Welcome to the PZ Cussons Annual Report 2014

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2014

PZ Cussons Plc
Annual Report and Accounts 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.

Mission

We are an **entrepreneurial**, **international** company, **enhancing** lives of consumers with **quality**, **value** and **innovation**.

Vision

We are a profitable, growing and dynamic company.

We are passionate about our leading brands.

We drive innovation in everything we do.

We have fantastic CAN DO people.

We are proud of our unique culture that binds us together.

We do well, we do good and we have fun!

Highlights 2014

Group

- Revenue growth in constant currency of 2% on prior year; in addition to JV revenue increasing by £172 million
- Operating profit growth of 7% despite the impact of weakening currencies
- Excluding the impact of exchange rates, operating profit would have been 18% higher than prior year
- Rafferty's Garden acquisition completed early in the year for £42.2 million in cash
- Disposal of Polish Home Care brands completed in February for £46.6 million in cash
- Strong balance sheet with only a small net debt position at the end of the year
- Total dividend increased 5% year-on-year being the 41st year of consecutive year-on-year increases

Africa

- Operating profit growth in Nigeria despite increased levels of disruption in the North of the country
- Revenue of African Food and Nutrition joint ventures reaches £260 million
- PZ Wilmar joint venture performing well with refinery operating close to capacity
- Good revenue and profitability growth achieved in the Nutricima joint venture with Glanbia

Asia

- Revenue and profit growth achieved despite the significant impact of weakening currencies
- Underlying performance in key markets of Australia and Indonesia strong
- Rafferty's Garden acquisition marked the Group's entry into Food and Nutrition in Asia

Europe

- Strong performance in UK Washing and Bathing division with all four brands performing well
- Major relaunch of Imperial Leather range post year end
- St. Tropez demand continues to be boosted by Kate Moss as brand ambassador
- Good performance in smaller markets of Poland and Greece

Financial Highlights 2014

Reported Results (before exceptional items[1])	**Year ended 31 May 2014**	Year ended 31 May 2013	% change
Revenue	**£861.4m**	£883.2m	(2.5%)
Operating profit	**£116.4m**	£108.4m	7.4%
Profit before tax	**£115.0m**	£107.5m	7.0%
Adjusted basic earnings per share	**17.96p**	16.62p	8.1%
Statutory results			
Operating profit	**£125.1m**	£95.7m	30.7%
Profit before tax	**£123.7m**	£94.8m	30.5%
Basic earnings per share	**21.52p**	14.75p	45.9%
Total dividend per share	**7.76p**	7.39p	5.0%
Net (debt)/funds[2]	**(£29.4m)**	£3.4m	

1 Exceptional items, before tax (2014: income of £8.7 million, 2013: costs of £12.7 million), are detailed in note 3 to the financial statements.
2 Net (debt)/funds, above and hereafter, is defined as cash, short-term deposits and current asset investments less borrowings (refer to note 18).

Chairman's Statement

The Group has delivered a strong set of results with Sterling operating profits 7% ahead of the prior year. This has been achieved despite a significant weakening in currencies which impacted profits by circa £12 million and without which profits would have been 18% higher on prior year.

It has been particularly pleasing to see the progress of the palm oil joint venture with Wilmar with the brands Mamador and Devon King's performing well and the refinery operating close to capacity in its first full year of operation.

During the year we acquired Rafferty's Garden and sold our Polish Home Care brands as we continue to seek to focus the business on areas we perceive have high growth potential and where we can add substantial value. The acquisition of Rafferty's Garden marked our entry into the Asian Food and Nutrition category, a sector we believe is particularly exciting and where we are developing plans for further growth. Having disposed of the Polish Home Care brands we are now focussing on the Personal Care and Beauty business in that region.

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

The 5% increase in the Group's dividend marks the 41st year of consecutive year-on-year increases.

Whilst trading conditions in most markets remain challenging, the Group continues to focus on a dynamic and fast brand renovation and innovation programme and successful delivery of new areas of growth such as Rafferty's Garden and the Wilmar joint venture. These initiatives will help to offset the continuing macro challenges, including foreign exchange volatility and the reduction in profits from Poland as a result of the strategic Home Care brands sale.

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

James Steel, Senior Independent Director and Chairman of the Remuneration Committee, will retire from the Board at the end of his term of office immediately after the 2014 Annual General Meeting on 23 September. He will be succeeded as Senior Independent Director by John Arnold and as Chairman of the Remuneration Committee by Helen Owers. James has served as a Non-executive Director since October 2005 and has made a huge contribution to the Board and the Company over that time. We wish him all the very best for the future.

Sadly, this year has marked the death of Sir John Zochonis our former Chairman. Sir John will be sadly missed by all at PZ Cussons and we will proudly continue his legacy by striving to deliver the Group's growth agenda through our commitment to our CAN DO values.

I would also like to take this opportunity to thank all of the Group's staff for their continued hard work and dedication which continues to drive our growth. Your efforts are highly appreciated both by me and by the Board of Directors.

Richard Harvey
Non-executive Chairman

29 July 2014

Sir John Zochonis Tribute
1929–2013

We pay tribute to Sir John Zochonis, our former Chairman and philanthropist, who passed away in November 2013 at the age of 84.

Sir John, great-nephew of the Group's co-founder George Basil Zochonis, joined the Group in 1953, becoming a Director in 1957 and serving as Chairman from 1970 until his retirement in 1993.

During his time as Chairman, the Group's footprint in Europe, Asia and Africa was expanded including the strategically important acquisition of Cussons in 1975. Following Sir John's retirement, the Group's established footprint and strong balance sheet served as the platform for future growth resulting in the Group's entry into the FTSE 250 in 2002.

Sir John stayed very close to the business, frequently coming into the office in Manchester right up until a few weeks before his death. He remained proud of the Group, and of its employees, and was excited for our future.

Outside of work, Sir John founded the Zochonis Charitable Trust which has helped numerous charitable causes for over 35 years and received his knighthood in 1997.

Sir John is sadly missed by everyone at PZ Cussons who had the privilege to know and work with him. He will be remembered for his kindness and generosity, his sharp mind, his wit and humour and for his humanity, humility and philanthropy.

At a Glance

The Group's portfolio of categories across a range of developed and developing markets forms the platform for our future growth.

Africa

Africa remains the Group's largest region by revenue and in **Nigeria**, Africa's most populous country (circa 179 million people) and our biggest single market, we operate in four categories: **Personal Care**, **Home Care**, **Electricals** and **Food and Nutrition**. The **Personal Care** and **Home Care** businesses have established local brands with ongoing renovation programmes leading to continued maintenance and growth of our market share. The **Electricals** business leads the core refrigerator, freezer and washing machine market. Within the **Food and Nutrition** category we have two joint ventures: Nutricima, (with Glanbia Plc) operating predominantly in the nutritional beverage sector; and PZ Wilmar, (with Wilmar International Limited) operating in the manufacture and distribution of refined branded and bulk palm oil products. In **Ghana** and **Kenya** our established businesses and brands are well placed to benefit from anticipated future growth in these countries and the wider region.

Revenue: Africa

£361.3m

(2013: £362.7m)

Asia

The Asian markets in which we operate provide a naturally balanced geographic portfolio, containing both mature and emerging markets with excellent opportunity for growth. **Indonesia** is the fourth most populous country in the world with a population of circa 254 million and the largest economy in South East Asia. Our Cussons Baby brand is the market leader and our distribution network also enables our other **Personal Care** brands to be delivered to consumers throughout the region. **Australia** represents a more mature market where we have leading positions in the **Home Care** category through our dish and fabric care products, a growing **Personal Care** business and an established **Food and Nutrition** business through the Rafferty's Garden baby food brand. Our businesses in **Thailand** and the **Middle East** are smaller and less well established but have good growth potential.

Revenue: Asia

£184.4m

(2013: £174.9m)

Europe

Our business in Europe comprises a broad range of categories and markets. **Personal Care** in the **UK** is serviced by our Personal Wash Centre of Excellence facilities in Manchester and focusses on the Imperial Leather, Carex, Mum & Me and Original Source brands. **Poland's** revenue is generated by the **Personal Care** business through replicating the innovation from the UK. The **Food and Nutrition** category is represented in **Greece** by Minerva and associated brands. The **Beauty division** is a global business based in London which markets and sells Sanctuary, St. Tropez, Charles Worthington and Fudge brands. The Beauty division's main markets are the UK, US and Australia.

Revenue: Europe

£315.7m

(2013: £345.6m)

Africa

Pg 12
To read more

- Zip
- Haier Thermocool ...part of your life
- Thermocool Engineering Company
- Devon King's
- Nunu
- Mamador
- Premier Toilet Soap
- Camel
- Cussons baby
- Cussons Morning Fresh
- Robb Well Being
- Cussons Imperial Leather
- Cussons Carex
- Olympic milk

Asia

Pg 14
To read more

- Cussons Imperial Leather
- Cussons baby
- Cussons mum & me
- Cussons Kids
- Rafferty's Garden
- Radiant
- Cussons Carex
- Original Source
- Cussons Morning Fresh

Europe

Pg 16
To read more

- Cussons Imperial Leather
- Original Source
- Cussons mum & me
- Cussons baby
- Luksja
- Cussons Carex
- Fudge
- Minerva
- St.Tropez The Ultimate Tan
- Charles Worthington London
- Sanctuary Spa Covent Garden

Business Model

We develop innovative leading brands in markets and geographies selected for growth potential. Our strategic pillars are the key enablers to deliver this model.

Selected categories

We operate in selected categories where our brands have a strategic advantage and which offer profitable growth opportunities. We win through understanding local consumer needs, being first to market and being unconstrained by big company bureaucracy. Continuous and faster innovation will ensure our brands occupy leading positions in these categories.

Progress and priorities

We continue to renovate and innovate our brands and products across our portfolio to differentiate our offering in the competitive markets in which we operate. Highlights include the UK relaunch of Imperial Leather across three new tiers (see page 16), the Australian laundry brand Radiant's new range of products (see page 14) and several new Beauty division product launches (see page 16). During the year we have sold our Polish Home Care brands and the Polish business is now focussing on the Personal Care brands of Luksja, Original Source and Carex. As stated in our previous report we are continuing to leverage our brands globally. This year we have seen: Original Source successfully expand further in Australia, Poland and Indonesia; Cussons Baby's continued growth in Nigeria and Carex's further development into Indonesia and Africa. Our priorities for next year are to continue with our brand innovation and renovation strategy and to look for further opportunities within our selected categories.

Selected geographies

We operate in specific geographies through our own infrastructure or in partnership. In these geographies we will tailor our channel approach for each category.

Progress and priorities

A number of geographies we operate in have high growth potential. During the year we have made significant investments in Nigeria through our joint ventures with Wilmar (see page 13) and Haier (see page 12). In the Asia region we purchased Rafferty's Garden, an Australian Food and Nutrition brand, and it is expected to be launched outside of Australia before the end of the 2014 calendar year. In addition both the Asia and Africa regions have seen continued investment in both global, regional and local brands. Our priorities for next year are to continue the investment in high-growth regions and to look for further international expansion opportunities.

Enhancing lives of consumers with quality, value and innovation

Flexible supply chain

We operate an ever evolving Supply Chain designed to service our categories. We deliver innovative products from various sources to our customers quickly and efficiently.

Progress and priorities
The initial phase of the supply chain optimisation project has been completed in the current year. The project has both increased the flexibility and reduced the overhead footprint of our manufacturing facilities within our supply chain. During this process additional supply chain opportunities were identified including; the optimisation of our route to market in key emerging markets and a new enhanced manufacturing facility for Electricals in Nigeria. This second phase of supply chain optimisation will be fully completed in the year to 31 May 2015.

CAN DO people

We work with people who share our unique CAN DO values. Our CAN DO culture is the unifying strength that binds together our diverse businesses around the world. We are responsible, demanding and have a sense of fun!

Progress and priorities
CAN DO continues to be at the heart of our business, demonstrated day in and day out through the passion and commitment of our employees. Our Group structure and systems project is challenging our people across all our geographies to change the way we work to enable faster and more efficient decision making to deliver brands and products to market. Continuous development of our people is a key factor in our growth. This has been evidenced during the year through the development of a bespoke PZ Cussons commercial capability curriculum in addition to over 400 Nigerian managers attending soft skills and behaviour workshops. We will continue to recruit the best CAN DO people and support them to achievement through living our values.

CAN DO Values

As one of our strategic pillars, our team of CAN DO people embodies the core values that are firmly embedded in our culture and are integral to our success. It is this CAN DO culture that we believe is the unifying strength that binds together our diverse businesses around the world.

Courage
We challenge convention, ourselves and each other. We have the strength, willingness and determination to initiate, make things happen and to carry them through.

Accountability
We are all champions of our Company. We take personal responsibility for achieving our objectives. We do what we say we shall do. We do what is right, not merely what is expected. We act with openness, integrity and trust. We ask for help, admit to our mistakes and put things right.

Networking
We are one Company across all functions and geographies. We work towards a common goal through co-operation and teamwork.

Drive
We are relentless in our pursuit of success. Together we approach each day with the energy, passion and persistence to exceed expectations.

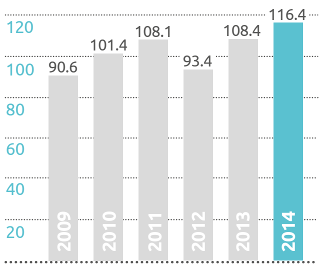
Oneness
We are all PZ Cussons people. We treat each other with respect regardless of status. We act professionally and together we celebrate our success with understated pride. We are quiet achievers.

Key Performance Indicators

Our strategic pillars are aligned to our overall financial goal to deliver an increasing return to our shareholders over the longer term. We present below the internal KPIs and external investor KPIs the Board review during the year.

