outside of the UK the Group operates a number of defined benefit and defined contribution schemes. Included within 'Overseas retirement benefits and similar obligations' below are the unfunded retirement benefit obligations relating to certain of the Group's overseas subsidiaries and other employee-related provisions for long service and sick leave.

The Nigerian gratuity scheme is a defined contribution scheme that is computed based on the agreement between PZ Cussons Nigeria Plc and Staff of PZ Cussons Nigeria Plc dated 31 December 2006. The scheme is only applicable to staff employed before 1 January 2007. The scheme is funded directly using the Company's cash flow and expensed to the income statement appropriately.

Basis of recognition of pension scheme surplus
The trust deeds for the Directors' and Main staff plan provides the Group with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up the scheme, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in these two UK schemes are recognised in full.

The trust deed for the Expatriate plan provides the trustees with an unconditional right to wind up the scheme and distribute the surplus to members; therefore the surplus on the expatriate scheme is not recognised.

23. RETIREMENT BENEFITS CONTINUED

Summary of Group defined benefit schemes (as recorded on the balance sheet)

	2019			2018		
	Surplus £m	**Deficit £m**	**Total £m**	Surplus £m	Deficit £m	Total £m
Expatriate plan	**55.9**	**–**	**55.9**	57.0	–	57.0
Directors' plan	**7.6**	**–**	**7.6**	7.0	–	7.0
Main staff plan	**28.7**	**–**	**28.7**	26.3	–	26.3
Unfunded plan	**–**	**(4.5)**	**(4.5)**	–	(4.2)	(4.2)
Other overseas units	**–**	**(6.8)**	**(6.8)**	–	(7.8)	(7.8)
	92.2	**(11.3)**	**80.9**	90.3	(12.0)	78.3
Restriction due to asset ceiling (see Note 1)	**(55.9)**	**–**	**(55.9)**	(57.0)	–	(57.0)
Defined benefit asset/(liability) per Group accounts	**36.3**	**(11.3)**	**25.0**	33.3	(12.0)	21.3

UK schemes risk review

The UK's main schemes expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Risk	Description	Mitigation
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate (investment return) determined by direct reference to high-quality corporate bond yields (for IAS 19 purposes) and gilt yields (for statutory funding and long-term funding purposes). If the return on Plan assets is less than these discount rates, the funding position of the Plan will fall.	As part of the financing of the Plans, they invest in assets with higher return expectations than lower risk bonds that are the best match for the Plans' liabilities. To control the resulting investment risk, the Plans invest in diversified portfolios of growth assets with the balances invested in liability-matching bond assets designed to control interest rate risk (see below). The split between growth assets and liability-matching bond assets for each Plan is regularly monitored to ensure investment risk is not excessive given the statutory funding assumptions and the Plans' long-term funding objectives.
Interest risk	A decrease in the corporate bond yield and/or gilt yield will increase the present value of the Plan's liabilities under IAS 19 and statutory/long-term funding bases respectively.	The Plans make use of liability-driven investment techniques to protect them against the majority of the interest rate risk inherent in their liabilities. This is achieved by investing in gilts and investment-grade corporate bonds such that changes in the Plans' liabilities due to falling gilt and/or corporate bond yields are offset by similar movements in the value of the Plans' overall assets. Reflecting the Plans' focus on controlling interest risk relative to their statutory and long-term funding bases, the Plans' liability-matching bond portfolios are predominantly invested in gilts, with the balance invested in investment-grade corporate bonds to increase the expected return on the Plans' assets in a risk-controlled way. In doing so, the exposures to investment-grade corporate bonds also help mitigate the interest rate risk inherent in the Plans' IAS 19 liabilities.
Inflation risk	An increase in inflation results in higher benefit increases for members, which results in higher Plan liabilities.	The Plans' liability-matching bond assets are also designed to hedge the majority of the inflation rate risk inherent in the Plans' liabilities. This is achieved by investing in index-linked gilts.
Longevity risk	The value of the Plans' liabilities is calculated by reference to the best estimate of the life expectancy of each Plan's participants. An increase in life expectancy of the Plans' participants will increase the Plans' liabilities.	To help control longevity risk all the Plans are closed to future benefit accrual. The Plans consider additional approaches to mitigating longevity risk, for example by buying annuities with an insurance company to cover the Plans' liabilities.

The movements in the year are as follows:

	Overseas retirement benefits and similar obligations £m	UK retirement benefits and similar obligations £m	Total £m
At 1 June 2017	(10.1)	(3.7)	(13.8)
Currency retranslation	1.0	–	1.0
Interest income/(expense) and administrative expenses	0.2	(0.4)	(0.2)
Contributions paid	–	6.5	6.5
Utilised in the year	1.0	–	1.0
Gain on settlement	–	0.2	0.2
Remeasurement gains	0.1	26.5	26.6
At 31 May 2018	(7.8)	29.1	21.3
Currency retranslation	(0.1)	–	(0.1)
Interest income/(expense) and administrative expenses	(0.5)	0.4	(0.1)
Contributions paid	–	6.2	6.2
Utilised in the year	0.8	–	0.8
Past service cost	–	(0.7)	(0.7)
Remeasurement gains/(losses)	0.8	(3.2)	(2.4)
At 31 May 2019	**(6.8)**	**31.8**	**25.0**

