2015

PZ Cussons Plc

Interim Statement for the half-year to 30 November 2014

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

Half-year Highlights

Reported Results (before exceptional items[1])	**Half-year to 30 November 2014**	Half-year to 30 November 2013	% change
Revenue	**£386.7m**	£431.8m	(10.4%)
Operating profit	**£46.0m**	£48.1m	(4.4%)
Profit before tax	**£43.7m**	£47.6m	(8.2%)
Adjusted basic earnings per share	**7.24p**	7.46p	(2.9%)
Statutory results			
Operating profit	**£42.0m**	£43.6m	(3.7%)
Profit before tax	**£39.7m**	£43.1m	(7.9%)
Basic earnings per share	**6.53p**	6.66p	(2.0%)
Interim dividend per share	**2.61p**	2.53p	3.2%
Net debt[2]	**(£134.1m)**	(£88.3m)	

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

Group

- Adjusted for acquisitions and disposals and the negative exchange impact from translation, operating profit was 3.5% ahead of the prior period on revenue growth of 1.5%
- Performance reflects the loss of contribution of circa £34m in revenue and £3.4m in operating profit from prior year disposals
- Reported operating profit ahead of the prior period in both Europe and Asia although lower in Africa as a result of challenging trading conditions and the devaluation of the Naira
- African Food and Nutrition joint ventures' revenue has grown from £97m to £161m
- Australian food brand five:am acquired in August for initial consideration of £44.8m in cash and performing well
- Strong balance sheet with a small net debt position following recent acquisitions
- Interim dividend raised to 2.61p representing a 3.2% increase

Africa

- Revenue and profitability in Nigeria lower than the prior period as a result of difficult trading conditions, disruption in the north and the devaluation of the Naira
- Electricals division and Food and Nutrition joint ventures performing well with good revenue growth in the period

Asia

- Continued growth in Indonesia in both Baby Care and non-Baby Care portfolios
- Robust performance in Australian Home and Personal Care despite tough trading conditions
- Recent Australian acquisitions of Rafferty's Garden and five:am performing well both domestically and in overseas markets

Europe

- UK Washing and Bathing division performing well driven by an exciting innovation pipeline
- Good performance in the Beauty division with international growth offsetting tougher trading conditions in the UK

Business Review

These are good results in what have been difficult markets. The Group has delivered underlying revenue and profit growth in the period having adjusted for acquisitions and disposals and the negative exchange impact from translation. This is despite continued challenging trading conditions, particularly in its largest market Nigeria, where a devaluation of the Naira just before the period end also impacted results.

The robust underlying performance in the UK, Australia, Indonesia and in particular in the Electrical and Food divisions in Nigeria, demonstrates that the strategy of ongoing product innovation with a focus on local consumer needs continues to be successful.

The acquisition of the Australian food brand five:am further enhances the Group's Food and Nutrition portfolio and, together with the Rafferty's Garden brand acquired last year, creates a broader portfolio for roll-out across Asia.

It has been very pleasing to see the African Food and Nutrition joint ventures' revenue grow from £97 million to £161 million with the PZ Wilmar brands Mamador and Devon King's performing particularly well.

Underlying performance since the period end has been in line with expectations although the Naira has continued to weaken. The macro environment in Nigeria for the remainder of the financial year, which includes the February presidential elections and potential further currency volatility, will be a key contributing factor to the overall result for the full year.

Looking through the short-term challenges we remain confident about the medium and long-term opportunities in Africa. We have built a profitable and growing Electricals division, are seeing excellent growth in Food and Nutrition, and have a leading position in Personal Care and Home Care, all of which are poised to benefit once stability is re-established and the economy grows.

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

Financial performance

Group
After adjusting for acquisitions and disposals and the negative exchange impact from translation, operating profit was 3.5% ahead of the prior period on revenue growth of 1.5%.

There was one acquisition in the period being the Australian food brand five:am, purchased in August for £44.8 million in cash, and which contributed revenue and operating profit of £7.9 million and £1.4 million respectively in the period.

Disposals refer to the loss of contribution of circa £34 million in revenue and £3.4 million in operating profit from the prior year sale of the Polish Home Care brands and the closure of UK spas.

The impact of weakening exchange rates was to reduce revenue and operating profit by circa £26 million and £1.8 million respectively.

Regional overview
Africa revenue and operating profit were lower than the prior period as a result of challenging trading conditions in Nigeria, particularly from disruption in the north of the country and the impact of the devaluation of the Naira.

Revenue and operating profit in Asia were higher than the previous period as a result of good underlying performance in Australia and Indonesia together with the contribution for part of the period from five:am. There was a negative period on period impact from weaker exchange rates.

Europe revenues were lower than the prior period principally as a result of the effect of the Polish Home Care disposal. Strong underlying profit performance in Europe offset the loss of profit as a result of the Polish disposal.

Financial position – overview
The Group's balance sheet remains strong with net debt of £134.1 million at the end of the period following recent acquisitions. The principal outflows in the period relate to the acquisition of the five:am brand for £44.8 million in cash together with investment in working capital in Nigeria as a hedge against further Naira devaluation.

Group structure and systems project
As announced in July 2013, a Group structure and systems project is under way to realign the Group's non-manufacturing organisation design and to invest in the latest systems technology. Good progress has been made during the period including further changes to the Group's commercial, category and supply chain structures, and completion of the mobilisation phase of the SAP project.