Internal Key Performance Indicators

Operating profit before exceptional items £m

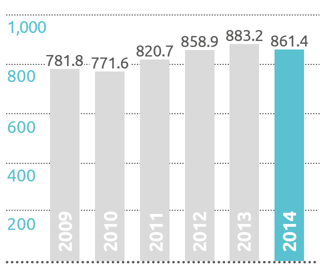


What we measure
Operating profit before exceptional expense/income items

Why we measure
Measures underlying performance prior to financing and taxation costs

Performance
Improvement of 7.4% this year

Revenue £m

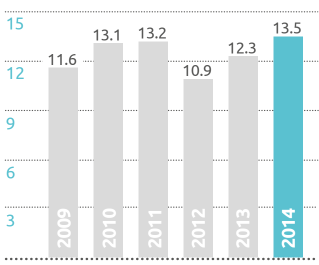


What we measure
Revenue net of discounts, rebates and sales taxes. (Does not include JV revenue)

Why we measure
Revenue growth is a key strategic aim

Performance
Decrease of 2.5% this year. JV revenue has increased £172 million in year

Operating profit %

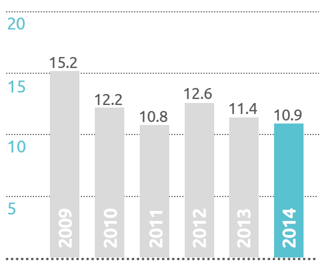


What we measure
Operating profit before exceptional expense/income items, as a % of revenue

Why we measure
Indicator of our underlying return on sales prior to financing and taxation costs

Performance
Improvement of 1.2pp this year

Net working capital %



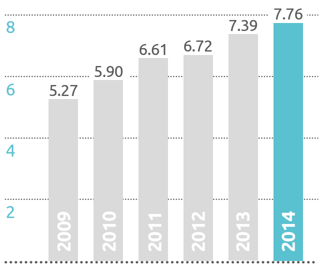
What we measure
Net working capital as a % of revenue

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

Performance
Improvement of 0.5pp this year

External Investor Key Performance Indicators

Dividend pence

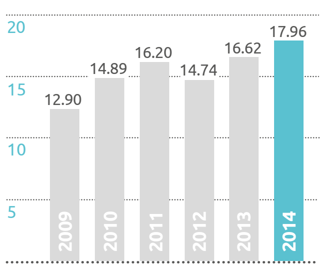


What we measure
Dividend per share

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

Performance
Improvement of 5% this year

Adjusted basic EPS pence



What we measure
Adjusted earnings per share

Why we measure
A key indicator of value enhancement to shareholders

Performance
Improvement of 8.1% this year

Our main environmental KPIs covering carbon output and water usage are included in our CSR report. The CSR report also includes our diversity and human rights disclosures.

Financial Review

Operating profits increased 7.4% versus the prior year driven by underlying revenue growth, improved margins and a profitable outturn from the PZ Wilmar joint venture.

This year's highlights

Revenue growth in constant currency of 2% on prior year; in addition JV revenue increasing by £172 million

Operating profit growth of 7% despite the impact of weakening currencies

Rafferty's Garden acquisition completed early in the year for £42.2 million in cash

Disposal of Polish Home Care brands completed in February for £46.6 million in cash

Adjusted earnings per share rose 8.1% to 17.96p (2013: 16.62p)

Exceptional income of £8.7 million recorded during the year (2013: charge of £12.7 million) mainly related to the sale of the Polish Home Care brands partially offset by the costs of supply chain optimisation, the Group structure and systems project and Rafferty's Garden acquisition and integration

Total dividend increased 5% year-on-year being the 41st year of consecutive year-on-year increases

This has been achieved despite a significant exchange impact of circa £12 million from the translation and transactional effect of weakening currencies, in particular the Australian Dollar, Indonesian Rupiah and the Ghanaian Cedi. Excluding this impact, profits would have been 18% higher than the previous year. Whilst trading conditions continue to be tough in most markets, the Group's speed to market with brand innovation and renovation, as well as a continuing focus on improving margins, has enabled another year of profitable growth to be delivered.

Within Africa, Nigeria continues to be the largest market with the majority of revenue and operating profit coming from that geography. Operating profit growth was achieved in the year despite the significant ongoing disruption in the north of the country and generally low levels of liquidity in the market. With the new PZ Wilmar joint venture fully up and running, the Group now benefits from significant category diversification with a spread of businesses across Personal Care, Home Care, Electricals and now two joint ventures in the Food and Nutrition category.

Underlying performance in Asia has been strong although the weakening in the Australian Dollar and Indonesian Rupiah has impacted results in Sterling. Regional results are ahead of the prior year as a result of the Rafferty's Garden acquisition which contributed circa £19.6 million and £2.2 million to revenue and operating profit respectively.

In Europe, a strong performance, in particular from the Washing and Bathing division, resulted in higher operating profits versus the prior year. The sale of the Polish Home Care brands resulted in revenue from that market being £24 million lower than the previous year, whilst profits were at a similar level as a result of a strong performance pre disposal.

The overall impact of exchange rate movements in the year resulted in a decrease in Group revenue of circa £37 million. The translational and transactional impact of the exchange rate movements was to reduce profits by circa £5 million and £7 million respectively, a total of circa £12 million.

Financial position – overview

The Group's balance sheet remains strong with only a small net debt position at the year end following £96.9 million of cash generated from operations through tight control of working capital.

Total capital expenditure of £30.0 million comprises an underlying amount close to depreciation levels relating to factory expenditure, plus a further amount for the implementation of SAP and other IT infastructure.

During the year £42.2 million was spent in relation to the acquisition of Rafferty's Garden and £46.6 million was received in relation to the disposal of the Polish Home Care brands.

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 year, including changes to some of the Group's category and supply chain structures. SAP has been selected as the Group's core system for the future and IBM have been chosen as the external systems integrator. SAP will be implemented across the Group phased by region over the next three years.

Exceptional items
A net exceptional profit of £8.7 million before tax was recorded during the year (2013: charge of £12.7 million). The exceptional profit relates to the profit in the year recognised from the sale of the Polish Home Care brands (£30.6 million) partially offset by the cost of the supply chain optimisation project phase 1 and 2 (£13.0 million), the current year cost of the Group structure and systems project (£5.6 million) and the cost of the Rafferty's Garden acquisition and integration (£3.3 million).

Taxation
The effective tax rate before exceptional items was 26.0% (2013: 26.5%) and is lower principally due to decreased UK corporation tax rates.

Dividend
The Group aims to pay an attractive, sustainable and growing dividend. The Board is recommending a final dividend of 5.23p (2013: 5.04p) per share making a total of 7.76p (2013: 7.39p) per share for the year, a 5% increase and the 41st successive year of dividend increases.

The overall dividend remains some 2.3 times covered by adjusted earnings per share. Subject to approval at the AGM, the final dividend will be paid on 1 October 2014 to shareholders on the register at the close of business on 15 August 2014.

Directors
James Steel, Senior Independent Director and Chairman of the Remuneration Committee, will retire from the Board at the end of his term of office immediately after the 2014 Annual General Meeting on 23 September. He will be succeeded as Senior Independent Director by John Arnold and as Chairman of the Remuneration Committee by Helen Owers. James has served as a Non-executive Director since October 2005.

Outlook
Whilst trading conditions in most markets remain challenging, the Group remains focussed 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 and the Wilmar joint venture.

These initiatives will help to offset the continuing macro challenges including foreign exchange volatility, and the reduction in profits from Poland as a result of the Home Care brands sale.

The Group's balance sheet remains strong and well placed to pursue new areas of growth.

The overall performance of the Group since the year-end has been in line with management expectations.

Business Review Africa

Review
In **Nigeria**, unrest in the North of the country has continued with high levels of disruption at various times during the year. This has made trade difficult in the affected areas as distributors and consumers trade and shop more cautiously. There is currently no indication that the levels of disruption will ease in the short term and politically the country is now focussed on the next presidential elections that are scheduled to take place in February 2015. Economically, high interest rates have helped to maintain the stability of the Naira to Dollar exchange rate although this has resulted in liquidity levels in the market remaining tight. A new central bank governor took office in June 2014 and policies have continued to support the currency as long as foreign exchange reserves are maintained at a sufficient level.

In Personal Care and Home Care, whilst volumes were higher year-on-year, revenue and operating profit were slightly lower as a result of commodity products, such as bulk detergents and laundry soaps, having to trade in an extremely competitive environment. Competitors have been operating with high levels of promotions in order to maintain share whilst cheap imports from Asia have also affected market dynamics. Pleasingly, good growth has been achieved in the value add part of the portfolio driven by a significant renovation programme across brands such as Premier, Zip, Morning Fresh, Carex and Cussons Baby. This innovation and renovation across the portfolio has helped to maintain or grow the brands' number one or number two positions by market share.

In the Electricals division, double digit revenue and profit growth has been achieved with the Haier Thermocool brand performing extremely well in its 40th anniversary year. The brand holds clear number one market share positions in refrigerators, freezers and washing machines, and continues to be premium priced with consumers recognising the product quality and after sales service capability which remains ahead of that offered by the competition. The HT CoolWorld showrooms in Nigeria and Ghana continue to play an important role, both as sales outlets, and as a showcase for the premium positioning of the brand.

Revenue for the African Food and Nutrition joint ventures with Wilmar and Glanbia grew to £260 million. The palm oil joint venture with Wilmar has performed very well, recording a small operating profit contribution, with the refinery already close to capacity following its commissioning in January 2013. Good growth has been achieved in the consumer brands of Mamador and Devon Kings with the balance of output sold business to business.

Nutricima, the nutritional beverage joint venture with Glanbia, has seen double digit revenue growth with strong performance from the key brands of Nunu, Coast, Olympic and Yo. The business posted a small profit for the year, ahead of the breakeven position of the prior year, despite higher year-on-year milk costs.

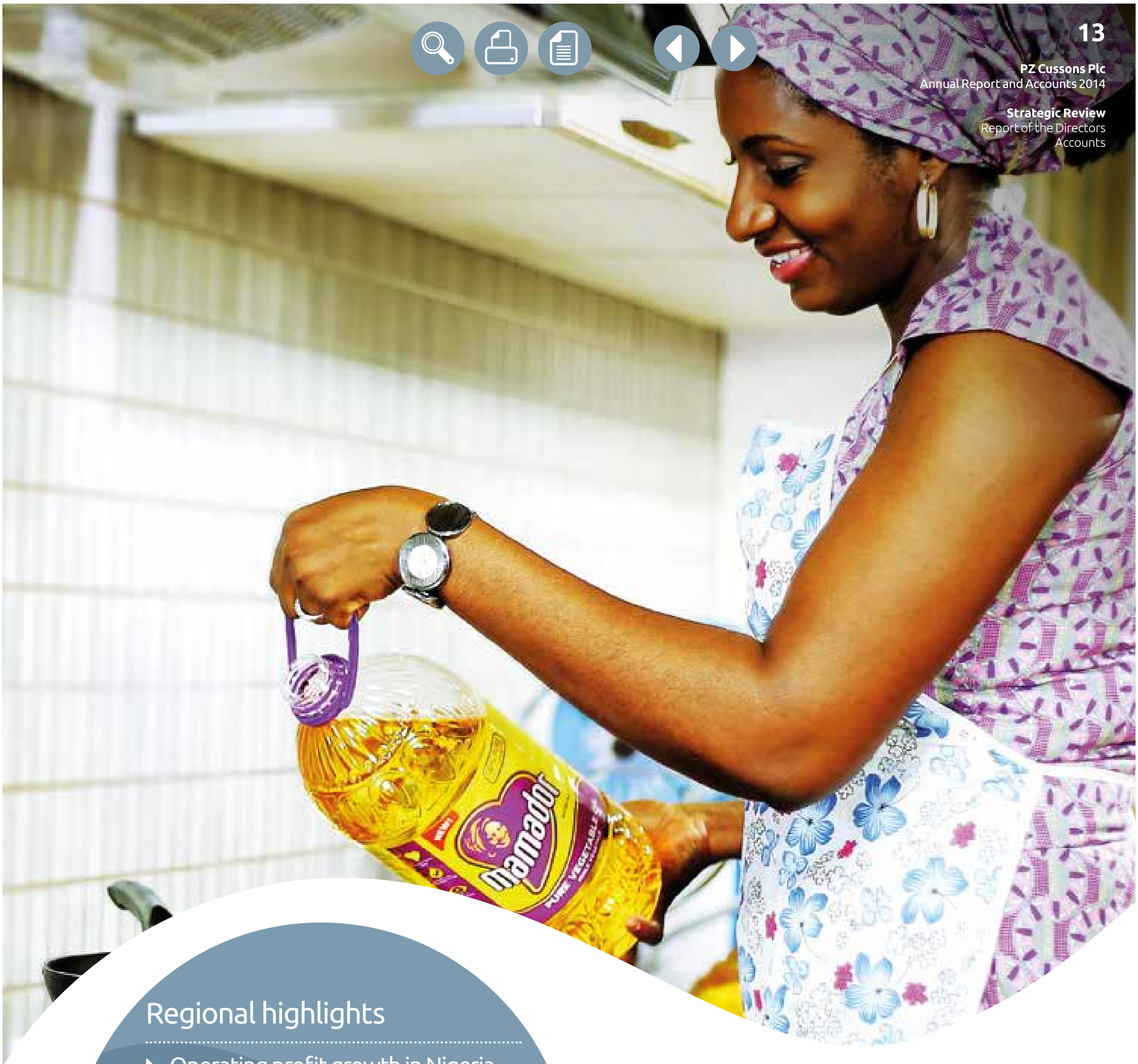
Whilst local currency revenue growth in **Ghana** is ahead of the prior year, profitability has been impacted by a significant weakening of the Cedi which has devalued over 60% in 12 months. Brand shares remain healthy at number one or two position across all four categories of Personal Care, Home Care, Electricals and Food and Nutrition.

Revenue and profitability in **Kenya** are at similar levels to the previous year.

Regional Update

Zip detergent brand relaunch
Zip has grown over the last 10 years to become a popular and well known detergent brand, especially in the north of Nigeria. In the current year, Zip was relaunched with an improved formulation offering 'Our best whites ever' and the introduction of a new lemon variant. The Zip relaunch was a fantastic event, including significant and impactful trade and consumer engagement.

Electricals division
The Nigerian Electricals division has had another successful year continuing its market leading position in key white goods categories. The 40th year celebrations of the Thermocool electrical brand consisted of a number of events and prizes including a Valentine's Day spectacular in Lagos for over 5,000 guests. During the year a new state of the art manufacturing plant was opened to address the increased demand facing the division with the new facility's capacity being over one million units per annum.



Regional highlights

- Operating profit growth in Nigeria despite increased levels of disruption in the North of the country
- Revenue of African Food and Nutrition joint ventures reaches £260 million
- PZ Wilmar joint venture performing well with refinery operating close to capacity
- Good revenue and profitability growth achieved in the Nutricima joint venture with Glanbia

Revenue: Africa

£361.3m

PZ Wilmar

In 2011, the PZ Wilmar joint venture was formed through a partnership with Wilmar International. The successes of this venture so far have been:

- Building Nigeria's largest state of the art palm oil refinery
- Developing two new high quality market leading consumer edible palm oil brands (Devon King's and Mamador)
- Investing in palm oil plantations with the aim of revitalising the Nigerian palm oil industry

Our future strategic ambitions include the further growth of our premium branded product sales of Mamador and Devon King's.

Business Review Asia

Review

In **Australia**, the underlying performance in the Home Care and Personal Care portfolios has been strong, driven by innovative new product launches brought quickly to market. Within Home Care, Morning Fresh has extended its number one market share position in manual dishwash whilst Radiant laundry powder and liquids have also grown versus the previous year. In Personal Care, the Imperial Leather and Original Source ranges have been extended with new variants and during the year Cussons Mum & Me was launched into selected distribution channels. Beauty brands Fudge, St. Tropez and Sanctuary have performed particularly strongly in the Australian market during the year. Rafferty's Garden, the Australian baby food business purchased in July 2013, has performed well and is expected to be launched outside of Australia before the end of the 2014 calendar year. All businesses have been impacted by higher input costs as a result of the significant weakening in the Australian Dollar which has also reduced results on conversion to Sterling.