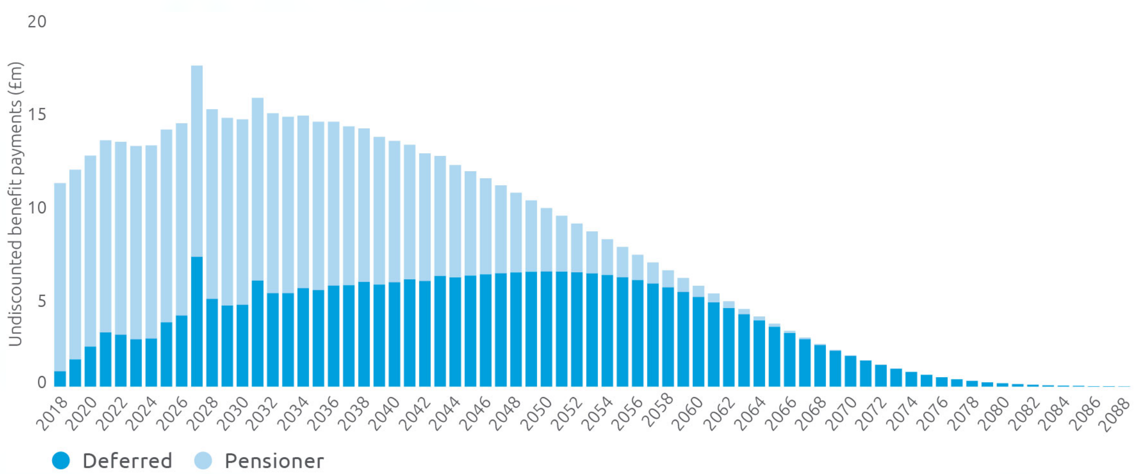
Funding and contributions by the Group

The Directors' and Expatriate plans are fully funded. A recovery plan for the Main plan was agreed between the trustee and the employer on 29 June 2016. Under the recovery plan, it was agreed that the employer would pay shortfall correction contributions of £6m per annum until 31 May 2019, the date that the plan's funding deficit was expected to be eliminated. These arrangements were formalised in a schedule of contributions which the scheme actuary certified on 29 June 2016. The funding deficit was not eliminated as at 31 May 2019 and so it has been agreed between the trustee and the employee that shortfall contributions of £6m per annum will continue to be paid until the plan is fully funded. The deficit will continue to be reviewed annually until it is fully funded. The plan is expected to be fully funded by 31 May 2022.

Maturity profile of obligation

The graph below sets out the undiscounted benefit payments that are expected to be paid from the funded plans based on the data underlying the actuarial valuations as at 31 May 2019:

FUTURE BENEFIT PAYMENTS (funded plans)



23. RETIREMENT BENEFITS CONTINUED

Overseas retirement benefits and similar obligations measurement and assumptions used
The most significant overseas scheme as at 31 May 2019 is the Indonesian post-retirement benefit scheme. The obligations have been measured in accordance with IAS 19 (revised) and a discount rate of 8.75% (2018: 7.5%) and salary inflation rate of 8.0% (2018: 8.0%) have been used. The scheme is unfunded and provision for future obligations included in the above table is £6.6m (2018: £7.5m).

UK retirement benefits and similar obligations measurement and assumptions used
The last triennial actuarial valuations of the schemes administered in the UK were performed by independent professional actuaries at 1 June 2016 using the projected unit method of valuation.

For the purposes of IAS 19 (revised) the actuarial valuation as at 1 June 2016, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 May 2019. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures.

The key financial assumptions used by the actuary were as follows:

	2019	2018
Rate of increase in retirement benefits in payment	**3.00%**	2.85%
Discount rate	**2.35%**	2.80%
Inflation assumption	**3.15%**	3.00%

The mortality assumptions used were as follows:

	2019 Years	2018 Years
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations		
– Member age 65 (current life expectancy)	**23.4**	24.4
– Member age 40 (life expectancy at age 65)	**25.5**	26.5

Movements in the fair value of plan assets were as follows:

	Assets 2019 £m	Assets 2018 £m
1 June	**397.0**	408.4
Interest income	**11.0**	9.9
Return of plan assets (excluding interest income)	**11.8**	(9.6)
Employer contribution	**6.2**	6.5
Administrative expenses	**(0.5)**	(0.4)
Benefits paid	**(15.5)**	(17.8)
31 May	**410.0**	397.0

The assets in the schemes were:

	2019 £m	2018 £m	2017 £m
Equities	**23.9**	52.3	56.4
Bonds	**345.3**	288.6	291.9
Property	**9.2**	9.6	6.0
Cash and other	**31.6**	46.5	54.1
Total fair value of scheme assets	**410.0**	397.0	408.4
Present value of scheme liabilities	**(322.2)**	(310.9)	(360.8)
Funded status	**87.8**	86.1	47.6
Restriction due to asset ceiling (see Note 1)	**(55.9)**	(57.0)	(51.3)
Retirement benefit surplus/(liability)	**31.9**	29.1	(3.7)
Related deferred tax (liability)/asset	**(5.4)**	(4.9)	0.6
Net retirement benefit surplus/(liability)	**26.5**	24.2	(3.1)

Equities and bond assets are quoted, with all other assets being unquoted.

The UK schemes' investment strategy is set by the trustee after taking appropriate advice from its investment consultant. The trustee's primary objective is to invest the plan's assets in the best interests of the members and beneficiaries. Within this framework the trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various investment risks to which the plan is exposed.