Regional reviews

Performance by region

	Revenue (£m)		Operating profit before exceptional items (£m)	
	2014	2013	**2014**	2013
Africa	**156.2**	166.0	**12.2**	14.7
Asia	**98.7**	90.7	**8.2**	8.1
Europe	**131.8**	175.1	**25.6**	25.3
Total	**386.7**	431.8	**46.0**	48.1

Africa

In **Nigeria**, unrest in the north of the country has continued with high levels of disruption during the period. Trade remains subdued in the north with distributors and consumers continuing to trade and shop cautiously. There is currently no indication that the levels of disruption will ease in the short term and politically the country is focused on the presidential elections which are taking place in February. Towards the end of the period the Naira to Dollar exchange rate weakened after a long period of stability, and a fall in Nigeria's income as a result of lower oil prices has put additional pressure on the currency resulting in a further weakening after the period end. Whilst Nigeria has been declared Ebola free, the negative impact on the region is noticeable with a reduction in cross border trade.

In Personal Care and Home Care, whilst revenue was lower in the north of the country, revenue was higher in the south driven in particular by growth in the value add brands such as Premier, Morning Fresh, Carex and Cussons Baby. An extremely competitive environment, particularly on commodity products such as branded laundry soaps and bulk detergents, has resulted in lower margins period on period. The higher percentage of the portfolio now made up of value add brands creates a more positive mix which will be beneficial when growth returns to this category.

The Electrical division has performed strongly with revenue and profitability ahead of the prior period. The Haier Thermocool brand has retained its number one position in the market in refrigerators, freezers and washing machines, whilst sales of air-conditioners and generators were also ahead of the prior period.

Strong growth was achieved in both African Food and Nutrition joint ventures with revenue growing from £97 million to £161 million with profits also ahead versus the prior period. The majority of the growth arose in the PZ Wilmar joint venture with the output of the refinery close to full capacity and good growth in the Mamador and Devon King's brands being achieved. Nutricima, the nutritional beverage joint venture with Glanbia, also delivered good growth with strong performance from the key brands of Nunu, Coast, Olympic and Yo.

Revenue and profitability in **Kenya** and **Ghana** were at similar levels to the prior year.

Asia

In **Indonesia**, good growth has continued to be achieved in both the Baby Care and non-Baby Care portfolios. The Cussons Baby range was extended in the period with a number of new product launches, and the popularity of the brand has grown through a nationwide 'Little Star' promotion culminating in a television final in early 2015. Imperial Leather, Carex and Cussons Kids have continued to perform well as has the more recently launched Original Source brand which is successfully expanding distribution as a result of its differentiated product offering.

The Group's business in **Australia** has been further diversified with the acquisition in August of the five:am food brand for initial consideration of £44.8m in cash. Performance of the Home and Personal Care division has been robust despite tough trading conditions with innovation under the core brands of Morning Fresh and Radiant. Rafferty's Garden has expanded in the Australian market with increased distribution and new product launches, and has recently been launched into New Zealand with further entries into new geographies to come in 2015. five:am has performed very well post acquisition both in its core range of yoghurt products and also in new product launches such as a range of granolas.

Europe

In the **UK**, performance in the Washing and Bathing division has been strong despite tough trading conditions and driven by an exciting innovation pipeline. During the period the entire Imperial Leather portfolio was relaunched with exciting new products and fragrances tiered as Classic, Signature and Indulgence ranges to cater for all price points and consumer needs. Carex has continued to perform well driven in particular by the success of the four children's variants with 'Bubble Gum' being the latest addition to the range. New product launches have also taken place under the Original Source brand with the introduction of a range of body butters, lotions and scrubs following last year's launch of Skin Quench moisturising products.

In the **Beauty division**, all four brands of Sanctuary, St Tropez, Fudge and Charles Worthington have performed well with higher growth in the US and Australia offsetting the impact of tougher trading conditions in the UK. The division is benefiting from the focus on its product range following last year's closure of the spa operations.

In **Poland**, the focus has been on growing the Personal Care brands of Luksja, Original Source and Carex following last year's sale of the Home Care brands.

Good profit growth has been achieved in **Greece** across the portfolio of edible oils, cheeses and spreads. A small vinegar brand was acquired post period end for £5 million in cash which will become part of the overall Minerva brand portfolio.

Exceptional items

The Group has incurred exceptional costs of £4.0 million in the period relating to restructuring associated with the previously announced supply chain optimisation project (£1.3 million) and Group structure and systems project (£1.6 million), and the five:am acquisition and integration (£1.1 million).

Directors

James Steel, who had served on the board as a Non-executive Director since October 2005, retired from the Board at the end of his term of office on 23 September 2014. The Board extends its sincere thanks to James for the significant contribution which he has made to the business over the past nine years.

Taxation

The effective tax rate before exceptional items was 25.4% (30 November 2013: 26.5%) and the effective tax rate post-exceptional items was 25.4% (30 November 2013: 26.7%).

Related parties

Related party disclosures are given in note 15.

Principal risks and uncertainties facing the Group

Our principal risks and uncertainties for the remaining six months of the financial year are explained in more detail in note 17 and remain as stated on pages 18 and 19 of our 2014 Annual Report which is available on our website at www.pzcussons.com.

Outlook

Underlying performance since the period end has been in line with expectations although the Naira has continued to weaken. The macro environment in Nigeria for the remainder of the financial year, which includes the February presidential elections and potential further currency volatility, will be a key contributing factor to the overall result for the full year.

The Group remains focused on a dynamic and fast brand renovation and innovation programme, an ongoing cost reduction programme and successful delivery of new areas of growth such as Rafferty's Garden, five:am and the PZ Wilmar joint venture.

These initiatives will contribute towards offsetting the continuing macro challenges, particularly in Nigeria, and the reduction in profits from Poland as a result of last year's Home Care brands sale.

The Group's balance sheet is strong with the ability to pursue further investment opportunities as they arise.