In **Indonesia**, double digit local currency revenue growth has been achieved, albeit at a lower rate than previous years as a result of the slowing macro environment. Results have also been affected on conversion by the significant weakening in the Rupiah. Cussons Baby, which accounts for approximately 80% of Indonesian revenue, continues to perform extremely well, reinforcing its market leading position. The Imperial Leather range was completely relaunched during the year with new bar and liquid soap products whilst Carex also delivered good growth. The brand portfolio was also extended with the launch of Original Source into modern trade distribution channels. Further progress was also made during the year with distribution in other South East Asian territories.

Performance of the smaller businesses in **Thailand** and the **Middle East** were at a similar level to the prior period.

Regional Update

Cussons Baby digital marketing

During this financial year we have made great strides with our online digital marketing campaigns. In Indonesia, the Cussons Baby Facebook page hit one million subscribers, the first brand within the Group to achieve this milestone. The dedicated Facebook page features 'live expert chat' which offers advice to mums on baby care matters. The digital strategy is based on the insight that mums in Indonesia have limited access to authoritative advice from experts and healthcare professionals.

Radiant's new innovative advertising campaign

Radiant, our Australian laundry detergent brand, has been using a new and innovative marketing campaign to differentiate itself from traditional laundry detergent manufacturers, following its reformulation. Radiant's new range of products contain a number of breakthrough technologies that keep colours newer, for longer. The advertising campaign called 'Buy it. Wear it. Wash it. Return it' took a unique approach to change the way that traditional brands communicate with the consumer whilst putting the detergent to the test. Shot for a web film, clothes were purchased, and then whilst being worn were subjected to activities such as Paintballing and Australian Rules Football. They were then cleaned with Radiant and ultimately successfully returned as good as new, to the stores they were purchased from.

Regional highlights

- Revenue and profit growth achieved despite the significant impact of weakening currencies
- Underlying performance in key markets of Australia and Indonesia strong
- Rafferty's Garden acquisition marked the Group's entry into Food and Nutrition in Asia

Revenue: Asia

£184.4m

Rafferty's Garden

In July 2013 PZ Cussons acquired the Australian baby food brand Rafferty's Garden, a leading premium nutritious baby food brand with approximately 40% share of the Australian wet baby food market, as well as growing shares in the infant dry baby food and snacks market. The acquisition marks our entrance into the Food and Nutrition category within Asia whilst adding another leading brand with exciting growth potential. It is expected to be launched outside of Australia before the end of the 2014 calendar year.

Business Review Europe

Review

In the **UK Washing and Bathing** division, all brands have performed well driven by significant renovation and innovation programmes with over 70% of products relaunched or refreshed in the year. This enables category growth plans to be developed with the trade and new product news to be delivered to the consumer. Highlights during the year include the relaunch of the premium Imperial Leather Foamburst shower range with new imagery and fragrances, the extension of the very successful Carex Kids handwash range to four variants and new Original Source products including the launch of a Skin Quench moisturising range. An exciting development for the new financial year is the major relaunch post year end of the entire Imperial Leather portfolio with exciting new products and fragrances tiered as Classic, Signature and Indulgence ranges to cater for all price points and consumer needs. The Cussons Mum & Me range, launched two years ago, was refined in the year to focus on the successful top selling products and has been complemented by products for toddlers and young children under the Little Explorers sub-brand. Product portfolios for all brands have been optimised both for the big four supermarkets as well as further increasing distribution in other channels.

In the **Beauty** division, whilst trading conditions in UK channels have been challenging, overseas markets have been further developed during the year with new distribution secured in the US, Canada and selected European countries. Consumer demand for St. Tropez has been boosted in all markets by Kate Moss as brand ambassador, and the portfolios of all brands continue to be refreshed with innovative new products. As part of the division's focus on its product ranges, the Covent Garden spa and the three smaller boutique spas were closed during the year.

In **Poland**, the sale of the Home Care brands completed in February 2014 with £46.6 million received in cash. Performance in the period was strong pre-sale for the Home Care business and the focus is now on investing in and growing the Personal Care brands of Luksja, Original Source and Carex.

Performance in **Greece** showed improvement versus the prior year as the economy began to stabilise, and new product launches took place across the portfolio of edible oils, cheeses and spreads.

Regional Update

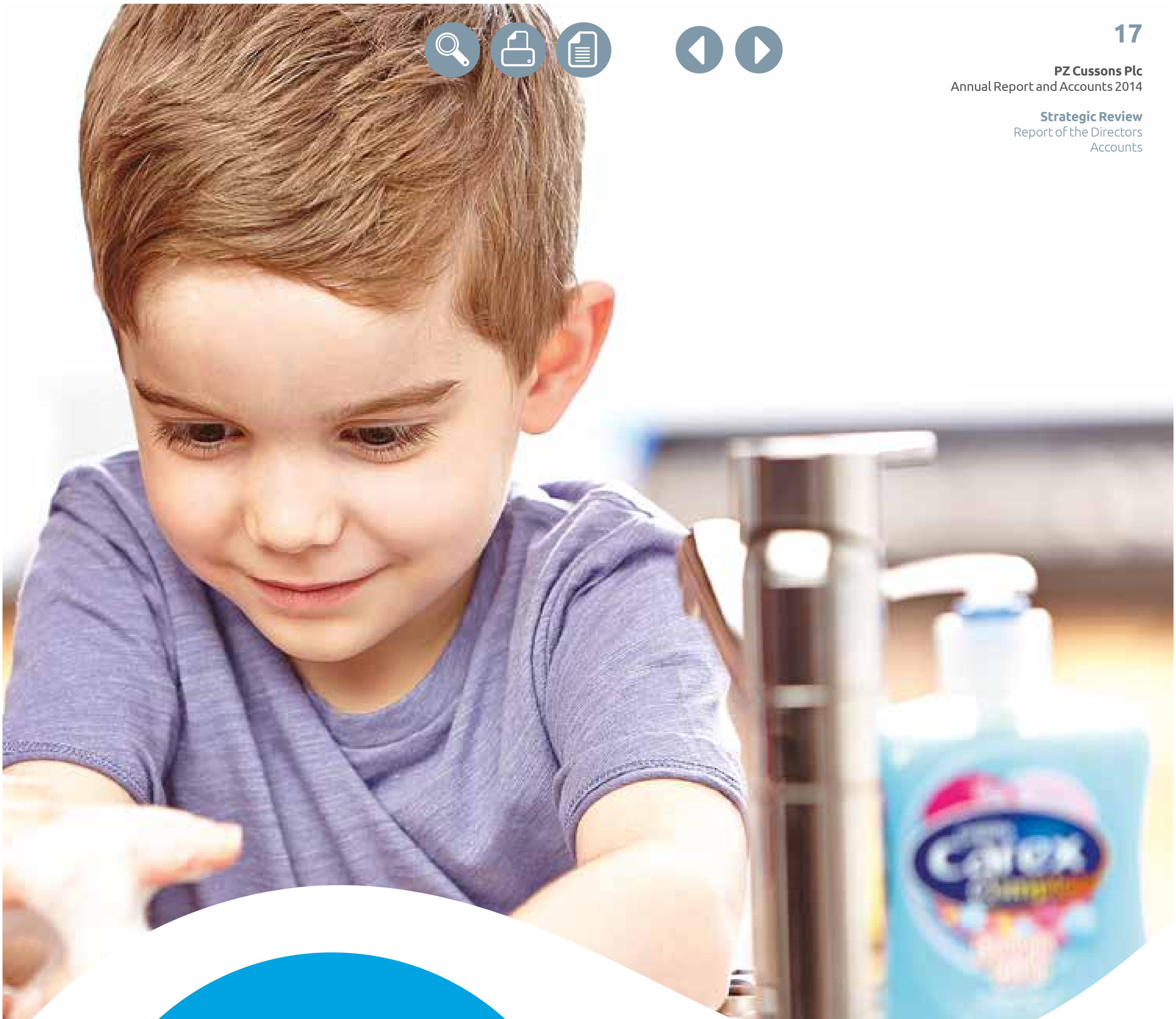
Beauty division

Our Beauty division has continued to innovate with the launch of a number of new products. The professional haircare brand, Fudge, launched an exciting new 'Care' range including shampoos and conditioners, whilst Fudge Urban secured One Direction's hairstylist Lou Teasdale as its brand ambassador and launched into Target in the US. St.Tropez, our leading self-tan brand, unveiled its new Self Tan Luxe Dry Oil and Self Tan Express range containing intelligent self-tanning technology. Sanctuary launched a new 'Wonder Oil Serum' combining the benefits of an anti-ageing serum with hydrating oil. Charles Worthington Salon at Home range took its first steps into the hair colour concealing market with the launch of an Instant Root Concealer range.

Imperial Leather Foamburst and relaunch

It has been an exciting time for Imperial Leather in the UK. Imperial Leather bath, shower and hand wash has been relaunched post year end across three new tiers: Classic, Signature and Indulgence. Each tier has been crafted by our Master Perfumers and contains sumptuous new fragrances together with beautifully eye-catching new designs and brand new formulations.

In addition, earlier in the year Foamburst relaunched with an exciting multi-media communication campaign. Each of the fantastic new Foamburst fragrances has an associated Genie – each with it's own unique characteristics to reflect their Foamburst variant.



Regional highlights

- Strong performance in UK Washing and Bathing division with all four brands performing well
- Major relaunch of Imperial Leather range post year end
- St. Tropez demand continues to be boosted by Kate Moss as brand ambassador
- Good performance in smaller markets of Poland and Greece

Revenue: Europe

£315.7m

Carex has another record breaking year!

Our Carex brand had another record breaking year, reaching a record leading market share in the UK hand wash category. Behind this success has been a number of initiatives including the relaunch of the brand as 'Carex Complete', the extension of our Protect Plus range and the addition of new and exciting variants to our Fun Editions range. The latest Fun Edition variant is Bubble Gum, which has been chosen by children to encourage regular hand washing. We also achieved an entry into the Guinness World Records for the Biggest Simultaneous Baking Lesson, involving 5,169 children coordinated through our schools programme – Hands Up for Hygiene.

Principal Risks and Uncertainties

On behalf of, and in consultation with, the Board of Directors, the Group Risk Committee is responsible for identifying, assessing and prioritising all material risks facing the Group and ensuring, where possible, that appropriate action is taken to manage and mitigate those risks. The table below highlights the major risks identified which may affect the Group's ability to deliver its business model and strategy, and the measures taken to address them.

Risks	Description of risks	Measures to reduce the risks
Market risks		
Political and economic instability	The Group conducts a substantial proportion of its operations in emerging markets which have significant capacity for profitable growth, but which also have an increased risk of political and economic instability.	The Group has a diverse geographic portfolio; In developing its corporate strategy, and in order to help mitigate the risk that could arise in any one particular territory, the Board seeks to maintain an appropriate balance both between mature and emerging markets and, within the developing world, between its operations in different territories. In addition, the Group has extensive and long established experience in all key markets and the Board continually monitors those markets to ensure that any specific risks (or opportunities) are identified and addressed as they arise.
Demand risks	Demand for the Group's products may be adversely impacted by changes in consumer preferences. The increasingly competitive environment and continued growth of discounters could adversely impact the rate of sales growth and profit margins.	Extensive knowledge of the Group's selected markets is a core strategic pillar and the Group actively monitors the needs and aspirations of consumers on a regular and ongoing basis and is continuously developing new products to satisfy them. The Group will continue to invest in selected brands and selected markets in order to drive profitable sales growth. The Board believes that competition is healthy as it encourages and motivates the Group's operations across the world to do their best to serve the interests of consumers and our brands.

Risks	Description of risks	Measures to reduce the risks
Raw materials	In common with other companies within its sector, the Group's profitability is affected by price and supply fluctuations in raw materials used in the manufacture of its products. Key items, such as oils and fats, packaging materials and energy are subject to fluctuations in price and availability.	The Group takes measures to protect against the short-term impact of these fluctuations and shortfalls; however, failure to recover higher costs or shortfalls in availability could have a negative impact on profits. The Group continually monitors the price and availability of materials against forecast demand to ensure that there are adequate resources to continue in production throughout the world. The Group also continues to refine its raw material forecasting processes and to strengthen its procurement capabilities.
Financial risks		
Foreign currency and treasury risk	The international nature of the Group's activities gives rise to both transactional exchange rate risk (with the main exposure relating to US Dollar trade balances) and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling.	The Group requires its operating units to hedge their material transaction exposures on sales and purchases conducted in currencies other than their functional currencies where possible. The Group does not actively hedge its translation exposures as these are of an accounting rather than a cash nature; however, the international spread of the Group's operations itself reduces dependence on individual currencies. The Group maintains a centralised treasury function which operates on a non-speculative basis in accordance with policies and procedures approved by the Board of Directors and reviewed during the year by the Board and the Audit Committee. The aim of this function is to mitigate the effects of any adverse movements in exchange rates and interest rates on the Group's financial results and support operating units in treasury matters.
Operational risks		
Staff retention and recruitment	The Group recognises that in order to deliver sustained strong results it requires the right calibre of people at all levels of the business. In particular, the Group must compete to recruit and retain capable individuals within the business including training them in the skills and competencies which are required to deliver profitable growth.	The Board believes that there is an attractive employment proposition across the Group in place which will continue to attract capable recruits and that key management and personnel are sufficiently well recognised, incentivised and challenged in order to retain them as far as possible.
Reputation risks	Should the Group fail to meet high product safety, social, environmental and ethical standards in all operations and activities, its corporate reputation could be damaged, leading to the rejection of our products by consumers, damage to brands and diversion of management time into rebuilding our reputation.	Product safety, social, environmental and ethical standards continue to be the cornerstones on which our business is based. They are key focus areas for the Corporate Social Responsibility Committee, a standing sub-committee of the Board. Should any issues arise in these areas, the Group has processes in place to enable a quick response.

The Group's strategic report incorporates the Chairman's statement, business model, key performance indicators, financial review, business reviews, principal risks and uncertainties and those areas incorporated by cross reference.

By Order of the Board

Alex Kanellis
Chief Executive Officer

29 July 2014

Corporate Social Responsibility

Doing Good Business

We are on a mission to do good business in every aspect of our organisation. It's part of our heritage and our culture to operate with integrity and thought to make a positive social and environmental impact.

'Doing Good Business' Works

Introduction

At PZ Cussons we are committed to 'Doing Good Business', conducting our business with integrity and care. This ethos forms part of the Company's DNA and the foundations on which the Company was built 130 years ago.

This report outlines our Corporate Social Responsibility (CSR) principles and the key steps we have taken during the year and continue to make to uphold the Group's values and principles.

'Doing Good Business' works for us and is part of our culture. We aim to make a positive impact on society through the products we produce at every stage of the process, from formulation, to sourcing materials, manufacture, packaging and distribution.