Reconciliation of asset ceiling

	2019 £m	2018 £m
Restriction due to asset ceiling at beginning of year	**57.0**	51.3
Interest on asset restriction	**1.6**	1.3
Other changes in asset restriction	**(2.7)**	4.4
Restriction due to asset ceiling at end of year	**55.9**	57.0

The movements documented above have been included when reconciling the total assets and obligations of the schemes; however, they have been excluded when reconciling the open to closing balance sheet position, as the surplus on the scheme has been derecognised.

Movements in the present value of the defined benefit obligations were as follows:

	Obligations 2019 £m	Obligations 2018 £m
1 June	**(310.9)**	(360.8)
Interest expense	**(8.5)**	(8.6)
Past service cost	**(0.7)**	–
Settlement gain	**–**	0.2
Remeasurement gain due to changes in demographic assumptions	**4.6**	13.3
Remeasurement (loss)/gain due to changes in financial assumptions	**(28.0)**	27.2
Remeasurement gain due to experience adjustments	**5.8**	–
Benefits paid	**15.5**	17.8
31 May	**(322.2)**	(310.9)
Plans that are wholly or partly funded	**(317.7)**	(306.7)
Plans that are wholly unfunded	**(4.5)**	(4.2)
	(322.2)	(310.9)

23. RETIREMENT BENEFITS CONTINUED

The net retirement benefit income before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	2019 £m	2018 £m
Net interest on net defined benefit schemes	0.9	–
Past service cost	(0.7)	–
Gain on settlements	–	0.2
Administration expenses paid by the scheme	(0.5)	(0.4)
Net retirement benefit expense before taxation	(0.3)	(0.2)

The above amounts are recognised in the Group's income statement in arriving at operating profit.

The reconciliation of the opening and closing balance sheet position is as follows:

	2019 £m	2018 £m
Retirement benefit surplus/(deficit) at beginning of year	29.1	(3.7)
Net pension interest income	0.9	–
Administration expenses paid by the scheme	(0.5)	(0.4)
Past service cost	(0.7)	–
Contributions paid	6.2	6.5
Gain on settlements	–	0.2
Remeasurement gain due to changes in demographic assumptions	4.6	10.4
Remeasurement (loss)/gain due to changes in financial assumptions	(28.1)	21.5
Remeasurement gain due to experience adjustments	5.8	
Changes in asset ceiling/onerous liability (excluding interest income)	2.7	–
Return/(loss) on scheme assets (excluding interest income)	11.8	(5.4)
Net surplus/(deficit) at end of year	**31.8**	29.1
Analysed between:		
Retirement benefit surplus	36.3	33.3
Retirement benefit obligation	(4.5)	(4.2)
	31.8	29.1

Remeasurement gains and losses are recognised directly in the Statement of Comprehensive Income.

The sensitivities on the key actuarial assumptions as at the end of the year in relation to the UK schemes were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	Increase of 4.1%
Rate of inflation	Increase of 0.25%	Increase of 3.1%
Rate of mortality	Increase in life expectancy of 1 year	Decrease of 3.8%

The sensitivities on the key actuarial assumptions as at the end of the year in relation to the overseas schemes were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 1.0%	Increase of 10.0%
Salary rate	Increase of 1.0%	Increase of 9.7%

The sensitivities shown above are approximate. Each sensitivity considers each change in isolation and is calculated using the same methodology as is used for the calculation of the defined benefit obligation at the end of the year. The inflation sensitivity includes the impact of changes to the assumptions for the revaluation and pension increases. In practice it is unlikely that the changes would occur in isolation.

During the year ending 31 May 2020 the Group expects to make cash contributions of £6.0m (2018: £6.0m) to funded defined benefit plans.

The amount recognised as an expense in the Consolidated Income Statement in relation to defined contribution schemes is £3.9m (2018: £3.9m). The amount recognised as an expense in the Consolidated Income Statement in relation to the Nigerian gratuity scheme is £0.6m (2018: £0.9m).

24. SHARE CAPITAL

	2019		2018	
	Number 000	Amount £m	Number 000	Amount £m
Allotted, issued and fully paid:				
Ordinary shares of 1p each	428,725	4.3	428,725	4.3
Total called-up share capital	428,725	4.3	428,725	4.3

25. EMPLOYEE SHARE OPTION TRUST

Included within 'Other reserve' is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. At 31 May 2019, the ESOT held 10,384,591 (2018: 10,415,400) ordinary shares with a book value of £40.1m (2018: £40.1m). The market value of these shares as at 31 May 2019 was £21.1m (2018: £24.8m). During the year the ESOT purchased nil shares of the Company at a cost of £nil (2018: 116,489 at a cost of £0.3m). The trust has waived any entitlement to dividends in respect of all the shares it holds.

26. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATING ACTIVITIES

	2019 £m	(Restated)* 2018 £m
Profit before tax	37.0	59.2
Adjustment for net finance costs	6.7	5.6
Operating profit	43.7	64.8
Depreciation (Note 11)	16.9	18.1
Amortisation (Note 10)	6.2	6.4
Impairment of assets	26.2	10.2
Profit on sale of assets	(3.5)	(7.7)
Difference between pension charge and cash contributions	(6.2)	(6.5)
Share of results from joint ventures	(2.3)	(1.7)
Operating cash flows before movements in working capital	81.0	83.6
Movements in working capital:		
Inventories	(0.1)	16.2
Trade and other receivables	7.5	20.9
Trade and other payables	(4.9)	(59.0)
Provisions	(0.6)	(2.6)
Cash generated from operating activities	82.9	59.1

* See Note 1c) for details.