Consolidated Income Statement

		Unaudited			Unaudited			Audited		
		Half-year to 30 November 2014			Half-year to 30 November 2013			Year to 31 May 2014		
	Notes	Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations										
Revenue	3	**386.7**	**–**	**386.7**	431.8	–	431.8	861.4	–	861.4
Cost of sales		**(236.1)**	**–**	**(236.1)**	(269.6)	–	(269.6)	(524.4)	–	(524.4)
Gross profit		**150.6**	**–**	**150.6**	162.2	–	162.2	337.0	–	337.0
Selling and distribution costs		**(69.7)**	**–**	**(69.7)**	(71.4)	–	(71.4)	(145.3)	–	(145.3)
Administrative expenses		**(36.3)**	**(4.0)**	**(40.3)**	(42.0)	(4.5)	(46.5)	(76.8)	8.7	(68.1)
Share of results of joint ventures		**1.4**	**–**	**1.4**	(0.7)	–	(0.7)	1.5	–	1.5
Operating profit/(loss)		**46.0**	**(4.0)**	**42.0**	48.1	(4.5)	43.6	116.4	8.7	125.1
Finance income		**0.5**	**–**	**0.5**	1.3	–	1.3	2.6	–	2.6
Finance costs		**(2.8)**	**–**	**(2.8)**	(1.8)	–	(1.8)	(4.0)	–	(4.0)
Net finance costs	5	**(2.3)**	**–**	**(2.3)**	(0.5)	–	(0.5)	(1.4)	–	(1.4)
Profit/(loss) before taxation		**43.7**	**(4.0)**	**39.7**	47.6	(4.5)	43.1	115.0	8.7	123.7
Taxation	7	**(11.1)**	**1.0**	**(10.1)**	(12.6)	1.1	(11.5)	(29.9)	4.9	(25.0)
Profit/(loss) for the period		**32.6**	**(3.0)**	**29.6**	35.0	(3.4)	31.6	85.1	13.6	98.7
Attributable to:										
Owners of the Parent		**30.5**	**(3.0)**	**27.5**	31.7	(3.4)	28.3	76.3	15.1	91.4
Non-controlling interests		**2.1**	**–**	**2.1**	3.3	–	3.3	8.8	(1.5)	7.3
		32.6	**(3.0)**	**29.6**	35.0	(3.4)	31.6	85.1	13.6	98.7
Basic EPS (p)	9			**6.53**			6.66			21.52
Diluted EPS (p)	9			**6.52**			6.64			21.45
Adjusted basic EPS (p)	9			**7.24**			7.46			17.96
Adjusted diluted EPS (p)	9			**7.23**			7.44			17.91

The notes on pages 9 to 17 are an integral part of these interim consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Unaudited Half–year to 30 November 2014 £m	Unaudited Half–year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
Profit for the period	**29.6**	31.6	98.7
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment obligations (note 12)	**4.4**	(1.5)	(1.5)
Deferred tax on remeasurement of post retirement obligations	**–**	–	1.3
Total items that will not be reclassified to profit or loss	**4.4**	(1.5)	(0.2)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	**2.7**	(36.8)	(45.9)
Cash flow hedges - fair value gain/(loss) in period	**2.2**	0.9	(1.5)
Tax on items that may be subsequently reclassified to profit or loss	**–**	(0.2)	0.1
Total items that may subsequently be reclassified to profit or loss	**4.9**	(36.1)	(47.3)
Other comprehensive income/(expense) for the period net of taxation	**9.3**	(37.6)	(47.5)
Total comprehensive income/(expense) for the period	**38.9**	(6.0)	51.2
Attributable to:			
Owners of the Parent	**36.2**	(3.4)	51.3
Non-controlling interests	**2.7**	(2.6)	(0.1)

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Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent						
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Non-controlling interests £m	Total £m
At 1 June 2013	4.3	38.1	0.7	437.3	0.3	65.6	546.3
Total comprehensive income/(expense) for the period	–	(30.9)	–	26.8	0.7	(2.6)	(6.0)
Transactions with owners:							
Ordinary dividends	–	–	–	(21.4)	–	–	(21.4)
Acquisition of shares for ESOT	–	–	–	(2.1)	–	–	(2.1)
Share-based payments credit	–	–	–	1.2	–	–	1.2
Acquisition of non-controlling interests	–	–	–	(0.6)	–	(0.3)	(0.9)
Non-controlling interests dividend paid	–	–	–	–	–	(2.7)	(2.7)
Total transactions with owners recognised directly in equity	–	–	–	(22.9)	–	(3.0)	(25.9)
At 30 November 2013	4.3	7.2	0.7	441.2	1.0	60.0	514.4
At 1 June 2013	4.3	38.1	0.7	437.3	0.3	65.6	546.3
Total comprehensive income/(expense) for the period	–	(38.5)	–	91.2	(1.4)	(0.1)	51.2
Transactions with owners:							
Ordinary dividends	–	–	–	(32.2)	–	–	(32.2)
Acquisition of shares for ESOT	–	–	–	(16.1)	–	–	(16.1)
Share-based payments credit	–	–	–	0.7	–	–	0.7
Deferred tax on share-based payments	–	–	–	0.2	–	–	0.2
Acquisition of non-controlling interests	–	–	–	(0.6)	–	(0.2)	(0.8)
Non-controlling interests dividend paid	–	–	–	–	–	(12.9)	(12.9)
Total transactions with owners recognised directly in equity	–	–	–	(48.0)	–	(13.1)	(61.1)
At 31 May 2014	**4.3**	**(0.4)**	**0.7**	**480.5**	**(1.1)**	**52.4**	**536.4**
At 1 June 2014	**4.3**	**(0.4)**	**0.7**	**480.5**	**(1.1)**	**52.4**	**536.4**
Total comprehensive income/(expense) for the period	**–**	**2.1**	**–**	**31.9**	**2.2**	**2.7**	**38.9**
Transactions with owners:							
Ordinary dividends	**–**	**–**	**–**	**(22.0)**	**–**	**–**	**(22.0)**
Acquisition of shares for ESOT	**–**	**–**	**–**	**(4.8)**	**–**	**–**	**(4.8)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(3.4)**	**–**	**(1.1)**	**(4.5)**
Non-controlling interests dividend paid	**–**	**–**	**–**	**–**	**–**	**(2.7)**	**(2.7)**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**(30.2)**	**–**	**(3.8)**	**(34.0)**
At 30 November 2014	**4.3**	**1.7**	**0.7**	**482.2**	**1.1**	**51.3**	**541.3**