We pay careful attention to how we interact with the local communities in which we operate and the positive contributions we make to the lives of those who intersect with our business activities.

Our guiding principles

Our guiding CSR values and principles are set out in our 'Doing Good Business' statement and are based on six key areas where we have identified our operations could potentially have the biggest positive or negative impact.

- The environment
- Consumer safety
- Health and safety
- Business conduct and ethics
- Our employees
- Local community and charity

The statement relates to all our Group's global operations and its policies and principles apply to every Director, manager and employee, whom we encourage and motivate to use these principles in their day to day working lives.

We believe that by engendering a 'doing the right thing' business culture and by demonstrating how 'Doing Good Business' works in practice, the Group provides an environment for employees to pursue opportunities and to be involved in activities which have a positive impact on society and the environment.

Our CSR principles are integral to the results that the Group has successfully delivered over the years and to our continued future success and growth aspirations. In particular, we understand the potential strategic benefits which can be delivered by this approach. Through active listening and proactive engagement with our stakeholders including; shareholders, customers, consumers, suppliers, employees and wider communities, the business' CSR activities are aligned to their concerns and demands.

Our industry operates within an increasingly regulated arena and we believe that our stance on environmental issues and our proactive CSR practices also reduce the risk of adverse regulatory action.

Corporate Social Responsibility Committee

The PZ Cussons Board is responsible for overseeing CSR within the Group, supported by a Corporate Social Responsibility Committee (CSR Committee). Following each CSR Committee meeting, the CSR Committee's Chair reports to the Board on the CSR Committee's proceedings relating to matters within the scope of its remit.

The CSR Committee's terms of reference are available on the PZ Cussons Group website (www.pzcussons.com).

The CSR Committee and the Board have reviewed and endorsed this CSR report.

A copy of the 'Doing Good Business' statement on CSR is available on the PZ Cussons Group website (www.pzcussons.com).

The environment

We are committed to protecting the environment and addressing our impacts on both the local and global environment.

Health and safety

Our working environments offer safe and secure environs for our people, visitors and contractors.

Business conduct and ethics

Doing good ethical business is a core value that is weaved through all our business activities and third party dealings.

Our employees

We are proud of our diverse employee mix, the skills they bring and the essential contribution they make to our business success.

Consumer safety

We are committed to excellence and to providing consumers with safe, trustworthy products that meet all safety standards.

Local community and charity

We believe that doing good business should have a benefit for everyone, including the local communities we operate within and the charities which share our values.

The environment

Carbon

28.3% reduction in normalised carbon emissions (per tonne of product) versus last year.

We take responsibility for how our business may impact on the environment, from the way we manufacture, how consumers use our products to the logistics needed to bring them to market.

We are now two years into our three year environmental improvement plan, with our operating units showing good results and continued engagement in achieving our stretch targets for reducing our impacts on the environment.

We recognise our key role in responding conscientiously and doing the right thing in business to help minimise any adverse impacts to the environment. We continue to take positive steps to tackle issues and make a positive contribution to meeting global environmental challenges, including identifying and rigorously pursuing opportunities to reduce the Group's reliance on unsustainable materials. We carefully balance our responsibilities, like any robust business, with the need to deliver ongoing margin improvement and excellent shareholder value.

Carbon

10%

reduction in absolute carbon emissions versus our 2011/12 baseline.

Our approach focusses on achieving greater energy efficiency and reducing emissions associated with the types of fuels we consume to supply energy in our factories, through traditional fossil fuels, gas or electricity. Where possible, we are committed to using low carbon sources of energy and exploring the use of alternative, more fuel efficient processes.

The business continues to see a year on year reduction in both its absolute and normalised CO_2 emissions. As stated in last year's report, the new PZ Wilmar edible oil refining operation is included in this year's data which has added over 200,000 tonnes of production to the business. However, absolute emissions have reduced by 10% and this equates to an outstanding reduction in normalised CO_2 of 28.3% in the last financial year.

The Supply Chain Energy Reduction programme is at the heart of our environmental improvement. At the same time we are working with different organisations, such as Lancaster University, to establish our impact on the local environments and methods of improvement.

Our ambitious reduction programme has been achieved around the business, yielding energy and cost savings through a number of methods:

- Instantaneous live energy monitoring has been installed at a further three factories during 2013/14. This provides a minute by minute measurement that helps to identify opportunities to save energy. Changes in working practices and new capital investment have resulted from our live monitoring systems, now installed in 40% of our factories
- The use of specialised water treatment plants and processing equipment which use lower temperatures to work with high viscosity materials
- Renewing the Thailand factory's main chilled water and air compressors with the latest modern technology
- Replacing traditional lighting with low energy LED lighting installations throughout our UK operations
- Integrating air conditioning, heating, ventilation systems into the UK's Building Management System to control units during operating hours and to employ auto-switch off at the weekends

Target – 12% carbon footprint reduction by 2015 versus our 2011/12 baseline.

Carbon Disclosure Project (CDP)

We have been working with the Carbon Disclosure Project since 2007 and are committed to reducing our carbon footprint. We currently report on Scope 1 and 2 emissions.

The 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.

The Scope 1 and Scope 2 Carbon emissions for the CDP are presented on page 38 of the Report of the Directors.

Water

Ensuring that water resources are used efficiently and responsibly is an important strand of our CSR activity. We have a keen awareness that some countries where we have operations have been defined by the United Nations as being water scarce, stressed or vulnerable.

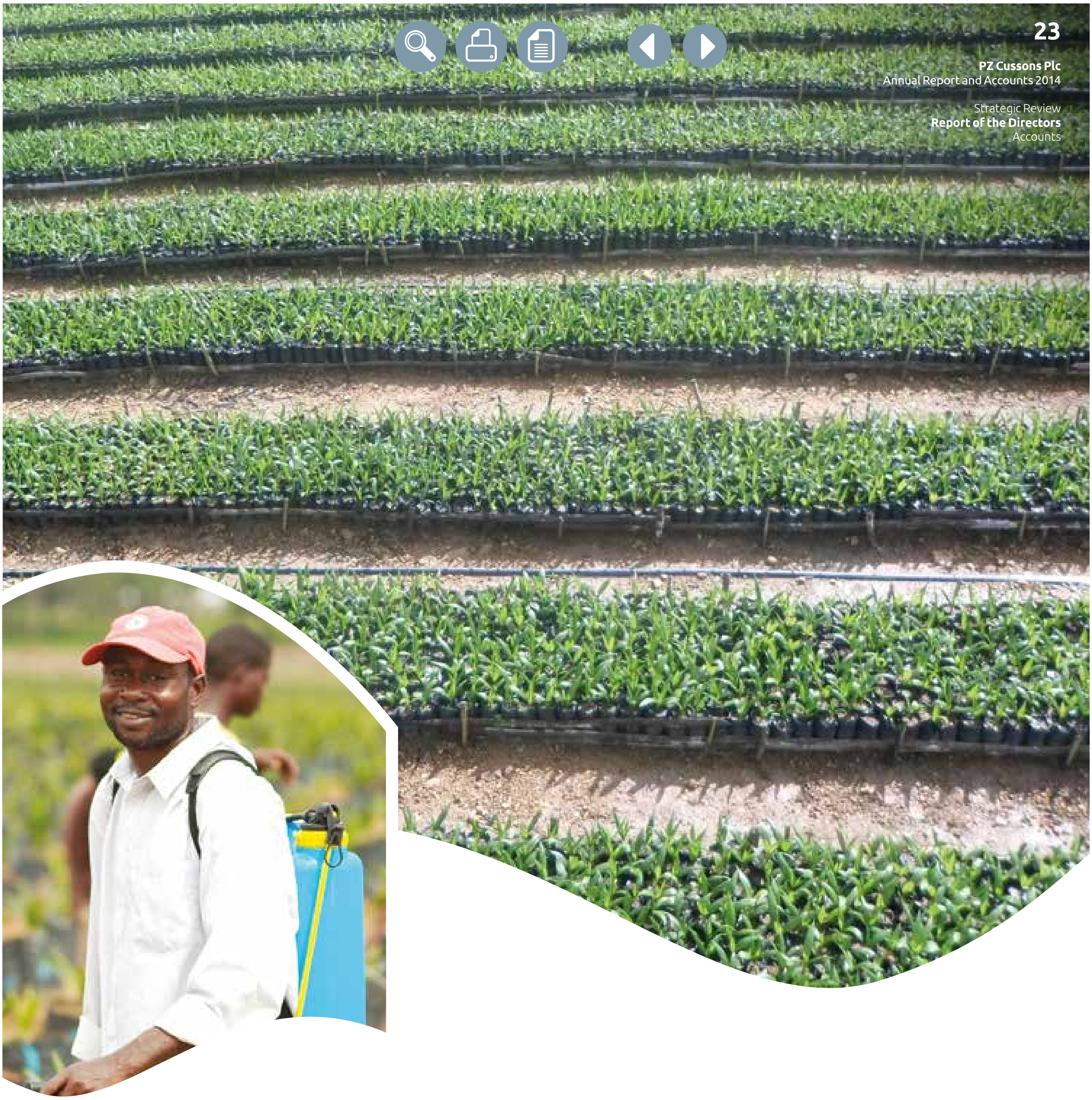
We continue to set ourselves demanding targets for reducing water consumption in our manufacturing processes and finding solutions to recycle or return water back to the water course, especially within our Nigerian operations which account for the majority of the Group's total water usage. Our focus on reducing water usage within our Nigerian business has paid dividends. We have seen a 25% reduction over the year, with the help of our new cooling tower in Aba which recycles water used in cooling processes. Likewise, other countries have yielded reductions, such as Poland, where river water usage has reduced by over 45%.

Water

19%

reduction in absolute water usage versus our 2011/12 baseline.

Target (achieved) – 10% reduction in consumption by 2015 versus our 2011/12 baseline.



Palm oil plantations and regeneration

Since 2010, we have been investing in new palm oil plantations and regeneration of old state-owned plantations in Nigeria, which are following RSPO principles and criteria, via our JV with Wilmar International, PZ Wilmar. The plantations will eventually contribute ongoing oil supply to the JV's new food ingredients consumer brands, Devon King's and Mamador.

Ultimately, PZ Wilmar will contribute to the world's supply of deforestation free palm oil production using best practices and is already supporting the wider Nigerian palm oil industry and economy. Palm oil is indigenous to Nigeria and our plantations do not compete with local food crops or vegetation. We are working with the Nigerian Government and local farmers, to revive an industry which we hope will bring significant benefits to local people, without causing harm to the environment.

Our joint venture partner, Wilmar International Limited, is a fellow RSPO member and one of the world's leading producers of RSPO-certified sustainable palm oil. In December 2013 it announced its membership of TFT and unveiled its far-reaching No Deforestation, No Peat, No Exploitation policy.

The environment continued

Packaging

Packaging our products in an environmental way to reduce waste and the global resources we consume remains a strategic focus. Work on light weighting, optimising structural and material design to eliminate unnecessary packaging materials continues with notable successes.

We understand that it is not a realistic target to eliminate packaging completely therefore, in addition to our light weighting initiatives, we also encourage our consumers to reuse and recycle packaging.

Target – 10% packaging reduction in weight by 2015 versus our 2011/12 baseline.

Building on past successes, during the year we have continued our commitment to packaging light-weighting, reducing the weight of over 53 million bottles.

- 5 million Carex handwash bottles by 2g per bottle
- 12 million Imperial Leather handwash bottles by 2g per bottle
- 8 million Morning Fresh washing up liquid bottles by 2g per bottle
- 10 million Imperial Leather shower bottles by 2.5g per bottle
- 18 million Original Source shower bottles by 2.5g per bottle

In Indonesia, we have successfully moved our plastic bottles from PVC to PET.

Our African operations have taken significant steps to reduce our carbon footprint through increasing its local sourcing policies for laminates and cap tooling.

A continuing challenge is to measure packaging consumption in all territories, however, we anticipate further progress in this next year.

Waste

We strive to reduce the level of waste we generate as a bi-product of our manufacturing processes, whether from incoming goods, non-conforming products requiring disposal or water needed to clean our plants at the end of production. By adopting responsible wastage policies and through careful monitoring, we continue to minimise environmental impacts and have a positive effect on the amount of natural resources we consume, the levels of waste we need to dispose of and the substantial financial savings we can bring to the business.

Waste

16%

waste reduction versus our 2011/12 baseline.

Target (achieved) – 15% reduction in waste disposal (including effluent) by 2015 versus our 2011/12 baseline.

A 65% reduction in waste was achieved by adopting new environmental ways of working in Greece and 7.2% reduction for Nigeria. Poland has also reduced its waste by 34%, which again is a significant achievement attained through a combination of packaging waste reductions and a decrease in soap manufacturing waste.

Strengthening our commitment to responsible palm oil

Palm oil is the most widely traded vegetable oil in the world and is used in many food and household products. It is also high-yielding and land-efficient when grown responsibly and it is contributing positively to economic development in several emerging markets, including Nigeria.

Securing a long-term sustainable supply of this raw material is important to PZ Cussons and is a complex challenge faced across our industry. We took another step towards achieving this goal by becoming members of The Forest Trust (TFT) in May 2014. TFT is a not-for-profit organisation with expertise and experience of setting up traceability systems and tackling environmental and social issues throughout the palm oil supply chain.

Our membership of TFT builds upon our ongoing membership of the Roundtable on Sustainable Palm Oil (RSPO), which we joined in 2010. It strengthens our commitment to ensuring that the palm oil used in our range of personal and home care, beauty and food products is responsibly sourced and does not contribute to deforestation, respects local and indigenous communities and protects animal habitats.

Details of these commitments are contained in the *PZ Palm Oil Promise*, our new global code of conduct which includes achieving traceability throughout our supply chain and only using palm oil from sources that do not contribute to deforestation via planting on peat soils, using fire to clear land or development of High Carbon Stock (HCS) forest or High Conservation Value (HCV) areas. Visit our website www.pzcussons.com for more details.

We are working with TFT to map our supply chain to ultimately achieve full traceability.

We will work closely with all our suppliers, both direct and third party, and our joint venture partner Wilmar International, to embed our Palm Oil Promise. In the meantime, we have procured GreenPalm certificates to help offset the palm oil used in our UK, Australian and Polish soap products. We will also continue to report annually on our use of palm oil via our Annual Communication on Progress to the RSPO.

Business conduct and ethics

We operate in a business environment we have carefully created to be open, honest and fair with our suppliers, customers, business partners, and regulatory authorities. We show respect and integrity in our dealings with all our stakeholders in the active pursuit of our CSR 'Doing Good Business' values.

Communicating our ethical standards

Our 'Doing Good Business' ethics are embedded throughout the business and we continue to inform and educate our employees, suppliers and business partners around our CSR values through the continuous development of comprehensive policies and learning materials.