27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases over certain of its properties, which fall due as follows:

	2019 £m	2018 £m
Within one year	**3.7**	2.1
In the second to fifth years inclusive	**5.0**	5.5
Over five years	**4.8**	1.7

The Group leases a number of premises. These are subject to review on dates ranging from 2019 to 2036.

28. SHARE-BASED PAYMENTS

Share-based payments are made to senior executives and other selected key individuals throughout the organisation. These are made via the Performance Share Plan and the Executive Share Option Scheme. The total credit in the year relating to the two schemes was £nil (2018: £nil).

Performance Share Plan

The Group operates a Performance Share Plan (PSP) for main Board Executive Directors and certain key senior executives. The extent to which such awards vest will depend upon the Group's performance over the three year period following the award date. The Group's performance is measured by reference to the growth of adjusted earnings per share over a single three year period. The fair value of the award is taken as the share price at the date of grant.

In the current year, 1,620,898 awards were made under the PSP scheme (2018: total awards of 1,233,868). The number of shares exercised in the year was nil (2018: nil) at a market value of £nil (2018: £nil) based on the market price at the date of exercise. In addition the number of lapsed share options totalled 1,287,692 (2018: 606,297). The number of awards outstanding but not yet exercisable is 3,808,909 at 31 May 2019 (2018: 3,142,455). The total credit included in operating profit in relation to these awards was £nil (2018: £nil).

Executive Share Option Scheme

Prior to the adoption by the Company of the Performance Share Plan in 2008, Executive Directors and certain other senior executives were generally eligible for the grant of options under the PZ Cussons Plc Executive Share Option Scheme. Under this scheme options are exercisable at a price equal to the average quoted market price of the Company's shares on the dealing day before the option is granted. Options are forfeited if the employee leaves the Group for any reason outside of the scheme rules. Options under the scheme are exercisable in a period beginning no earlier than three years from the date of grant and are subject to performance conditions.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model according to the relevant measures of performance. The model includes adjustments, based on management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived by the models based on these assumptions and other assumptions identified below. The total expense included within operating profit in respect of the share option scheme was £nil (2018: £nil).

No options have been granted during the current or previous year under the Executive Share Option Scheme and it is not expected that any further awards will be made.

There were no options outstanding at 31 May 2019 or 31 May 2018 that are outside of the scope of IFRS 2 'Share-based Payment'.

29. RELATED PARTY TRANSACTIONS

PZ Wilmar Limited and PZ Wilmar Food Limited

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

- At 31 May 2019 the outstanding loan balance receivable from PZ Wilmar Limited was £33.7m (2018: £25.5m) and from PZ Wilmar Food Limited was £8.4m (2018: £7.8m). These receivables relate to long-term loan investments that have been made by both joint venture partners.
- The value of certain raw materials and services the Group sourced and then sold to PZ Wilmar Limited was £nil (2018: £4.7m). At 31 May 2019 the outstanding trade receivable balance from PZ Wilmar Limited was £2.2m (2018: £3.9m) and from PZ Wilmar Food Limited was £nil (2018: £0.1m). The outstanding trade receivable balance from the Group to PZ Wilmar Food Limited at 31 May 2019 was £nil (2018: £nil).
- At 31 May 2019 the outstanding other receivable balance from PZ Wilmar Limited was £nil (2018: £1.1m) and from PZ Wilmar Food Limited was £nil (2018: £nil). The outstanding other receivable balance from the Group to PZ Wilmar Food Limited at 31 May 2019 was £nil (2018: £nil). These receivables relate to short-term loan investments that have been made by the Group's Nigeria subsidiaries.

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 31 May 2019 (2018: £nil) and no charge to the income statement in respect of doubtful related party receivables (2018: £nil).

Wilmar PZ International Pte Limited

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

- At 31 May 2019 the outstanding other receivable balance from Wilmar PZ International Pte Limited was £0.3m (2018: £3.9m). The outstanding other receivable balance from the Group to Wilmar PZ International Pte Limited at 31 May 2019 was £nil (2018: £nil). These receivables relate to services provided by subsidiary companies to Wilmar PZ International Pte Limited.

30. SUBSIDIARIES, JOINT VENTURES AND NON-CURRENT ASSET INVESTMENTS

Details of the Company's subsidiaries at 31 May 2019 are as follows:

Company	Operation	Incorporated in	Parent Company's interest	Proportion of voting interest	Registered office address
Five AM Life Pty Limited	Dormant	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons (Holdings) Pty Limited	Holding company	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons Australia Pty Limited	Manufacturing	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons Beauty Australia (Holdings) Pty Limited	Holding company	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
Rafferty's Garden Pty Limited	Dormant	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
Rafferty's Garden USA Corporation	Dormant	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
United Laboratories Limited	Dormant	Australia	†100%	†100%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons (New Zealand) Limited	Distribution	Australia	†100%	†100%	71–77 Richard Pearse Drive, Mangere, Auckland, 2150
Paterson Services (Shanghai) Limited	Dormant	China	†100%	†100%	Sunshine World Building, Room 635, No. 2000 Pudong Avenue, Pudong, Shanghai