The notes on pages 9 to 17 are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheet

	Notes	**Unaudited 30 November 2014 £m**	Unaudited 30 November 2013 £m	Audited 31 May 2014 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	6	**332.4**	297.4	287.7
Property, plant and equipment	6	**201.2**	202.3	195.3
Other investments		**0.3**	0.4	0.3
Long-term loans to joint ventures		**47.4**	44.1	45.8
Trade and other receivables		**6.2**	3.7	4.4
Retirement benefit surplus	12	**42.9**	39.3	38.3
		630.4	587.2	571.8
Current assets				
Inventories		**186.6**	171.5	162.2
Trade and other receivables		**205.3**	191.6	166.7
Current asset investments	11	**0.3**	2.7	19.1
Cash and cash equivalents	11	**59.6**	77.0	70.0
Current taxation receivable		**14.4**	11.5	13.1
		466.2	454.3	431.1
Total assets		**1,096.6**	1,041.5	1,002.9
Equity				
Share capital		**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Currency translation reserve		**1.7**	7.2	(0.4)
Hedging reserve		**1.1**	1.0	(1.1)
Retained earnings		**482.2**	441.2	480.5
Attributable to owners of the Parent		**490.0**	454.4	484.0
Non-controlling interests		**51.3**	60.0	52.4
Total equity		**541.3**	514.4	536.4
Liabilities				
Non-current liabilities				
Borrowings	11	**179.0**	153.0	103.5
Trade and other payables		**0.7**	0.5	0.7
Deferred taxation liabilities		**43.0**	56.4	41.8
Retirement benefit obligations	12	**19.8**	27.8	23.2
		242.5	237.7	169.2
Current liabilities				
Borrowings	11	**15.0**	15.0	15.0
Trade and other payables		**230.0**	228.3	222.4
Current taxation payable		**50.2**	33.0	46.8
Provisions		**17.6**	13.1	13.1
		312.8	289.4	297.3
Total liabilities		**555.3**	527.1	466.5
Total equity and liabilities		**1,096.6**	1,041.5	1,002.9

The notes on pages 9 to 17 are an integral part of these interim consolidated financial statements.

Consolidated Cash Flow Statement

	Unaudited Half-year to 30 November 2014 £m	Unaudited Half-year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
Cash flows from operating activities			
Cash (used in)/generated from operations (note 10)	**(6.2)**	19.1	96.9
Taxation paid	**(7.8)**	(17.2)	(19.9)
Interest paid (note 5)	**(2.8)**	(1.8)	(4.0)
Net cash (used in)/generated from operating activities	**(16.8)**	0.1	73.0
Cash flows from investing activities			
Interest income (note 5)	**0.5**	1.3	2.6
Purchase of property, plant and equipment (note 6)	**(11.5)**	(13.2)	(33.0)
Proceeds from sale of Polish Home Care brands	**–**	–	46.6
Cash costs of sale of Polish Home Care brands	**–**	–	(6.2)
Proceeds from sale of property, plant and equipment	**–**	–	1.1
Acquisition of non-controlling interests (note 13 i)	**(4.5)**	(0.9)	(0.8)
Acquisition of business (note 13 ii)	**(39.5)**	(42.2)	(42.2)
Debt repaid as part of acquisition of business (note 13 ii)	**(6.4)**	–	–
Cash and cash equivalents obtained from acquired business (note 13 ii)	**1.1**	1.3	1.3
Repayment/(advance) of short-term deposits to joint ventures	**18.8**	7.7	(8.7)
Loans granted to joint ventures	**–**	(4.3)	(4.3)
Net cash used in investing activities	**(41.5)**	(50.3)	(43.6)
Cash flows from financing activities			
Dividends paid to non-controlling interests	**(2.7)**	(2.7)	(12.9)
Purchase of shares for ESOT	**(4.8)**	(2.1)	(16.1)
Dividends paid to Company shareholders (note 8)	**(22.0)**	(21.4)	(32.2)
Repayment of term loan	**(7.5)**	(7.5)	(15.0)
Increase in borrowings	**83.0**	75.5	33.5
Net cash generated from/(used in) financing activities	**46.0**	41.8	(42.7)
Net (decrease)/increase in cash and cash equivalents (note 11)	**(12.3)**	(8.4)	(13.3)
Cash and cash equivalents at the beginning of the period (note 11)	**70.0**	93.0	93.0
Effect of foreign exchange rates (note 11)	**1.9**	(7.6)	(9.7)
Cash and cash equivalents at the end of the period (note 11)	**59.6**	77.0	70.0

The notes on pages 9 to 17 are an integral part of these interim consolidated financial statements.

Notes

1. Basis of preparation

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

These condensed consolidated interim financial statements for the six months ended 30 November 2014, which have been reviewed and not audited, have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union (EU). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 May 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS - IC).