Supplier selection

We enjoy working with like-minded suppliers and contractors who are diligent, responsible, honest and fair and we expect them to mirror our high ethical standards. We scrutinise how our suppliers and contractors work when establishing or continuing business relationships. We have developed robust procedures to govern how suppliers are selected, our engagement with them and how we monitor and conduct audits.

Anti-bribery

We believe that corruption is unacceptable, and it is not tolerated in any part of PZ Cussons. Corruption in all its forms is detrimental to society, to customers, and to our business. We work closely with our external legal advisors and continue to monitor our compliance with the UK Bribery Act, amongst other legislation.

Speak up – global whistleblowing programme

We encourage and offer our employees a forum to 'Speak Up' via our Global Whistleblowing programme if they notice that management, colleagues or associated parties fall below our high ethical standards. All Speak Up calls are immediately followed up by Group Internal Audit. The global programme is recommunicated to our teams on a regular basis ensuring employees understand how to voice concerns.

Animal testing

We are against animal testing of any form in the development or marketing of cosmetic and household products. We do not test ingredients on animals, nor do we commission or request any of our suppliers or associates to test ingredients, or products on animals.

We fully support the stance taken by governing bodies, such as the European Union, which now prohibit animal testing of cosmetic products and ingredients (and soon for household products) and the moves being made in this direction by other regulatory environments, such as China and India.

We are equally committed to consumer safety, the health and safety of our workforce and to the environmental impact of all our operations. We recognise the need for reliable, fully validated non-animal testing methods and we have therefore increased our financial contribution to FRAME (Fund for the Replacement of Animals in Medical Experiments) in support of their research activities and campaign for better science. We believe their valuable work in the advance of non-animal methods is to the benefit of the whole cosmetics and household products industry.

We are a global organisation with a global supply base and operate in some countries where the regulatory authorities, as part of the burden of proof for consumer safety, still demand testing on animals or to use ingredients which have been tested on animals. Therefore, we cannot guarantee that in the past or even more recently for use in other sectors such as medicines or pharmaceuticals that some of our ingredients[1] have not been tested on animals.

At present our operations in those countries are limited and to date we have not been required to test any products on animals. Wherever possible, we work with our suppliers to source ingredients which have not been tested on animals.

If or when required by law, we will work with the authorities, through our Product Development and Regulatory Affairs teams, to find solutions to avoid the need for testing.

1 Within PZ Cussons Beauty Division, The Sanctuary brand operates with a cut-off date of 1998 and does not use ingredients tested on animals for cosmetic purposes after this date.

Consumer safety

We are aware that as a global organisation it is our responsibility to drive positive consumer experiences and to continue to meet the performance expectations of the consumers in whichever market we are operating.

Our approach to product safety adopts the following key principles:

- We fully comply with all country, regional or global regulations and guidelines on materials usage, manufacturing and labelling
- Wherever possible we adopt a common global standard which means we exceed local regulations in some countries
- When making safety assessments we consider the product's intended use and all reasonably foreseeable conditions of use to ensure appropriate pack warnings and safety features, such as child proof closures, are adopted when needed
- When concerns are raised about a material's safe use, either related to consumer safety or its impact on the environment, we adopt a cautious approach. Where we believe there are reasonable scientific grounds we take action to remove, restrict or replace materials ahead of legislation being imposed
- Consumer safety starts at the product design stage and continues through material sourcing and manufacturing

At each stage of the process we assess:

- whether products pose any immediate health risk during use (such as interactions with the hair and skin)
- the potential longer term impact on consumer health through use of materials with poor or unknown safety records
- that products are 'Fit for Purpose' at the time of use and have undergone appropriate stability testing and manufacturing trials before reaching market

Packaging safety

In August 2013 we launched our new consumer brand of cooking oil, Mamador, and started production of the international Devon King's brand in Nigeria.

Cooking oil is integral to much of Nigerian cuisine but many of the domestic products available are not of good quality and can be contaminated and unhygienic. Our new refinery and state of the art packaging operation provides another opportunity to improve food and nutritional standards across the country and to improve the quality of life of ordinary Nigerians.

Our hygienically produced cooking oils are sold in tamper-proof packaging, giving consumers confidence that they are getting the safest, freshest and best quality products available.

Managing 'Materials of Concern'

We operate a 'Materials of Concern' list which formalises our approach to material selection. We continually review the scientific and regulatory status of all our materials and continue to progress our programme of actively managing materials usage. Where there are reasonable grounds for concern on consumer safety or environmental impact, we will adopt a cautious approach and may restrict or prohibit materials ahead of any legislation being put in place.

We may take the following actions on our 'Materials of Concern':

Substitute
Actively remove the material from all PZ Cussons Group products to an agreed timeline through a co-ordinated technical project.

Phase out
Prohibit use in product development, reduce usage and exit the material through the innovation cycle (a time limit may be set).

Manage
Where materials are legally allowed and the scientific data and opinion of the Regulatory Authorities and Industry bodies support the safe use of the material, we will continue usage of the material, and manage the issue through clear communication of our position both internally and externally to our consumers and other stakeholders.

In the past year we have initiated action on the following:

Methylisothiazolinone (MIT)
This is a preservative material which had been widely used in the cosmetics industry over many years. Concerns were raised by the Dermatologist community, mainly in the UK, about the increasing numbers who had become sensitised to MIT. This prompted a European Union review of the safety profile of MIT and a recommendation that MIT is not permitted for use in leave-on cosmetics. We acted immediately to remove MIT from all leave-on cosmetics within the PZ Cussons Group.

Microplastic beads
These are used as exfoliating agents in face and body cleansing products and were reported to be accumulating in the oceans and causing the potential for harming marine life. Although only used in a limited number of products in our portfolio, we have taken action to remove or replace them with natural alternatives in all PZ Cussons products.

Health and safety

We are committed to developing the highest standards of occupational health and safety and we seek to provide safe working environments for all of our employees, contractors and visitors and to ensure compliance with all relevant health and safety laws and regulations at all our places of operation.

PZ Cussons regards the health and safety of its employees as a fundamental business responsibility and is committed to maintaining and improving performance built on a platform of regular reviews and practical actions, sustained through an effective management programme which is supported across all our sites.

Health and safety is reviewed regularly by the Group Risk Committee which ensures that any related risks are properly identified, assessed and prioritised and that appropriate action to mitigate and manage risk is actioned through our responsible business units across the geographies we operate in.

Our business operates across a diverse cultural network in several geographies around the globe. This raises challenges in maintaining a common standard and approach to health and safety. To ensure the business appropriately manages this, we have a comprehensive set of internal safety management standards which are based on EU legislation and are currently being rolled out to all sites for them to build their local procedures from, in line with the relevant local regulatory compliance. This ensures the business has a consistent standard which incorporates the local requirements so it can be embedded effectively.

Health and safety heads up our balanced Supply Chain Manufacturing Strategy (Safety, Quality, Delivery, Moral, Cost). PZ Cussons is committed to fully embedding good health and safety practices into our everyday operations. Each business unit, under a continuous improvement agenda, has embarked on a programme to continually evolve this balanced strategy and has stretching health and safety targets to ensure drive and progress.

In addition to this, the Nigerian business has engaged with a leading global consultancy to benchmark and evolve the current health and safety management programme to further improve the systems and awareness across the site teams. This significant investment is testimony to PZ Cussons' innovation and commitment to continuously improve how we do things.

Accredited facilities

Over the past year two more of our sites have been accredited as part of an ongoing global programme to standardise our management systems. Sites in Greece, UK, Indonesia and Thailand are now certified in the internationally recognised Occupational Health and Safety management system OHSAS 18001.

Empowering our people

We empower and encourage our employees to identify and report hazards or near misses and to personally conduct work place risk assessments as part of personal objectives. We employ health and safety specialists in all of our operating units and health and safety committees with cross functional and cross hierarchical representation exist at all sites.

Supporting better health

Where appropriate, PZ Cussons provides on-site medical facilities and health monitoring programmes for employees, which has extended to our newest joint venture partnership in Nigeria (PZ Wilmar). We continue to build on our traditional programmes, which focus on workplace behaviours, coupled with helping employees understand any personal health risks.

Reporting performance in health and safety

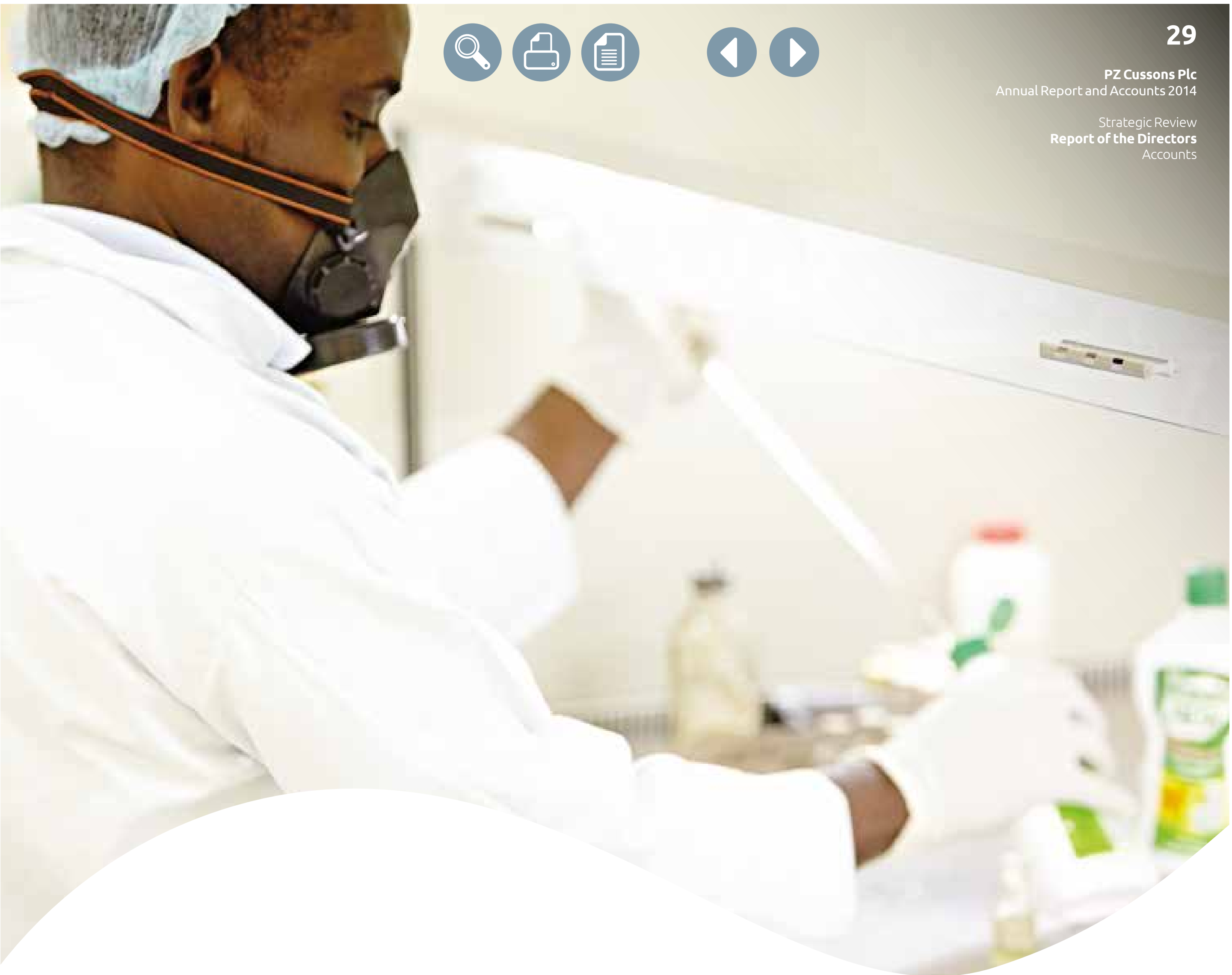
PZ Cussons currently reports on a number of elements to provide a 360 degree picture of good health and safety performance that can quickly highlight any issues which may need escalating. We are currently installing a common system across the business to standardise this approach and ensure accurate statistics. The benefit of this is not only to track performance and report corporately, but the intention is also to drive the broader health and safety improvement plan so that sites can internally benchmark and keep track of their progress.

The business tracks and reports five key health and safety performance indicators in all operating units:

1) Fatalities at PZ Cussons sites
2) Lost Time Incidents (LTI) include all health and safety occurrences which result in one day or more absence from work (excluding the day of incident)
3) LTI per 200,000 hours worked
4) First Aid cases (FAC) include all health and safety occurrences (including LTIs) which result in the employee being given first aid. FAC include cases where employees are treated for incidents which occur outside of the workplace, as any treatment given may enable us to reduce the number of employee days lost
5) FAC per 200,000 hours worked

It is with great sadness, that we report that PZ Cussons has experienced two fatalities at two of our Nigerian sites involving third party contract suppliers. The accidents were immediately reported to the relevant authorities and internal investigations were launched into the causes of the accidents. Improvement actions and learnings have been communicated across the whole of the Group and greater attention given to ensuring our contractors comply with our health and safety rules to prevent any recurrence. The Company has conveyed its deepest condolences to the families of the deceased.

PZ Cussons is very committed to preventing similar incidents happening and our increased management focus, extending to third parties, is the proven way to eliminate such incidents in the future. We are continuing in earnest our drive and focus to achieve this through the various programmes which have already started.



Summary statistics

	2010/11	2011/12	2012/13	2013/14	% reduction from 2010/11 baseline	% reduction/ (increase) from 2012/13 report i.e. year-on-year
Fatalities	–	–	1	2	N/A	(100%)
LTI (absolute number)	48	33	26	24	50%	8%
LTI frequency rate	0.51	0.41	0.33	0.33	35%	0%
FAC (absolute number)	225	167	163	111	51%	32%
FAC frequency rate	2.37	2.04	2.04	1.53	35%	25%

Our employees

We value and celebrate the diversity of every member of our team. PZ Cussons is committed to a culture where all employees are treated with respect and have the right to expect that their dignity will be fully respected in the workplace.

We are committed to creating an environment in which all employees have the opportunity to reach their full potential and where everyone has a voice, regardless of role, seniority or geography.

Performance management

Managing performance at PZ Cussons is an important part of our everyday way of working. It is based on overall contribution towards our business objectives aligned to team, function, operating unit and global business strategy, with behaviours assessed against key competencies. Together, these provide a rating which is linked to our reward, global talent and succession planning activity.

We regularly assess our talent and create development plans that emphasise on the job learning including project assignments and secondments. This approach enables us to offer challenging and exciting careers to develop high potential individuals.

Developing PZ Cussons' talent

As a major employer within emerging economies, we have developed training programmes bespoke to each country, reflecting different cultures and values. Learning is often on the job and managers are active teachers and coaches. We're also able to benefit from sharing good practise and learning between our territories.