30. SUBSIDIARIES, JOINT VENTURES AND NON-CURRENT ASSET INVESTMENTS CONTINUED

Company	Operation	Incorporated in	Parent Company's interest	Proportion of voting interest	Registered office address
Beauty Source Limited	Dormant	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Bronson Holdings Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Milk Ventures (UK) Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (Holdings) Limited	Holding company	England	*100%	*100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (International Finance) Limited	Provision of services to Group companies	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (International) Limited	Provision of services to Group companies	England	*100%	*100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (UK) Limited	Manufacturing	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Beauty LLP	Distribution & holding partnership	England	†100%	†100%	14 Upper St Martin's Lane, Covent Garden, London, WC2H 9FB
Seven Scent Limited	Manufacturing	England	†100%	†100%	Agecroft Commerce Park, Lamplight Way, Swinton, Manchester, M27 8UJ
St. Tropez Acquisition Co. Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
St. Tropez Holdings Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
The Sanctuary at Covent Garden Limited	Dormant	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Thermocool Engineering Company Limited	Dormant	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Ghana Limited	Distribution	Ghana	†90%	†90%	Plot 27/3–27/7, Sanyo Road, Tema, PO Box 628
Minerva SA	Manufacturing	Greece	*100%	*100%	165 Tatoiou & Odysseos Str, 14452, Metamorphosis, Attiki
Parnon (Hong Kong) Limited	Provision of services to Group companies	Hong Kong	†100%	†100%	1/F., Hing Lung Comm. Bldg., 68–74 Bonham Strand, Sheung Wan
PZ Cussons (Hong Kong) Limited	Dormant	Hong Kong	†100%	†100%	Level 54, Hopewell Centre, 183 Queen's Road East
PZ Cussons India PVT Limited	Provision of services to Group companies	India	†100%	†100%	1407 Real Tech Park, 14th Floor, Plot No. 39/2, Sector – 30/A, Vashi, Navi Mumbai, 400705
PT PZ Cussons Indonesia	Manufacturing	Indonesia	†100%	†100%	RDTX Tower 5th Floor JL Prof Satrio KAV E IV/6, Mega Kuningan Jakarta Selatan 12940
PZ Cussons (Europe) Limited	Dormant	Ireland	†100%	†100%	The Greenway Ardilaun Court, 112–114 St Stephen's Green, Dublin, DO2 TD28
Cussons and Company Limited	Dormant	Kenya	†100%	†100%	PO Box 48597, 00100 GPO, Nairobi
PZ Cussons East Africa Limited	Manufacturing	Kenya	†100%	†100%	PO Box 48597, 00100 GPO, Nairobi
Food For Life International Limited	Dormant	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos

Company	Operation	Incorporated in	Parent Company's interest	Proportion of voting interest	Registered office address
Harefield Industrial Nigeria Limited	Distribution	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
HPZ Limited[1]	Manufacturing	Nigeria	†55%	†55%	45/47 Town Planning Way, Ilupeju, Lagos
Nutricima Limited	Manufacturing	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Coolworld Limited	Retail	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Nigeria Plc	Manufacturing	Nigeria	†73%	†73%	45/47 Town Planning Way, Ilupeju, Lagos
Roberts Pharmaceuticals Limited	Dormant	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Polska SA	Distribution	Poland	†100%	†100%	Ul. Chocimska 17, 00-791 Warszawa
PZ Cussons Singapore Private Limited	Provision of services to Group companies	Singapore	†100%	†100%	61 Robinson Road, #08-02 Robinson Centre, Singapore
Guardian Holdings Company Limited	Provision of services to Group companies	Thailand	†49%	†49%	35 Moo 4 Tessamphan Road, Banchang, Muang, Pathumthani 12000
PZ Cussons (Thailand) Limited	Manufacturing	Thailand	†100%	†100%	35 Moo 4 Tessamphan Road, Banchang, Muang, Pathumthani 12000
PZ Cussons Middle East and South Asia FZE	Distribution	UAE	†100%	†100%	JAFZA – 14, 14422, PO Box 17233, Jebel Ali, 17233, Dubai
St. Tropez Inc.	Distribution	USA	†100%	†100%	140 Broadway, 22nd Floor, Suite 2240, New York

* Shares held by the Parent Company.
† Shares held by a subsidiary.

1 HPZ Limited is 74.99% owned by PZ Cussons Nigeria Plc and is therefore consolidated.

Joint venture companies	Operation	Incorporated in	Parent Company's interest	Registered office address
PZ Wilmar Food Limited	Manufacturing	Nigeria	†51%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Wilmar Limited	Manufacturing	Nigeria	†49%	45/47 Town Planning Way, Ilupeju, Lagos
Wilmar PZ International Pte Limited	Provision of services to joint venture companies	Singapore	†50%	56 Neil Road, Singapore

† Shares held by a subsidiary.

All subsidiary entities have a year end of 31 May.

31. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the balance sheet date.

COMPANY BALANCE SHEET
At 31 May 2019

	Notes	31 May 2019 £m	(Restated)* 31 May 2018 £m	(Restated)* 1 June 2017 £m
Fixed assets				
Investment	4	**106.3**	106.3	116.8
		106.3	106.3	116.8
Current assets				
Debtors	5	**271.6**	296.9	321.9
Investments	6	**0.3**	0.3	0.3
Cash at bank and in hand		**0.3**	0.5	0.8
		272.2	297.7	323.0
Creditors – amounts falling due within one year	7	**(5.2)**	(257.4)	(400.7)
Net current liabilities		**267.0**	40.3	(77.7)
Total assets less current liabilities		**373.3**	146.6	35.6
Creditors – amounts falling due in more than one year		**(204.0)**	–	–
Net assets		**169.3**	146.6	39.1
Capital and reserves				
Called-up share capital	8	**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Hedging reserve		**(0.3)**	–	–
Other reserve		**(40.1)**	(40.1)	(40.0)
Profit and loss account		**204.7**	181.7	74.1
Total shareholders' funds		**169.3**	146.6	39.1

* See Note 1c) for details.