The interim financial statements for the period ended 30 November 2014 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information set out in this statement relating to the year ended 31 May 2014 does not constitute statutory accounts for that period.

Full audited accounts of the Group in respect of that financial period were approved by the Board of Directors on 29 July 2014 and have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 May 2014.

Going concern basis

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

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

2. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 May 2014.

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year ending 31 May 2014:

- IFRS 10, 'Consolidated Financial Statements' (effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 11 'Joint arrangements' (effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 12, 'Disclosures of Interests in Other Entities' (effective 1 January 2013) (endorsed 1 January 2014)
- IAS 27 (revised 2011) 'Separate Financial Statements' (effective 1 January 2013) (endorsed 1 January 2014)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2013) (endorsed 1 January 2014)
- Amendments to IFRS 10,11 and 12 on transition guidance (effective 1 January 2013) (endorsed 1 January 2014)
- Amendments to IAS 32 on financial instruments asset and liability offsetting (effective 1 January 2014)
- Amendment to IAS 36 'Impairment of Assets' on recoverable amount disclosures (effective 1 January 2014)
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' on novation of derivatives and hedge accounting (effective 1 January 2014)

The impact of the adoption of the new standards above has not had a material impact on the Group.

The following standards have been issued but are not yet effective and have not been early adopted by the Group.

- IFRS 9 'Financial instruments'. Effective date not set
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2017)

Notes continued

3. Segmental analysis

The Chief Operating Decision-Maker (CODM) has been identified as the Executive Board which comprises the three Executive Directors.

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

The CODM considers the business from a geographic perspective, with Africa, Asia and Europe being the reporting 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.

Business segments

Half-year to 30 November 2014	**Africa £m**	**Asia £m**	**Europe £m**	**Eliminations £m**	**Total £m**
Gross segment revenue	**175.0**	**104.7**	**213.5**	**(106.5)**	**386.7**
Inter segment revenue	**(18.8)**	**(6.0)**	**(81.7)**	**106.5**	**–**
Revenue	**156.2**	**98.7**	**131.8**	**–**	**386.7**
Segmental operating profit before exceptional items and share of results of joint ventures	**10.8**	**8.2**	**25.6**	**–**	**44.6**
Share of results of joint ventures	**1.4**	**–**	**–**	**–**	**1.4**
Segmental operating profit before exceptional items	**12.2**	**8.2**	**25.6**	**–**	**46.0**
Exceptional Items	**(0.4)**	**(1.1)**	**(2.5)**	**–**	**(4.0)**
Segmental operating profit	**11.8**	**7.1**	**23.1**	**–**	**42.0**
Finance income					**0.5**
Finance cost					**(2.8)**
Profit before taxation					**39.7**

Half-year to 30 November 2013	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Gross segment revenue	170.9	99.7	253.2	(92.0)	431.8
Inter segment revenue	(4.9)	(9.0)	(78.1)	92.0	–
Revenue	166.0	90.7	175.1	–	431.8
Segmental operating profit before exceptional items and share of results of joint ventures	15.4	8.1	25.3	–	48.8
Share of results of joint ventures	(0.7)	–	–	–	(0.7)
Segmental operating profit before exceptional items	14.7	8.1	25.3	–	48.1
Exceptional Items	(0.2)	(0.9)	(3.4)	–	(4.5)
Segmental operating profit	14.5	7.2	21.9	–	43.6
Finance income					1.3
Finance cost					(1.8)
Profit before taxation					43.1

Year to 31 May 2014	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Gross segment revenue	373.6	199.3	474.3	(185.8)	861.4
Inter segment revenue	(12.3)	(14.9)	(158.6)	185.8	–
Revenue	361.3	184.4	315.7	–	861.4
Segmental operating profit before exceptional items and share of results of joint ventures	38.7	19.3	56.9	–	114.9
Share of results of joint ventures	1.5	–	–	–	1.5
Segmental operating profit before exceptional items	40.2	19.3	56.9	–	116.4
Exceptional Items	(5.3)	(6.6)	20.6	–	8.7
Segmental operating profit	34.9	12.7	77.5	–	125.1
Finance income					2.6
Finance cost					(4.0)
Profit before taxation					123.7

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

4. Exceptional items

Half year to 30 November 2014

The Group incurred exceptional costs of £4.0 million as follows:

- Supply chain optimisation project with associated restructuring costs (charge of £1.3 million)
- five:am acquisition and integration costs (charge of £1.1 million)
- Group structure and systems project costs (charge of £1.6 million)

Half year to 30 November 2013

The Group incurred exceptional costs of £4.5 million as follows:

- Supply chain optimisation project with associated restructuring costs (charge of £2.0 million)
- Rafferty's Garden acquisition and integration costs (charge of £1.1 million)
- Group structure and systems project costs (charge of £1.4 million)

Year to 31 May 2014

The Group recognised exceptional income of £8.7 million as follows:

- Polish Home Care brands profit on divestment (income of £30.6 million)
- Supply chain optimisation project with associated restructuring costs (charge of £13.0 million)
- Rafferty's Garden acquisition and integration costs (charge of £3.3 million)
- Group structure and systems project costs (charge of £5.6 million)

5. Net finance costs

	Unaudited Half-year to 30 November 2014 £m	Unaudited Half-year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
Net investment gains	**–**	0.1	0.1
Interest receivable	**0.5**	1.2	2.5
Interest income	**0.5**	1.3	2.6
Interest payable on bank loans and overdrafts	**(2.8)**	(1.8)	(4.0)
Net finance costs	**(2.3)**	(0.5)	(1.4)