As we move towards a new Group structure, we regularly discuss our critical roles and potential successors that will build a sustainable organisation for the future. A number of priority training projects were initiated during the year. Our regional leadership teams in Africa and Asia participated in team effectiveness workshops. In Nigeria, over 400 managers attended soft skills and behaviour workshops whilst general managers took part in a master-class focussed on strategic thinking and execution. Following a skills review, our Asia and Europe Supply Chain teams developed a technical skills framework that will increase capability within engineering, planning and scheduling and continuous improvement. The Supply Chain leadership team in Africa also had the opportunity to hone its skills by participating in a leadership challenge workshop.

License to Win – The PZ way of selling

People with CAN DO values who can compete and win in the marketplaces where we operate are one of our most important assets. To enhance these skills, PZ Cussons has invested in the creation of a Centre of Commercial Excellence with experts in each region. Its primary objective is to design and deliver a state of the art commercial capability curriculum addressing current and potential capability needs across the organisation.

The new bespoke PZ Cussons' curriculum, which covers multiple levels in the commercial function, is called 'License to Win' and is equipped with best practices, tools, coaching, follow up and an accreditation system.

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 focussed on developing local talent who understand different cultures. For example, this last year we appointed a Ghanaian MD in our Ghana business.

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.

Human rights
As a responsible Company we comply with all employment related legislation and take every reasonable step to ensure that everyone's rights are both respected and protected within the working environment and in outside situations linked to the working relationship.

Diversity and inclusion

We also value diversity in respect of gender and age:

	2013		**2014**	
	Number	%	**Number**	**%**
Women employees	1,899	31	**1,676**	**29**
Women senior managers	86	31	**91**	**32**
Women Group Board Directors	2	20	**3**	**27**
Employees with over 15 years' service	1,286	21	**1,156**	**20**
Employees over 50	429	7	**520**	**9**

Local community and charity

PZ Cussons – community
We are a business which recognises our social responsibilities, proactively working with the local communities and charities where we operate to make a real difference. We encourage our employees across the globe to get involved and to date they have demonstrated a continued commitment to helping us to deliver projects, raise funds and make life changing contributions to society.

PZ Cussons Nigeria Foundation
The PZ Cussons Nigeria Foundation has been helping the local Nigerian communities to improve education, health, potable water and infrastructure since 2007. So far over 45 projects in 31 locations have been successfully completed or are in progress, including the following projects this year.

PZ Cussons chemistry challenge
Since its launch last year, PZ Cussons Chemistry Challenge in Nigeria continues to develop the science IQ of secondary school students aged between 13–16-years-old and to educate them to the benefits and global value of science. Schools are invited to sign up and take part in a variety of activities and competitions designed to stimulate interest and excitement in the world of chemistry and its practical application, with the aim of awarding science scholarship grants.

In October, the Chemistry Challenge awarded its first scholarship grant.

Potable water and school development
The Foundation's Potable Water and School Development project completed new initiatives within communities located in Nigeria's Gombe State and Asaba (Delta State capital). Here, despite the challenging locations, we commissioned bore holes and donated classrooms to proactively impact on social health and the education sector in these two areas.

Schools and youth centre development
Our partnership with the Jigawa State College of Education (JSCOE) in Nigeria has gone from strength to strength. Over the past year we helped set up an ICT teaching unit for the college to provide training and workshops for staff and students. The school has an impressive 6,000 students spread over 24 academic departments. PZ Cussons has provided the skills and know-how to assist the college to manage its data, developing IT and administrative skills, networking and learning systems to provide modern online teaching and learning resources, as well as digitalising its student registration and information management processes.

This year the Foundation has also been building on its successful opening of the school administration blocks in Ibadan, with the completion of a new project for the Queen's School in Ilorin.

The Seashell Trust
The Seashell Trust in Manchester, UK, is dedicated to supporting children and adults who have complex and severe learning disabilities, including little or no language abilities within a happy and creative environment. For some of its students this includes progression into supported employment and both the school and college have progressive and inclusive work experience programmes in place.

PZ Cussons in the UK has supported the Seashell Trust for a number of years working on a variety of projects, including a world-leading innovation project, which is researching the use of specifically created scents to help enhance and extend the communication skills of multi-sensory impaired young people with severe learning difficulties, enabling them to make choices and improve their life outcomes.

This year our Manchester head office site offered a work experience placement to a student who helped pick and collate product orders in our staff shop. The work experience has enabled the student to build on a number of his existing skills for future learning and work opportunities.

Hygiene
Enhancing the lives of our consumers each and every day forms part of our vision, with a special focus on the health and wellbeing of our consumers and the communities where we operate. Health and wellbeing initiatives include:

- **Each year our Carex teams play an active part in hosting activities to support Global Hand Washing Day** which takes place on 15 October every year. This is a global public-private partnership to foster and support a global culture of hand washing with soap and clean water, raising awareness of the health benefits of hygiene. The UK Carex team has helped over 1.4 million children learn about hand washing over the last five years through the Hands Up for Hygiene Education Programme which provides resources, linked to the UK schools' curriculum and are particularly suitable for supporting aspects of Personal, Social and Health Education (PSHE) and Science.

- In Poland, our 'Carex Clean Hands Academy' has grown and in October 2013 we had over 1,600 schools and 50,000 pupils and parents taking part in the educational programme which included, new digital activities, demonstrations, lesson plans, educational material, competitions and sampling centred around hand hygiene. Our hand washing initiatives have now been recommended by the Children's Memorial Health Institute.
- Our Thailand Carex team also hosted a Hand Washing Day, educating hundreds of primary school children close to the Pathumthani soap factory to understand through song and demonstrations the correct way to wash hands. The Thailand Cussons Baby brand team equally had a busy year visiting 80 schools and charities in the Pathumthani community donating products for babies and children during their hygiene education roadshows.

Wellbeing

The Sanctuary Spa brand continues to generate funds and raise awareness to benefit the communities in which we work. Wellbeing of Women is a charity celebrating its 50th birthday this year and is dedicated to improving the health of women and babies, funding medical research and training grants that will further advancements in treatments and outcomes for tomorrow. We continue to bring together our Sanctuary Spa brand, employees and consumers to make a difference in the priority areas of women's health and education through the work that Wellbeing of Women do. In celebration of their landmark year, our financial support will include funding a new research project that we hope will complement the charity's track-record of breakthrough pieces of research relevant to the millions of women we touch through our bath, skincare, body and gifting products.

PZ Cussons Mum & Me also works with Wellbeing of Women in partnership with the Royal College of Midwives to fund a new research fellowship, which will provide financial support of £60,000 to enable a midwife to undertake PHD research this year.

Local community and charity continued

Community

Our employees are passionate about the community and, with our support, help drive our community programmes by getting behind charities and community initiatives that matter most to them.
Just a few examples are:

- Since 2003 our employees have been sharing the tradition of Christmas by sending wrapped festive gifts to children living in a Pasym orphanage in the Mazuria Lake District of Poland. Many employees find the initiative very rewarding and proudly display the handmade Christmas cards they receive from the children on their desks.
- For the first time, PZ Cussons employees from Manchester shared their mentoring skills and got involved in the Mosaic Enterprise competition by mentoring students from Salford City Academy in 2013 and helping them to become runners-up in the regional finals. The mentoring helped students to understand the importance of ethical business and sustainability whilst teaching them key business principles on how to run a successful, profitable business.
- Supporting local people affected by heavy flooding in Tangerang, Indonesia, saw employees from our supply chain team roll up their sleeves and provide products to local families to support hygiene and help prevent infection. Child education was a large focus area for PZ Cussons Indonesia activities, helping with handwashing, teeth brushing and washing initiatives.
- In PZ Cussons Australia we successfully joined forces with Sports Without Borders, a not-for-profit organisation which has a network of 55,000 community and sporting organisations helping young people from new and emerging communities integrate into Australia through sport.
  In May we supported the charity's 'Win or lose – it's how you play the game' themed conference and gave 12 Royal Melbourne Institute of Technology students studying a Masters in Sports Technology the opportunity to attend and gain valuable insight. We are looking forward to growing and enhancing our support for Sports Without Borders in the coming year.
- The PZ Cussons Nigeria Electricals division has launched a micro-financing scheme to help small and medium enterprises buy its products to start-up or grow their businesses. In Nigeria, over 95% of small independent businesses have no formal access to banks or finance to acquire equipment. The new scheme gives these businesses an opportunity to buy Haier-Thermocool freezers, refrigerators and TEC generators, as well as offering access to necessary support and advice to run and sustain profitable businesses. It is being run in partnership with selected micro finance banks and is designed to help small to medium businesses in the food and beverage, ice-making and related sectors, to access capital equipment.

Board of Directors

Directors

Executive Directors

Alex Kanellis

Group Chief Executive Officer

Mr Kanellis has a PhD in mechanical engineering. He joined PZ Cussons in 1993. He was appointed Managing Director of the Group's business in Thailand in 1998 before becoming Managing Director of Indonesia in 2001. He was appointed to the Board in 2003 as Regional Director of Asia before becoming Group Chief Executive in June 2006. Mr Kanellis is a member of the Nomination, Group Risk and CSR Committees.

Chris Davis

Chief Operating Officer

After working in senior sales & marketing roles for various consumer goods companies, Mr Davis joined PZ Cussons from the BTR Nylex Group in 1993 and became Managing Director of the Group's business in Australia in 2001. He was appointed to the Board in 2006 as Regional Director of Africa and became Group Commercial Director in 2008. He was appointed Chief Operating Officer in 2013. Mr Davis is a member of the Group Risk and CSR Committees.

Brandon Leigh

Chief Financial Officer

Mr Leigh qualified as a chartered accountant with Deloitte & Touche in 1996. He joined PZ Cussons in 1997 and was appointed to the Board in 2006. Mr Leigh is a member of the Group Risk and CSR Committees.

Independent Non-executive Directors

Richard Harvey

Mr Harvey was appointed a Non-executive Director of PZ Cussons Plc in January 2010 and took up the position of Chairman on 1 July 2010. A Fellow of the Institute of Actuaries, Mr Harvey became Group Chief Executive of Norwich Union plc in 1998 and subsequently Group Chief Executive of Aviva plc, initially branded CGNU, after the merger of Norwich Union with CGU. He has worked extensively overseas in both mature and emerging markets and was Chair of the Association of British Insurers from 2003 to 2005. Since retiring from Aviva plc in 2007, Mr Harvey has spent time in Africa supporting charitable initiatives and has also worked on other projects to accelerate business development in Africa, including work for the Africa Progress Panel and the World Bank. He is a Non-executive Director of Jardine Lloyd Thompson Group Plc. Mr Harvey is the Chairman of the Nomination Committee and a member of the CSR and Group Risk Committees.

James Steel

Mr Steel has been a Non-executive Director of PZ Cussons Plc since October 2005 and was appointed Senior Independent Director in September 2012. He works in the Cabinet Office Efficiency & Reform Group and is a Trustee of Independent Age. He was previously a Managing Director of Investment Banking at Citigroup and Arbuthnot Securities and started his career at Price Waterhouse where he qualified as a chartered accountant. Mr Steel is Chairman of the Remuneration Committee and a member of the Nomination, Audit, Group Risk and CSR Committees. He will retire from the Board immediately after the Company's 2014 Annual General Meeting on 23 September.

Professor John Arnold

Mr Arnold is Emeritus Professor of Accounting and Financial Management at Manchester Business School and has been a Non-executive Director of PZ Cussons Plc since January 2007. A chartered accountant, his previous experience includes spending 12 years as Director and Dean of Manchester Business School. Professor Arnold is currently Chairman of the Co-operative Performance Committee of Co-operatives UK, a member of the Council of the Greater Manchester Chamber, Chairman of Feelgood Theatre Productions and an academic adviser to Ashridge and to IBS-ISCTE Business School in Lisbon. Professor Arnold is Chairman of the Audit Committee and the Group Risk Committee and a member of the Nomination, Remuneration and CSR Committees. He will succeed Mr Steel as Senior Independent Director later this year.

Board of Directors continued

Ngozi Edozien

Ms Edozien was appointed a Non-executive Director of PZ Cussons Plc in January 2012. She is former Head/Chief Executive Officer, West Africa of the firm Actis LLP, a leading private equity investor in emerging markets based in the UK, in which capacity she was responsible for all aspects of the Company's business in the region. Prior to joining Actis, Ms Edozien was VP Strategic Planning and Business Development for Pfizer Inc based in New York. She was transferred to Nigeria in 2005 to run Pfizer's businesses in East, West and Central Africa, before being appointed in 2008 as Chief Executive of the Equity Vehicle for Health in Africa, an investment company focussed on investing in private healthcare businesses in the continent. She has a background in management consulting and banking, having spent seven years with McKinsey & Co, working principally in the consumer products and healthcare sectors. A US/Nigerian citizen, she was educated in the United States at Harvard University and started her career in corporate finance at JP Morgan. She is a Non-executive Director of Diamond Bank Plc, a company listed on the Nigerian Stock Exchange and Vlisco Group, a company based in the Netherlands and a leader in the textile and fashion industry in Africa. Ms Edozien is a member of the Nomination, Remuneration, Audit, Group Risk and CSR Committees.

Helen Owers

Mrs Owers was appointed a Non-executive Director of PZ Cussons Plc in January 2012. Until recently she was Chief Development Officer for Thomson Reuters Professional, with responsibility for the company's expansion in rapidly developing economies. She played an important role in the development of the company's digital strategy and, as President of Global Businesses for Thomson Reuters Legal, she built new businesses in a number of emerging markets, balancing local consumer insights and needs with the globalisation of the business and key products. Before joining Thomson Reuters, Mrs Owers worked as a consultant with Gemini Consulting, developing and implementing corporate and operational strategies for a number of consumer products clients. She is a Non-Executive Director of Informa Plc, Wragge Lawrence and Graham & Co LLP and of the Eden Project. Mrs Owers is a member of the Nomination, Audit, Group Risk, CSR and Remuneration Committees and will succeed Mr Steel as Chair of the latter following the Company's 2014 Annual General Meeting.

Caroline Silver

Mrs Silver was appointed a Non executive Director of PZ Cussons Plc in April 2014. She is Partner and Managing Director at Moelis & Co, the global investment bank. A chartered accountant, she has worked within the investment banking sector for over 25 years and has previously held a number of senior corporate finance and M&A positions at Morgan Stanley and Merrill Lynch. She has a wealth of international experience, including substantial exposure to a number of African markets. Mrs Silver is a member of the Nomination, Remuneration, Audit, Group Risk and CSR Committees.

The Non-executive Directors do not have service contracts. Details of the letter of engagement relating to each are set out under the heading 'Terms and conditions for Non-Executive Directors' within the Report on Directors' remuneration.

Under the Company's present Articles of Association, all Directors are subject to annual re-election by shareholders. Each of the Directors will retire immediately prior to the 2014 Annual General Meeting and, with the exception of James Steel each, being eligible, will offer himself or herself for re-election (or, in the case of Mrs Silver, election) at the meeting.