PZ Cussons Plc reported a profit for the financial year ended 31 May 2019 of £57.6m (2018: £142.5m).

The financial statements from pages 188 to 197 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

C Silver **G A Kanellis**
26 July 2019

PZ Cussons Plc
Registered number 00019457

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Called-up share capital £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Profit and loss account £m	Total £m
At 1 June 2017 (restated)*		**4.3**	**0.7**	**–**	**(40.0)**	**74.1**	**39.1**
Profit for the year		–	–	–	–	142.5	142.5
Acquisition of shares for ESOT		–	–	–	(0.1)	(0.3)	(0.4)
Ordinary dividends	8	–	–	–	–	(34.6)	(34.6)
At 31 May 2018		**4.3**	**0.7**	**–**	**(40.1)**	**181.7**	**146.6**
At 1 June 2018		**4.3**	**0.7**	**–**	**(40.1)**	**181.7**	**146.6**
Profit for the year		–	–	–	–	57.6	57.6
Cost of hedging reserve		–	–	(0.3)	–	–	(0.3)
Total comprehensive income for the year		–	–	(0.3)	–	57.6	57.3
Ordinary dividends	8	–	–	–	–	(34.6)	(34.6)
At 31 May 2019		**4.3**	**0.7**	**(0.3)**	**(40.1)**	**204.7**	**169.3**

* See Note 1c) for details.

1. ACCOUNTING POLICIES

Basis of preparation

The Company financial statements of PZ Cussons Plc Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

As permitted by section 408(3) of the Companies Act 2006, the income statement of the Parent Company is not presented with these Financial Statements. The retained profit of the Parent Company is shown in the statement of changes in equity. Details of dividends paid are included in Note 8 of the consolidated financial statements.

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its Financial Statements are consolidated into the Group Financial Statements of PZ Cussons Plc which are included within this Annual Report. The shareholders of the Company were notified of the exemptions to be taken by way of an RNS announcement on 4 July 2016 and the shareholders have not objected to the use of the exemptions taken.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of:

  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
  (iii) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period)

- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  – 10(d) (statement of cash flows);
  – 16 (statement of compliance with all IFRS);
  – 38A (requirement for minimum of two primary statements, including cash flow statements);
  – 38B-D (additional comparative information);
  – 111 (cash flow statement information); and
  – 134–136 (capital management disclosures)

- IAS 7 'Statement of Cash Flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation)
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

a) New and amended standards adopted by the Group

Details of the impact of new accounting standards effective from 1 June 2018 on the Company are as follows:

- IFRS 15 'Revenue from Contracts' is not applicable to the Company's financial statements.
- IFRS 9 'Financial Instruments' has had no impact on the Company's financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early-adopted by the Group

IFRS 16 'Leases' that is effective from 1 June 2019 is not applicable to the Company's financial statements.

No other standards, amendments or interpretations that are not yet effective and have not been early-adopted are expected to have an impact on the Company's financial statements.

c) Restatement due to prior year adjustment

A presentational adjustment was made in respect of the classification of reserves in relation to the Executive Share Option Trust (ESOT) reserve. This reserve has now been included in the Statement of Changes in Equity and Balance Sheet as 'Other reserve' given its non-distributable nature.

This has been recognised as a prior year error in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' with the financial statements restated accordingly. The impact of the prior year adjustment is shown in the table below:

	31 May 2018 £m				1 June 2017 £m		
	As previously reported	Adjustment to brought forward reserves	Adjustment (in-year impact)	As restated	As previously reported	Adjustment to brought forward reserves	As restated
Consolidated Statement of Changes in Equity							
Profit and loss account	141.6	40.0	0.1	181.7	34.1	40.0	74.1
Other reserves	–	(40.0)	(0.1)	(40.1)	–	(40.0)	(40.0)

d) Foreign currencies

Assets and liabilities are translated at exchange rates prevailing at the date of the Company Balance Sheet. Exchange gains or losses are recognised in the profit and loss account. The Company's functional currency is Sterling as this is the functional currency of the principal operating environment of the Company. The Company financial statements have been presented in Sterling and have been rounded to 0.1 of a million.

e) Current tax

The current tax liability/asset directly relates to the actual tax payable/receivable on the Company's profits and is determined based on tax laws and regulations in effect at the year end date. Assumptions and judgements are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the profit and loss account in the period in which it is determined.

f) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

1. ACCOUNTING POLICIES CONTINUED

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities on a net basis.

g) Financial instruments

Financial assets and financial liabilities are recognised on the Company Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments utilised by the Company during the years ended 31 May 2019 and 31 May 2018, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Current asset investments

In accordance with IFRS 9 'Financial Instruments', unlisted investments are held in the Company's Balance Sheet at cost because their fair value cannot be measured reliably due to the lack of quoted market prices.

Current assets and liabilities

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate to their book values.

Classification and measurement of financial instruments

The Directors of the Company reviewed and assessed the Company's existing financial instruments as at 1 June 2018, based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had no impact on the Company's financial instruments as regards their classification and measurement.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In the year no loss events have been identified.