6. Property, plant and equipment and intangible assets

	Goodwill and other intangible assets £m	Property, plant and equipment £m
Opening net book amount as at 1 June 2013	248.7	214.9
Additions	–	13.2
Acquisitions	49.2	–
Disposals	–	(0.4)
Depreciation	–	(9.8)
Currency retranslation	(0.5)	(15.6)
Closing net book amount as at 30 November 2013	297.4	202.3
Opening net book amount as at 1 June 2014	287.7	195.3
Additions	–	11.5
Acquisitions (see note 13 ii)	44.9	3.5
Disposals	–	(0.1)
Depreciation	–	(10.5)
Currency retranslation	(0.2)	1.5
Closing net book amount as at 30 November 2014	**332.4**	**201.2**

Goodwill and other intangible assets comprise goodwill of £67.5 million (30 November 2013: £55.9 million) and other intangible assets of £264.9 million (30 November 2013: £241.5 million).

At 30 November 2014, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £1.7 million (30 November 2013: £3.0 million). At 30 November 2014, the Group's share in the capital commitments of joint ventures was £nil (30 November 2013: £nil).

Notes continued

7. Taxation charge

	Unaudited Half-year to 30 November 2014 £m	Unaudited Half-year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
United Kingdom	**3.7**	2.6	7.1
Overseas	**6.4**	8.9	17.9
	10.1	11.5	25.0

Income tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate to be used for the year ending 31 May 2015, before exceptional items, is 25.4% (the tax rate for the half-year ended 30 November 2013 was 26.5%) and the effective tax rate to be used post-exceptional items is 25.4% (30 November 2013: 26.7%).

8. Dividends

An interim dividend of 2.61p per share for the half-year to 30 November 2014 (30 November 2013: 2.53p) has been declared totalling £11.2 million (30 November 2013: £10.8 million) and is payable on 7 April 2015 to shareholders on the register at the close of business on 20 February 2015. This interim dividend has not been recognised in this half yearly report as it was declared after the end of the reporting period. The proposed final dividend for the year ended 31 May 2014 of 5.23p per share, totalling £22.0 million, was approved by shareholders at the Annual General Meeting of the Company and paid on 1 October 2014.

9. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the period attributable to owners of the Parent by the following weighted average number of shares in issue:

	Unaudited Half-year to 30 November 2014	Unaudited Half-year to 30 November 2013	Audited Year to 31 May 2014
Basic weighted average (000)	**421,430**	425,167	424,738
Diluted weighted average (000)	**422,162**	426,032	426,129

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

	Unaudited Half-year to 30 November 2014	Unaudited Half-year to 30 November 2013	Audited Year to 31 May 2014
Average number of Ordinary Shares in issue during the period (000)	**428,725**	428,725	428,725
Less weighted average number of Ordinary Shares held by the Employee Share Option Trust (000)	**(7,295)**	(3,558)	(3,987)
Basic weighted average Ordinary Shares in issue during the period (000)	**421,430**	425,167	424,738
Dilutive effect of share incentive plans (000)	**732**	865	1,391
Diluted weighted average Ordinary Shares in issue during the period (000)	**422,162**	426,032	426,129

Adjusted basic and diluted earnings per share are calculated as follows:

	Unaudited Half-year to 30 November 2014	Unaudited Half-year to 30 November 2013	Audited Year to 31 May 2014
Basic earnings per share:			
– Adjusted basic earnings per share	**7.24p**	7.46p	17.96p
– Exceptional items	**(0.71)p**	(0.80)p	3.56p
Basic earnings per share	**6.53p**	6.66p	21.52p
Diluted earnings per share:			
– Adjusted diluted earnings per share	**7.23p**	7.44p	17.91p
– Exceptional items	**(0.71)p**	(0.80)p	3.54p
Diluted earnings per share	**6.52p**	6.64p	21.45p

9. Earnings per share continued

The adjusted profit for the period has been calculated as follows:

	Unaudited Half-year to 30 November 2014	Unaudited Half-year to 30 November 2013	Audited Year to 31 May 2014
Profit attributable to owners of the Parent	**27.5**	28.3	91.4
Exceptional items (net of taxation effect)	**3.0**	3.4	(15.1)
Adjusted profit after taxation	**30.5**	31.7	76.3

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

	Unaudited Half-year to 30 November 2014 £m	Unaudited Half-year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
Profit before taxation	**39.7**	43.1	123.7
Adjustment for net finance costs	**2.3**	0.5	1.4
Operating profit	**42.0**	43.6	125.1
Depreciation (note 6)	**10.5**	9.8	19.9
Impairment loss on tangible fixed assets	**–**	–	9.1
Profit on sale of Polish Home Care brands	**–**	–	(30.6)
Loss/(profit) on sale of tangible fixed assets	**0.1**	0.4	(0.1)
Difference between pension charge and cash contributions	**(3.7)**	(3.8)	(7.1)
Share of results from joint ventures	**(1.4)**	0.7	(1.5)
Share-based payments charge	**–**	1.2	0.7
Operating cash flows before movements in working capital	**47.5**	51.9	115.5
Movements in working capital:			
Inventories	**(23.2)**	(16.9)	(14.1)
Trade and other receivables	**(39.5)**	(28.3)	(5.9)
Trade and other payables	**3.7**	7.7	0.2
Provisions	**5.3**	4.7	1.2
Cash (used in)/generated from operations	**(6.2)**	19.1	96.9

11. Net debt reconciliation

Group net debt comprises the following:

	Audited 1 June 2014 £m	Unaudited Cash flow £m	Unaudited Foreign exchange movements £m	Unaudited Non cash items £m	**Unaudited 30 November 2014 £m**
Cash at bank and in hand	48.1	1.9	1.9	–	**51.9**
Overdrafts	–	(18.9)	(0.1)	–	**(19.0)**
Short-term deposits	21.9	4.7	0.1	–	**26.7**
Cash and cash equivalents	70.0	(12.3)	1.9	–	**59.6**
Current asset investments	19.1	(18.8)	–	–	**0.3**
Loans due within one year	(15.0)	7.5	–	(7.5)	**(15.0)**
Loans greater than one year	(103.5)	(83.0)	–	7.5	**(179.0)**
Net debt	(29.4)	(106.6)	1.9	–	**(134.1)**

12. Retirement benefits

The Group operates retirement benefit schemes for its UK and certain overseas subsidiaries. These obligations have been measured in accordance with IAS 19 (revised) and are as follows:

	Unaudited Half-year to 30 November 2014 £m	Unaudited Half-year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
UK schemes in surplus	**42.9**	39.3	38.3
UK schemes in deficit	**(12.2)**	(20.0)	(16.2)
Net UK position	**30.7**	19.3	22.1
Overseas schemes	**(7.6)**	(7.8)	(7.0)
	23.1	11.5	15.1

Notes continued

12. Retirement benefits continued
The Group has three main defined benefit schemes which are based and administered in the UK and are now closed to future accrual and new entrants.

The key financial assumptions (applicable to all UK schemes) applied in the actuarial review of the pension schemes have been reviewed in the preparation of these interim financial statements and amended where appropriate from those applied at 31 May 2014. The key assumptions made were:

	Unaudited Half-year to 30 November 2014 % per annum	Unaudited Half-year to 30 November 2013 % per annum	Audited Year to 31 May 2014 % per annum
Rate of increase in retirement benefits in payment	**3.00%**	3.30%	3.15%
Discount rate	**3.75%**	4.55%	4.35%
Inflation assumption	**3.05%**	3.40%	3.25%

The movement during the period in the UK schemes are as follows:

	Unaudited 30 November 2014 £m	Unaudited 30 November 2013 £m
Retirement benefit surplus as at 1 June	**22.1**	16.6
Net pension interest income	**0.5**	0.4
Administration expenses paid by the scheme	**(0.1)**	(0.1)
Contributions paid	**3.8**	3.9
Remeasurement (loss)/gain due to changes in financial assumptions	**(18.3)**	8.4
Return/(loss) on plan assets (excluding interest income)	**22.7**	(9.9)
Retirement benefit surplus as at 30 November	**30.7**	19.3

13. Business combinations

i) Acquisition of 0.79% of share capital of PZ Cussons Nigeria Plc
Throughout the period from 1 June 2014 to 30 November 2014, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 70.55% to 71.34%. The consideration for these additional shares was £4.5 million and the amount debited to retained earnings was £3.4 million.

ii) Acquisition of the entire share capital of five:am PTY Limited
On 8 August 2014, the Group acquired the entire share capital of five:am PTY Limited, a company registered in Australia, whose principal activity is the manufacture and sale of organic yoghurt.

The net cash outflow on initial acquisition was £44.8 million that comprised of cash outflows of £39.5 million for consideration, £6.4 million for debt repayment and cash inflows of £1.1 million from acquired cash. Additional performance related consideration, that is currently fair valued at £3.9 million but could reach a maximum of £7.7 million, is payable subject to the performance of the business in the current financial year.

Details of the acquisition are as follows:

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

	£m
Cash consideration	39.5
Contingent consideration	3.9
Total purchase consideration	**43.4**

13. Business combinations continued

The fair value of the contingent consideration was estimated by assessing the probability that the performance based targets will be achieved based on current and forecast trading performance. Contingent consideration has not been discounted as it is expected to be settled within the next 12 months. This is a level 3 fair value measurement (see note 14).

The provisional assets and liabilities recognised at the date of acquisition are as follows:

	Book value £m	Fair value adjustment £m	Provisional fair value £m
Property, plant and equipment	3.5	–	3.5
Inventories	0.8	–	0.8
Trade and other receivables	2.7	–	2.7
Net debt	(5.3)	–	(5.3)
Trade and other payables	(2.9)	(0.3)	(3.2)
five:am brand	–	33.3	33.3
Net identifiable assets acquired	**(1.2)**	**33.0**	**31.8**
Goodwill			11.6
Consideration paid			**43.4**

The fair value adjustments relate to the recognition of the five:am brand and the recognition of a tax related provision. No deferred tax liability in relation to the recognition of the five:am brand has been recognised on the basis of an associated tax base.

b) Goodwill

The goodwill of £11.6 million can be attributable to the synergies expected from combining the operations of the acquired business and the Group. None of the recognised goodwill will be deductible for tax purposes.

c) Acquisition and integration costs

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

d) Revenue and profit contribution

The acquired business contributed revenues of £7.9 million and pre-exceptional operating profit of £1.4 million to the Group for the period from 8 August 2014 to 30 November 2014.

If the acquisition had occurred on 1 June 2014, Group consolidated revenue and consolidated operating profit before exceptional items for the six months ended 30 November 2014 would have been £389.6 million and £46.5 million respectively.

14. Financial risk management and financial instruments

The Group's operations expose it to a variety of financial risks that include the effects of changes in exchange rates, credit risk, liquidity and interest rates. The Group's treasury function reports to the Board at least annually with reference to the application of the Group treasury policy. The policy addresses issues of liquidity, funding and investment as well as interest rate, currency and commodity risks.

The condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements. This information and related disclosures are presented in the Group's annual financial statements as at 31 May 2014. There have been no changes in the risk management department or in any risk management policies since the year end.

i) Fair value estimation

The Group holds a number of financial instruments that are held at fair value within the annual report and accounts. Financial instruments have been classified as level 1, level 2 or level 3 dependant on the valuation method applied in determining their fair value.

The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes continued

14. Financial risk management and financial instruments continued
The financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging and the contingent consideration which has arisen on the acquisition of five:am. The Group holds a cancellable interest rate swap over the amortising term loan and the fair value is immaterial at period-end.

For both the six months ended 30 November 2014, 30 November 2013 and the year ended 31 May 2014 the assets and liabilities arising from foreign currency forward contracts have been classified as level 2. The fair value of these instruments at each of the period-ends was:

	Unaudited Half-year to 30 November 2014 £m	Unaudited Half-year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
Assets			
Foreign currency forward contracts	**0.7**	0.3	0.3
Liabilities			
Foreign currency forward contracts	**0.8**	0.1	1.9

The following table presents the changes in level 3 instruments for the half-year ended 30 November 2014, the half-year ended 30 November 2013 and the year ended 31 May 2014:

	Contingent consideration		
	Unaudited Half–year to 30 November 2014 £m	Unaudited Half–year to 30 November 2013 £m	Audited Year to 31 May 2014 £m
Opening balance	**–**	–	–
Arising on acquisitions	**3.9**	–	–
Closing balance	**3.9**	–	–

There have been no transfers between either level 1 and 2 or level 2 and 3 in any period.

The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Trade receivables and other receivables
- Cash and cash equivalents
- Trade and other payables

ii) Valuation techniques used to derive fair values
Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps. These forward foreign exchange contracts have been fair valued using exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives. Further information in respect of the valuation techniques used to determine the fair value of the level 3 contingent consideration can be found within note 13.

iii) Group's valuation processes
The Group's finance department includes a treasury team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values (as required).

15. Related party transactions
Milk Ventures (UK) Limited and Nutricima Limited
The following related party transactions were entered into by subsidiary companies during the period under the terms of a joint venture agreement with Glanbia Plc:

- At 30 November 2014 the outstanding long-term balance receivable from Milk Ventures (UK) Ltd was £23.7 million (30 November 2013: £23.7 million) (31 May 2014: £23.7 million).
- The Group sourced and then sold fixed assets, power and raw materials to Nutricima Ltd to the value of £23.6 million (30 November 2013: £23.3 million). In addition, the Group received distribution fee income of £2.4 million (30 November 2013: £2.3 million). At 30 November 2014 the amount outstanding from Nutricima Ltd was £5.9 million (30 November 2013: £8.4 million) (31 May 2014: £5.6 million). The amount outstanding from the Group at 30 November 2014 was nil (30 November 2013: nil) (31 May 2014: £1.2 million).

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 30 November 2014 (30 November 2013: nil) (31 May 2014: nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2013: nil).

15. Related party transactions continued

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 30 November 2014 the outstanding balance receivable from PZ Wilmar Limited was £21.1 million (30 November 2013: £21.1 million) (31 May 2014: £21.1 million) and from PZ Wilmar Food Limited was £6.4 million (30 November 2013: £6.4 million) (31 May 2014: £6.4 million).
- The Group sourced and then sold certain raw materials to PZ Wilmar Limited to the value of £1.1 million (30 November 2013: £1.6 million). At 30 November 2014 the amount outstanding from PZ Wilmar Limited was £0.9 million (30 November 2013: £4.1 million) (31 May 2014: £1.9 million) and from PZ Wilmar Food Limited was nil (30 November 2013: £0.1 million) (31 May 2014: £0.1 million). The amount outstanding from the Group to PZ Wilmar Food Limited at 30 November 2014 was nil (30 November 2013: £1.2 million) (31 May 2014: £6.1 million).

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 30 November 2014 (30 November 2013: nil) (31 May 2014: nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2013: 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 30 November 2014 the amount outstanding from Wilmar PZ International Pte Limited was £1.6 million (30 November 2013: £1.0 million) (31 May 2014: £1.2 million). The amount outstanding from the Group at 30 November 2014 was nil (30 November 2013: nil) (31 May 2014: nil).

16. Seasonality

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

17. Principal risks and uncertainties

The principal risks affecting the Group and measures taken to reduce these risks are explained in detail on pages 18 and 19 of our 2014 Annual Report which is available on our website at www.pzcussons.com. The risks were categorised as market risk, financial risk and operational risk and are summarised as follows:

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

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

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

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

Statement of Directors' Responsibilities

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

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

The Directors of PZ Cussons Plc are listed on page 20. A list of current Directors is maintained on the PZ Cussons Plc website.

By order of the Board

Mr S P Plant
Company Secretary
27 January 2015

Independent Review Report to PZ Cussons Plc – Report on the Consolidated Interim Financial Statements

Our conclusion

We have reviewed the consolidated interim financial statements, defined below, in the half-yearly financial report of PZ Cussons Plc for the six months ended 30 November 2014. Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The consolidated interim financial statements, which are prepared by PZ Cussons Plc, comprise:

- the consolidated balance sheet as at 30 November 2014;
- the consolidated income statement and statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the explanatory notes to the consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial statements.

Responsibilities for the consolidated interim financial statements and the review

Our responsibilities and those of the Directors

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
27 January 2015

Directors

Chairman
R J Harvey*

Chief Executive
G A Kanellis

J A Arnold*
C G Davis
N Edozien*
B H Leigh*
H Owers*
C Silver*
J T J Steel* (retired 23 September 2014)

* Non-executive

Secretary
S P Plant

Registered Office
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Manchester
M22 5TG

Registered number
Company registered number 19457

Registrars
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