The evaluation of the Board, as reported within the Report on Corporate Governance, concluded that each of the Directors continues to demonstrate effectiveness and commitment to his or her particular role and the re-election of each is accordingly recommended by the Board.

Report of the Directors

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 or assets of the Group are listed in note 32 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 10 to 11 of the Annual Report.

The Directors recommend a final dividend of 5.23p (2013: 5.04p) per Ordinary Share to be paid on 1 October 2014 to Ordinary Shareholders on the register at 5.00pm on 15 August 2014 which, together with the interim dividend of 2.53p (2013: 2.35p) paid on 7 April 2014, makes a total of 7.76p for the year (2013: 7.39p).

Directors' interests

The Directors' interests in the share capital of the Company at 31 May 2014 together with their interests at 1 June 2013 are detailed below:

	Ordinary Shares	
	2014 Number	2013 Number
Beneficial		
Mr R Harvey	**60,848**	47,424
Mr G A Kanellis	**623,952**	438,543
Prof J A Arnold	**13,450**	13,450
Mr C G Davis	**323,677**	269,077
Ms N Edozien	**–**	–
Mr B H Leigh	**100,228**	86,022
Mrs H Owers	**1,000**	1,000
Mrs C Silver	**–**	–
Mr J T J Steel	**42,500**	37,500
Total	**1,165,655**	893,016

Notes:

1 The figures in the tables do not include 7,208,905 (2013: 3,833,866) Ordinary Shares purchased by the Employee Share Option Trust (ESOT) at 31 May 2014. 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 Executive Share Option Scheme and/or the PZ Cussons Plc Performance Share Plan, details of each 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 options granted to Executive Directors over Ordinary Shares under the PZ Cussons Plc Executive Share Option Scheme or conditional shares granted under the PZ Cussons Plc Performance Share Plan as at 31 May 2014.

There have been no changes in the interests of any of the Directors between 31 May 2014 and the date of this report save that Mr Harvey purchased in July 2014 an additional 3,535 shares pursuant to a trading plan. The register recording the Directors' interests will be open for inspection at the 2014 Annual General Meeting. 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, the Company maintained liability insurance for its Directors and officers and pension fund trustee liability insurance for Mr Kanellis, Mr Davis and Mr Leigh in their capacity as trustees of certain of the Group's pension funds.

Other substantial interests

The register maintained by the Company under section 808 of the Companies Act 2006 disclosed the following interests in the shares of the Company held at 29 July 2014:

	Number of shares	%
The executors of J B Zochonis	60,147,210	14.03
Zochonis Charitable Trust	55,899,629	13.04
M&G	36,708,742	8.56
Mrs C M Green Settlement	20,328,280	4.74
J B Zochonis Settlement	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.

Report of the Directors continued

Political and charitable contributions
Charitable contributions in the United Kingdom during the year amounted to £663,000 (2013: £474,000).

Research and development
The Group maintains in-house facilities for research and development in the United Kingdom, Poland, Indonesia, West Africa and Australia; in addition, research and development is sub-contracted 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)	Normalised by tonne of production
2013/14	85,203	27,439	112,642	160
2012/13	83,763	31,641	115,404	223

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for Scope 1 and Scope 2 emissions. We have used emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2013.

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. Further information regarding the Company's policies in this respect are set out within the report on page 109.

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 which suit their particular needs and environment, with the active encouragement of the parent organisation.

Auditor
PricewaterhouseCoopers LLP has signified its willingness to continue in office as Auditor to the Company and, in accordance with section 485 of the Companies Act 2006, a resolution for its appointment will be proposed at the forthcoming Annual General Meeting.

Enhanced business review, business model and future developments
A review of the functional performance of the Group is provided on pages 12 to 17. A review of the business model is provided on pages 6 to 7 and a review of future developments on page 11.

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 18 to 19.

Corporate governance
The Group's statement on corporate governance can be found in the Corporate Governance Report on pages 57 to 61 of these financial statements. The Corporate Governance Report forms part of this Report of the Directors and is incorporated by cross reference.

Annual General Meeting
The Company's 2014 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 23 September 2014. The resolutions which will be proposed at the 2014 Annual General Meeting are set out in the separate Notice of Annual General Meeting which accompanies this Annual Report and Financial Statements.

Share capital
As at 31 May 2014, 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. Shares in the Employee Share Option Trust (ESOT) have no voting rights and have waived entitlement to any dividend.

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 which is then payable by that member in respect of that share remains unpaid.

Purchase of own shares
Pursuant to shareholder approval given at the 2013 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 2014 Annual General Meeting. No shares were purchased from 1 June 2013 to 29 July 2014 (2013: nil) (other than the acquisitions undertaken by the ESOT (see note 25).

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, insider trading); and
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's Ordinary Shares.

Directors' statement as to disclosure of information to the 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 Auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

By order of the Board of Directors

Mr S P Plant
Company Secretary

29 July 2014

Report on Directors' Remuneration
Chairman's Statement

Introduction
On behalf of the Board, I am pleased to present our 2014 Report on Directors' Remuneration. The Remuneration Committee is responsible for overseeing the remuneration of the Executive Directors and Chairman. It is also responsible for the operation of senior management incentive schemes throughout the Group.

Following the introduction of new Government regulations the report is now divided into two sections:
- the Directors' Remuneration Policy (pages 42 to 49) which contains details of our remuneration policy; and
- the Annual Report on Remuneration (pages 50 to 56) which sets out how we implemented our remuneration policy for the year ended 31 May 2014 and how we intend to implement it during the year ending 31 May 2015.

Both sections will be presented for shareholder approval at our Annual General Meeting on 23 September 2014:
- the Directors' Remuneration Policy will be put to a binding shareholder vote; and
- the Annual Report on Remuneration will be put to an advisory shareholder vote.

Our approach to remuneration for Executives
The principal aim of our remuneration policy is to drive the generation of long-term sustainable shareholder value by aligning the interests of our executives with those of our shareholders. We are committed to rewarding our executives fairly based on their role, performance and contribution to the business. We also seek, when designing incentive structures, to set challenging targets and reward sustainable performance while avoiding inadvertently encouraging risky or irresponsible behaviour.

Remuneration earned in 2013/14
The Group delivered a strong set of results in 2013/14 with profit before tax and exceptional items of £115 million, 7% ahead of the prior year, despite a significant weakening in currencies which impacted profits by around £12 million. The Group also performed strongly in respect of the operational efficiency targets established at the beginning of the year and made excellent progress on other non-financial aspects important to the delivery of our longer-term strategic objectives – the reorganisation of the Group structure, entry into new export markets and Corporate Social Responsibility (CSR) performance.

Key aspects of remuneration earned during the year were:
- **4% salary increases** – Salaries for the Executive Directors were increased by 4% in 2013/14. These increases were within the range of salary increases provided to other employees elsewhere in the PZ Cussons Group.

- **Bonus pay-out of 78% of base salary** – In 2013/14 we continued to focus the 'on-target' element of the annual bonus on performance against three key financial indicators: profit before tax and exceptional items, net working capital and operating contribution margin. We focussed part of the 'stretch' element of the bonus against the delivery of non-financial strategic and CSR targets and the remainder against profit before tax and exceptional items. Strong performance was delivered against all three financial measures. In addition, the non-financial strategic and CSR stretch objectives were largely achieved. As a result, the Executive Directors qualified for bonus payments equivalent to 78% of their salaries in respect of the year.

- **Long-term incentives** – No long-term incentives vested in the year

Changes in 2014/15
I signalled in last year's report that this year the Remuneration Committee would be undertaking a comprehensive review of our executive remuneration policies for the first time in a number of years. The aim of this process has been to develop a long-term remuneration policy for our executive directors that will help to drive the Group's business strategy and will endure for at least the intended three-year life of the policy. The review included a benchmarking analysis, a review of the operation of our incentive plans and a discussion of market developments and current best practice approaches.

Following this process and consultation with our leading shareholders, we are proposing certain changes to our executive remuneration framework:
- **Increased incentive opportunities subject to increased deferral and new malus provisions** – Since our last review in 2011 the scope of individual Executive Directors' roles has increased and maximum annual bonus and long-term incentive opportunities have fallen behind market levels for senior executives leading companies of similar size and complexity.

  The Committee also recognises that over this time investor expectations have moved on in terms of the structure of incentive pay, with bonus deferral, longer time horizons and malus provisions becoming increasingly common. In this context and with the need to set a long-term remuneration policy that will endure for several years, we feel that now is the right time to move closer to market norms both in terms of incentive opportunity and best practice features.

  For the year ending 31 May 2015 therefore, the Committee is planning to increase the maximum annual bonus opportunity from 100% to 150% of salary for the CEO and to 125% of salary for other executives. Any annual bonus award in excess of 100% of salary will be deferred into Company shares for three years with vesting subject both to new malus provisions and to continued employment.

We also intend to seek shareholder approval at our 2014 Annual General Meeting for a new Performance Share Plan to replace our existing long-term incentive plan. This will allow us to make regular awards of shares worth 150% of salary (we are currently permitted to make such awards only in exceptional circumstances). Other changes will include the introduction of new malus provisions and compulsory holding periods.

- **Amendment of the annual bonus plan** – We concluded that, whilst the future annual bonus structure should continue to recognise the importance of profit before tax, it should also provide a more effective incentive to deliver other financial targets that are important to the Group's successes and non-financial measures that are important to the delivery of our longer-term strategic goals. For the year ending 31 May 2015, the Committee has again set challenging net working capital, operating contribution margin and non-financial targets. The net working capital and operating contribution margin targets will operate on a sliding scale basis.

- **Salary increases** – The Committee has decided, with effect from 1 September 2014, to increase the base salaries of the Executive Directors by 5% in the case of the CEO and by 4% in the case of the other Executive Directors. These increases are based on individual performance and are in line with the range of salary increases being awarded to the Group's wider UK-based employee population.

I will be retiring from the Board at the conclusion of the Annual General Meeting following the expiry of my term of office. It has been a privilege to serve on the Board and on this Committee. I am delighted that the Board has appointed my fellow Non-executive Director, Helen Owers, who has served on the Committee since 2012, Chairman of the Remuneration Committee in my place.

I hope you will find the Report on Directors' Remuneration clear, transparent and informative. As always, we remain committed to ongoing dialogue with our shareholders. We have given careful consideration to the feedback received during our consultation process with leading shareholders in defining the proposals we are putting to shareholders at the Annual General Meeting. We welcome your views and your votes in support of the proposed changes.

James Steel
Chairman of the Remuneration Committee

Report on Directors' Remuneration continued
Directors' Remuneration Policy

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). The report also has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UKLA Listing Rules.

This part of the report sets out the Directors' Remuneration Policy which will be subject to a binding vote at the 2014 AGM and take effect from the date of the 2014 AGM. The policy is determined by the Remuneration Committee (the Committee).

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

Element	Purpose and link to strategy	Operation
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.
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 which may be provided include car benefits, life assurance, health insurance for the Executive Director and his family and permanent health cover and personal tax advice. Where relevant, additional benefits may be offered if considered appropriate and reasonable by the Committee, such as assistance with the costs of relocation.
Provision for retirement	Designed to enable an Executive Director to generate an income in retirement and to provide an overall remuneration package which 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 the PZ Cussons Directors' Retirement Benefits Plan, PZ Cussons Plc Pension Fund and Life Assurance Scheme for Staff Employed Outside the United Kingdom and/or the Employer-Financed Retirement Benefits Schemes and are eligible to receive retirement benefits in accordance with the terms of the schemes.

Maximum opportunity	Performance measures
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 may 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 he or she gains experience in the role.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries.
The maximum opportunity will be based on the cost of providing the benefits. This will be set at a level which the Committee considers appropriate to provide a sufficient level of benefit based on individual circumstances.	Not applicable.
A company pension contribution of 20% of base salary 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.	Not applicable.

Report on Directors' Remuneration continued
Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation
Variable remuneration		
Annual Bonus Scheme and Deferred Annual Bonuses	Designed to motivate Executive Directors to focus on annual goals and milestones which are consistent with the Group's longer-term strategic aims.	Measures and targets are set annually at the beginning of the 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. Dividends accrue on deferred shares. The Committee may reduce the size of, or impose further conditions on, deferred bonus awards granted under the plan in such circumstances as the Committee considers appropriate, such as material misstatement of the Company's audited results or a serious failure of risk management or serious reputational damage to the Company, a member of its group or a relevant business unit. The Committee may, in exceptional circumstances only, amend the bonus payout should this not, in the view of the Committee, reflect overall business performance or individual contribution.
Performance Share Plan (PSP)	Designed to motivate the Executive Directors to focus on the generation of sustained shareholder value over the longer term and 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 which vest. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. **2014 awards onwards** 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 earned in excess of this value will normally vest in equal amounts four and five years after the date of grant. The Committee may reduce the size of, or impose further conditions on, deferred bonus awards granted under the plan in such circumstances as the Committee considers appropriate, such as material misstatement of the Company's audited results or a serious failure of risk management or serious reputational damage to the Company, a member of its group or a relevant business unit.
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.
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 Chairman 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.

Maximum opportunity	Performance measures
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 financial performance for the year including profit before taxation, net working capital and operating contribution margin. The remainder of the annual bonus is based on the achievement of stretching non-financial strategic and CSR objectives. Maximum annual bonus will only be paid for achieving significant financial out-performance above the budget set for the year.
Award opportunities in respect of any financial year are limited to rights over shares with a market value determined by the Committee at the date of grant of a maximum of 150% of base salary.	Awards to Executive Directors are subject to the attainment of absolute earnings per share (EPS) growth targets, measured over a three-year performance period. No awards vest unless a minimum level of EPS growth is achieved. 25% of awards vest for threshold performance. 100% of awards will vest for achieving stretching performance targets. For performance between threshold and maximum awards will vest on a straight-line sliding scale.
Not applicable.	Not applicable.
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 chairmanship 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.

Report on Directors' Remuneration continued
Directors' Remuneration Policy continued

Share-based awards
Share-based awards will operate in accordance with the share plan rules governing them adopted by the Board. Under these rules, the Committee has discretion in the following areas:

- awards may be granted in the form of conditional share awards, nil-cost options or other arrangements having the same economic effect;
- awards may incorporate the right to receive (in cash or shares) the value of dividends on the number of shares that vest under an award in respect of record dates between grant and vesting of awards, which may assume the reinvestment of these dividends in the Company's shares on a cumulative basis;
- in the event of a variation of the Company's share capital, demerger, delisting, special dividend or other event which, in the Committee's opinion, may affect the value of the Company's shares, the terms of awards may be adjusted;
- awards may be settled in cash;
- the plan rules allow for the terms of awards to be amended in accordance with the rules at the Committee's discretion; and
- any performance condition applicable to PSP awards may be amended if an event occurs which (in the case of awards granted prior to September 2014) reasonably causes the Committee to consider it appropriate, provided that, in the Committee's opinion, the amended condition is not materially less difficult to satisfy or (in the case of awards granted on or after September 2014) causes the Committee to consider it is no longer appropriate, in which case it may amend or vary the condition in such manner as it determines is reasonable and produces a measure of performance which is more appropriate and materially no easier to satisfy.