Borrowings

The carrying values of cash and short-term borrowings and current asset investments approximate to their fair values because of the short-term maturity of these instruments.

h) Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the year in which they arise.

i) Intercompany debtors

Intercompany debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment based on an expected credit loss model. A provision for impairment of intercompany debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt, and is measured as the difference between carrying value and present value of estimated future cash flows. Subsequent recoveries of previously impaired intercompany debtors are recognised as a credit to profit.

j) Intercompany creditors
Intercompany creditors are non-interest-bearing, repayable on demand and are initially stated at fair value and subsequently measured at amortised cost.

k) Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

l) Share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

m) Investments in subsidiaries
Investments in subsidiaries are held at cost, less any provision for impairment. Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investment in subsidiaries is adjusted to reflect this capital contribution.

The carrying amounts of the Company's investments are reviewed annually to determine whether there is any indicator of impairment. If any such indicator exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell or its value-in-use.

An impairment loss is recognised whenever the carrying amount of the investment, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

An impairment loss is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

n) Borrowing costs
Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

o) Own shares held by ESOT
Transactions of the Company-sponsored Employee Share Option Trust (ESOT) are treated as being those of the Company and are therefore reflected in the Company's Financial Statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

p) Dividend distribution
Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

1. ACCOUNTING POLICIES CONTINUED

q) Share-based payments

The Company operates a Performance Share Plan and an Executive Share Option Scheme for senior executives, both of which involve equity-settled share-based payments.

Equity-settled share-based payments under the Executive Share Option Scheme are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The awards under the Performance Share Plan are measured at the fair value at the date of grant and are expensed over the period to which the performance relates based on the expected outcome of the vesting conditions. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

r) Critical accounting policies and key sources of estimation uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of Financial Statements under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results.

In the course of preparing the Company's Financial Statements, no key source of estimation uncertainty has been identified. The critical judgements required when preparing the Company's financial statements are as follows:

Carrying value of investments in subsidiaries

Annually the Directors consider whether there are any indicators of impairment that may suggest that the recoverable amount of the Company's investments in subsidiaries is less than their carrying amount. The assessment of impairment indicators requires management to apply judgement in assessing current and forecast trading performance as well as assessing the impact of principal risks and uncertainties specific to the investments it holds. Details of the Company's investments are set out in Note 4 and in the year to 31 May 2019 the Directors have concluded that no indicators of impairment existed.

2. DIRECTORS' EMOLUMENTS

	2019 £m	2018 £m
Aggregate amount of Directors' emoluments	1.8	2.0
Emoluments of the highest paid Director	0.7	0.7

For the year ended 31 May 2019 the highest paid Director received Company pension contributions of £0.1m (2018: £0.1m). This information can be found in Note 5 of the Consolidated Financial Statements.

Additional information on Directors' emoluments, including details of gains or losses made on the exercise of share options in the year and the Directors' interests in the Group, have been included in the Report on Directors' Remuneration on pages 91 to 109.

The Directors are employed by another Group company, PZ Cussons (International) Limited and there are no employees of the Company.

3. DIVIDENDS

	2019 £m	2018 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2018 of 5.61p (2017: 5.61p) per ordinary share	**23.5**	23.5
Interim dividend for the year ended 31 May 2019 of 2.67p (2018: 2.67p) per ordinary share	**11.1**	11.1
	34.6	34.6
Proposed final dividend for the year ended 31 May 2019 of 5.61p (2018: 5.61p) per ordinary share	**23.5**	23.5

The proposed final dividends for the years ended 31 May 2018 and 31 May 2019 were/are subject to approval by shareholders at the Annual General Meeting and hence have not been included as liabilities in the Financial Statements at 31 May 2018 and 31 May 2019 respectively.

4. INVESTMENTS IN SUBSIDIARIES

	Shares £m	Loans £m	Total £m
Cost at 1 June 2017	113.8	3.0	116.8
Disposals in the year to 31 May 2018	(10.5)	–	(10.5)
Net book value at 31 May 2018	103.3	3.0	106.3
Cost at 1 June 2018	**103.3**	**3.0**	**106.3**
Net book value at 31 May 2019	**103.3**	**3.0**	**106.3**

Details of the Company's direct subsidiaries at 31 May 2019 are shown below. For a full listing of all Company subsidiaries see Note 30 of the Group's Consolidated Financial Statements.

Subsidiary companies	Operation	Incorporated in	Parent Company's interest	Proportion of voting interest
PZ Cussons (Holdings) Limited	Holding company	England	100%	100%
PZ Cussons (International) Limited	Provision of services to Group companies	England	100%	100%
Minerva SA	Manufacturing	Greece	100%	100%

5. DEBTORS

	2019 £m	2018 £m
Amounts owed by Group companies	**266.0**	293.2
Other receivables	**5.6**	3.7
	271.6	296.9

£264.4m (2018: £291.1m) of amounts owed by Group companies are interest-bearing and are based on market rates of interest. £1.6m (2018: £2.1m) of amounts owed by Group companies are non-interest-bearing. All of the balances are unsecured and are repayable on demand.

6. CURRENT ASSET INVESTMENTS

	2019 £m	2018 £m
Unlisted	0.3	0.3

7. CREDITORS

	2019 £m	2018 £m
Due within one year		
Bank loans and overdrafts	–	252.0
Amounts owed to Group companies	4.8	5.0
Accruals and deferred income	0.4	0.4
	5.2	257.4
Due in greater than one year		
Bank loans	204.0	–
	204.0	–

£0.9m (2018: £0.9m) of amounts owed to Group companies are interest-bearing and are based on market rates of interest. Amounts owed to Group companies are unsecured and have no fixed date of repayment.

Financial instruments and risk management

The Company is exposed to financial risks arising from changes in interest rates. Other financial risks are not considered significant.

The financial instruments held by the Company do not, either individually or as a class, create a potentially significant exposure to market, credit, liquidity or cash flow interest rate risk.

8. CALLED-UP SHARE CAPITAL

	2019		2018	
Allotted, called up and fully paid:	Number 000	Amount £m	Number 000	Amount £m
Ordinary shares:				
Ordinary shares of 1p each	428,725	4.3	428,725	4.3
Total called-up share capital	428,725	4.3	428,725	4.3

9. EMPLOYEE SHARE OPTION TRUST

Included within retained earnings is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. At 31 May 2019, the trust held 10,384,591 (2018: 10,415,400) ordinary shares with a book value of £40.1m (2018: £40.1m). The market value of these shares as at 31 May 2019 was £21.1m (2018: £24.8m). During the year the ESOT purchased nil shares of the Company at a cost of £nil (2018: 116,489 at a cost of £0.3m). The trust has waived any entitlement to dividends in respect of all the shares it holds.

10. SHARE-BASED PAYMENTS

Share-based payments are made to senior executives and other selected key individuals throughout the Company. These are made via the Performance Share Plan and the Executive Share Option Scheme. The total credit in the year relating to the two schemes was £nil (2018: £nil).

Performance Share Plan

The Company operates a Performance Share Plan (PSP) for main Board Executive Directors and certain key senior executives. The extent to which such awards vest will depend upon the Group's performance over the three year period following the award date. The Group's performance is measured by reference to the growth of adjusted earnings per share over a single three year period. The fair value of the award is taken as the share price at the date of grant.

In the current year, 1,620,898 awards were made under the PSP scheme (2018: total awards of 1,233,868). The number of shares exercised in the year was nil (2018: nil) at a market value of £nil (2018: £nil) based on the market price at the date of exercise. In addition the number of lapsed share options totalled 1,287,692 (2018: 606,297). The number of awards outstanding but not yet exercisable is 3,808,909 at 31 May 2019 (2018: 3,142,455). The total credit included in operating profit in relation to these awards was £nil (2018: £nil).

11. CONTINGENT LIABILITIES AND GUARANTEES

The Company is a guarantor to a borrowing facility relating to loans provided to certain Group UK entities. The amount borrowed under this agreement at 31 May 2019 was £204.0m (2018: £252.0m).

12. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the balance sheet date.

OTHER INFORMATION

FURTHER STATUTORY AND OTHER INFORMATION

HEALTH & SAFETY

PZ Cussons Plc aims to maintain a safe workplace at all locations in which it operates. We continue to ensure that our business activities are undertaken in a responsible manner and in accordance with the relevant statutory legislation, and that employees at all levels participate in the development, promotion and maintenance of a safe and healthy working environment for employees, visitors and the public. The Company employs health & safety specialists and, where appropriate, provides on-site medical facilities for employees.

The Company continues to monitor and increase standards of health & safety at work through risk assessment, safety audits, formal incident investigation and training. Our investment in plant and equipment enables us to modernise designs and operate safer and more efficient processes.

EMPLOYMENT AND STAFF DEVELOPMENT

As an international group, and particularly bearing in mind our operations in developing countries, we focus resources on the employment and development of local staff with the intention of assisting both our operations in those countries and the local community. Employees are involved at all levels of decision-making throughout the Group with effective communication via regular consultation groups and briefings. Training is vital to ensuring continuous improvement in performance and over the past year employees of all grades have received training through a wide range of courses.

The employment policies of the Group embody the principles of equal opportunity, training and development and rewards appropriate to local markets, and are tailored to meet the needs of its businesses and the areas in which they operate. This includes procedures to support the Group's policy that disabled persons shall be considered for appropriate employment and subsequent training and career development. The Company continues to share valuable experience and best practice within the Group through employee secondment.

COMMUNITY AND CHARITY

We support a range of charitable causes, both in the UK and overseas, mainly through a UK-based shareholding trust, with additional contributions made through staff time and gifts in kind. PZ Cussons Plc continues to provide assistance and donations to significant global fundraising initiatives and recognises its responsibility to the communities in which it operates. We are committed to establishing and maintaining strong relationships with community groups, particularly in developing markets.

AUDITOR

Deloitte LLP has signified its willingness to continue in office and a resolution for its appointment as External Auditor will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT OF PZ CUSSONS PLC

For the purposes of section 234 of the Companies Act 2006, the Report of the Directors of PZ Cussons Plc for the year ended 31 May 2019 comprises this page and the information contained in the Report of the Directors on pages 110 to 115.

SHAREHOLDER INFORMATION AND CONTACTS

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.30am on Wednesday 25 September 2019 at:

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

FINANCIAL CALENDAR

The key dates for PZ Cussons' financial calendar are available on our website: **www.pzcussons.com**

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REGISTERED NUMBER

Company registration number – 00019457

REGISTRARS

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BS13 8AE
www.computershare.com

COMPANY SECRETARY

S P Plant

Disclaimer
The purpose of this document is to provide information to the members of PZ Cussons Plc. This document contains certain statements that are forward-looking statements. These statements appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by the applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

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www.pzcussons.com

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