Legacy awards
The Remuneration Committee may make any remuneration payments and payments for loss of office where the terms of the payment were agreed:
(i) before the policy came into effect; or
(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes the term "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. For the avoidance of doubt, the Committee's discretion includes discretion to determine, in accordance with the rules of the PSP, the extent to which awards under that plan may vest in the event of a change of control or in a 'good leaver' circumstance.

Prior to the adoption by the Company of the PSP 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. There have been no grants of options under the Executive Share Option Scheme since the introduction of the Performance Share Plan and it is not expected that any further awards will be made under this scheme but certain options granted under the Executive Share Option Scheme have vested and remain capable of exercise.

The Committee may make minor changes to this policy, which do not have a material advantage to Directors, to aid in its operation or implementation, taking into account the interests of shareholders but without the need to seek shareholder approval.

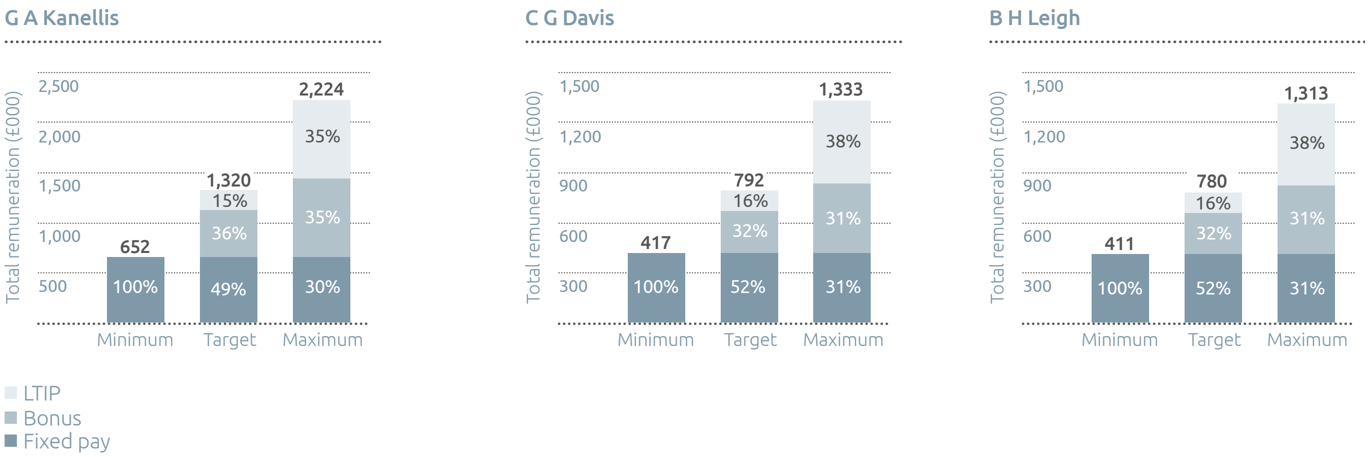
Setting Executive Director remuneration
When considering how to position the remuneration packages for the Executive Directors, the Committee considers market data from UK listed companies of a similar size and complexity.

The Committee also receives and takes into account information from the Global HR Director on pay and employment conditions applying to other Group employees when setting Executive Directors' remuneration, 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 which 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 which 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 illustrate executive remuneration in specific performance scenarios. For share-based awards no share price growth or dividend payments have been included.

	Minimum performance	Target performance	Maximum performance
Fixed elements of remuneration	– Base salary as at 31 May 2014 – Estimated value of benefits including value of pension contributions		
Annual bonus	0%	**60% of maximum opportunity**	**100% of maximum opportunity**
		G A Kanellis – 60% of 150% of salary C G Davis – 60% of 125% of salary B H Leigh – 60% of 125% of salary	G A Kanellis – 150% of salary C G Davis – 125% of salary B H Leigh – 125% of salary
Long-term incentive plans	0%	**25% of award**	**100% of award**
		25% of 150% of salary	150% of salary



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 required, 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, any performance conditions and the time over which the award would have vested. Recruitment awards will normally be liable to forfeiture or 'clawback' on early departure. For Executive Directors, early departure is defined as being within the first two years of employment.

The maximum level of variable pay which 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 performance share plan, 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 pre-determined compensation on termination exceeding one-year's salary and benefits in kind.

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 find an outcome which 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.
- The treatment of outstanding variable remuneration shall be as determined by the relevant plan rules, as set out overleaf.

Report on Directors' Remuneration continued
Directors' Remuneration Policy continued

Performance Share Plan

Cessation of directorship/employment within three years of date of grant:	
For awards granted after the 2014 Annual General Meeting in September 2014: 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.
For awards granted after the 2014 Annual General Meeting in September 2014: 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** 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 which has elapsed at the time of cessation.
For awards granted prior to September 2014: Death, retirement, injury, disability, redundancy, the sale of the participant's employing company or business out of the Group or for any other reason if the Committee so decides.	The award will normally vest on the original vesting date, unless the Committee determines the award should vest at the time the individual leaves (which it will normally do in the case of death). The extent to which awards vest will be subject to the Committee's determination of the extent to which the performance conditions have been met and, unless the Committee determines otherwise, time pro-rating.
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 vest at the normal vesting date at the end of the deferral period. Alternatively, the Committee has the discretion to allow the award to vest in part, or in full, at the time of cessation of directorship/employment. The extent to which awards vest 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 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 subsisting awards under the Executive Share Option Scheme have vested and are currently capable of exercise.

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, (for awards granted in or after September 2014) or the period which has elapsed since grant (relative to a period of three years) (for awards granted before September 2014) 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. 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 of 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 Remuneration 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 initial periods 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 Professor Arnold, Ms Edozien, Mr Harvey, Mrs Owers, Mrs Silver and Mr Steel will expire on 31 December 2015, 31 December 2014, 31 December 2015, 31 December 2014, 31 March 2017 and 30 September 2014 respectively, subject, in each case, to annual re-election 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.

Report on Directors' Remuneration continued
Annual Report on Remuneration

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 Executive Directors for the year ended 31 May 2014.

	Salary/fees[1]		Benefits[2]		Bonus[3]		LTIP[4]		Pension[5]		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive Directors												
G A Kanellis	**517,920**	494,400	**22,563**	21,014	**408,845**	347,063	**–**	–	**103,584**	241,612	**1,052,912**	1,104,089
C G Davis	**329,095**	314,150	**16,850**	17,140	**259,790**	220,530	**–**	–	**65,350**	111,111	**671,085**	662,931
B H Leigh	**323,700**	309,000	**17,063**	17,140	**255,530**	216,914	**–**	–	**64,740**	72,413	**661,033**	615,467
J Pantelireis[6]	**–**	224,018	**–**	14,473	**–**	157,564	**–**	–	**–**	377,983	**–**	774,038
	1,170,715	1,341,568	**56,476**	69,767	**924,165**	942,071	**–**	–	**233,674**	803,119	**2,385,030**	3,156,525
Non-executive Directors												
R J Harvey	**250,000**	250,000	**–**	–	**–**	–	**–**	–	**–**	–	**250,000**	250,000
J A Arnold	**57,500**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**57,500**	52,500
N Edozien	**52,500**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**52,500**	52,500
S J N Heale[7]	**30,625**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**30,625**	52,500
D W Lewis[8]	**–**	17,500	**–**	–	**–**	–	**–**	–	**–**	–	**–**	17,500
C Silver[9]	**8,750**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8,750**	–
H Owers	**52,500**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**52,500**	52,500
J T J Steel	**57,500**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**57,500**	52,500
	509,375	530,000	**–**	–	**–**	–	**–**	–	**–**	–	**509,375**	530,000
Total	**1,680,090**	1,871,568	**56,476**	69,767	**924,165**	942,071	**–**	–	**233,674**	803,119	**2,894,405**	3,686,525

1 The amount of salary/fees received in the period.
2 Taxable benefits comprise life assurance, healthcare insurance and car allowance.
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 below.
4 Details of the performance measures and weighting as well as results achieved for the LTIP components are shown below.
5 With effect from 1 June 2008, the Executive Directors became eligible for membership of the Company's new defined contribution pension arrangement. Messrs Kanellis and Leigh each elected, with the permission of the Committee, to receive instead a salary supplement equivalent to 20% of base salary; these amounts are included in the column headed 'Pension'. Mr Davis continues to participate in the defined contribution pension arrangement but as the amount of Company contributions was less than 20% of his salary, the difference between those contributions and 20% of his base salary was paid as a salary supplement. Both the pension contributions and the salary supplement are included in the column headed 'Pension'.
6 Mr Pantelireis retired from the Board on 31 March 2013.
7 Mr Heale retired from the Board on 31 December 2013.
8 Mr Lewis retired from the Board on 19 September 2012.
9 Mrs Silver was appointed to the Board on 1 April 2014 with an annual fee of £52,500.

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.

From 1 September 2014 the base salary of Mr Kanellis will increase by 5% and the base salaries of Messrs Davis and Leigh will increase by 4%, each within the range of salary increases across the Group. The base salaries for the year ended 31 May 2013 and for the year ended 31 May 2014 are as set out below:

	1 September 2013 Base salary	**1 September 2014 Base salary**	Increase %
G A Kanellis	524,160	**550,400**	5%
C G Davis	333,060	**346,400**	4%
B H Leigh	327,600	**340,700**	4%

Non-executive Director fees

With effect from 1 June 2013, the annual fees payable to Mr Steel and Mr Arnold were increased in each case by £5,000 to £57,500 to reflect their chairmanships of the Remuneration and Audit Committees respectively. There were no changes in the fees payable to any of the other Non-executive Directors during the year.

Annual bonus

In respect of the year ended 31 May 2014, each of the Executive Directors participated in the Senior Executive Annual Bonus Scheme.

Under this scheme, each was eligible to earn a cash bonus of up to 100% of base salary. The on-target element of the annual bonus (representing 60% of maximum opportunity) was dependent upon the achievement of profit before taxation, net working capital and operating contribution margin targets. The latter two elements were only achievable once target profit had been achieved and then on an 'all or nothing' basis. Subject to achieving target profit levels, the stretch element of the annual bonus (representing 40% of maximum opportunity) was split equally between the achievement of additional profit before taxation and the delivery of certain non-financial strategic and CSR stretch objectives. All targets and bonus levels were established by the Committee at the beginning of the year.

As set out below, Group performance has been strong against all three financial measures and, whilst the stretch profit before taxation targets were not attained, the non-financial strategic and CSR stretch objectives were largely achieved. As a result, the Executive Directors qualified for total bonus payments equivalent to 78% of their base salaries in respect of the year.

The Directors consider that the Group's bonus targets are commercially sensitive; they could provide our competitors with insights into our business plans and expectations and should therefore remain confidential to the Company. However, the following table sets out the bonus payout to the Executive Directors for the year ended 31 May 2014 in respect of each of the measures in place.

		Performance			
Measure	Weighting (as % of maximum opportunity)	Threshold	Target	Stretch	2013/14 pay-out (% of maximum opportunity)
Profit before tax	42 – target		X		42
	20 – stretch				
Net working capital %	9		X		9
Operating contribution margin	9		X		9
Non-financial targets[1]	20 – stretch			X	18
Total	100				78

1 The targets related to progress on the introduction of the Group's revised operating model, entry into certain new export markets and CSR stretch objectives related to reduction in carbon emissions and water consumption.

2015 annual bonus framework

Executive Directors will continue to participate in the Senior Executive Annual Bonus Scheme in respect of the year ending 31 May 2015. However, following a review of remuneration during 2014, changes have been made to the operation of the scheme to increase the level of opportunity available, enhance its effectiveness and improve its alignment with the Group's strategic priorities and current market practice:

- maximum opportunity has been raised from 100% of salary to 150% of salary for the CEO and 125% of salary for the CFO and COO. This reflects in part the growth of PZ Cussons and in part the expanded scope of individual executive roles since the last review in 2011;
- 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 malus provisions and continued employment. The malus provisions will allow the Committee to reduce or cancel awards prior to vesting in the event of material misstatement, fraud or serious reputational damage;
- the target award will remain at 60% of maximum opportunity. Annual bonuses will again be based on the achievement of stretching profit before tax, net working capital and operating contribution margin performance targets. However, the latter two elements will operate on a sliding scale once a minimum financial performance gateway of 90% of target profit before tax has been achieved in order to provide greater incentive to achieve these financial targets;
- 16% of maximum opportunity will be available for delivering non-financial objectives subject to achieving the same 90% profit before tax threshold as above; and
- 24% of maximum opportunity will be available for delivery of a profit before tax stretch target.

Report on Directors' Remuneration continued
Annual Report on Remuneration continued

Long-term Incentive Plans

Performance Share Plan

Executive Directors and certain key executives are generally eligible to participate in the Performance Share Plan which provides for the grant of conditional rights to receive shares subject to continued employment over a three-year vesting period and the satisfaction of certain performance criteria established by the Committee.

Awards vesting during the year ended 31 May 2014

The year ended 31 May 2014 represented the final year of the three-year performance period for awards made under the Performance Share Plan in 2011. Despite delivering strong results this year, the overall performance during the three years was such that the minimum performance threshold was not met. As a result, none of the awards made to the Executive Directors in 2011 will vest and these awards will now lapse.

EPS performance	Targets	Level of vesting	Performance achieved	Resulting level of award (% of maximum opportunity)
Threshold	RPI + 4%	25%	RPI + 0.7%	0%
Maximum	RPI + 10%	100%		

Awards granted in the year ended 31 May 2014 (audited)

As indicated in last year's Report on Directors' Remuneration, during the year ended 31 May 2014 new awards were made to the Executive Directors over shares with a value equal to 100% of base salary. These awards are subject to adjusted earnings per share growth targets measured over the single three year performance period commencing on 1 June 2013.

No proportion of the awards may vest unless the Group's adjusted earnings per share grow by at least 6% per annum compounded over the relevant performance period. 25% of the award will vest where adjusted earnings per share grow by 6% per annum rising on a straight line pro rata basis to 100% vesting where adjusted earnings per share grow by 12% per annum or more, in each case compounded over the performance period.

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting for threshold performance	Performance period end date
G A Kanellis	Performance Share Plan	100% of salary	132,833	£524,159	25%	31 May 2016
C G Davis	Performance Share Plan	100% of salary	84,404	£333,058	25%	31 May 2016
B H Leigh	Performance Share Plan	100% of salary	83,021	£327,601	25%	31 May 2016

Face value has been calculated using the average mid-market closing share price on 24 July 2013 of 394.6p 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.

Awards to be granted in the year ended 31 May 2015

The Committee intends to make awards to Executive Directors during the year ending 31 May 2015. In line with the Company's Directors' Remuneration Policy, as set out on pages 42 to 49, and subject to shareholder approval of the PZ Cussons Plc Performance Share Plan 2014, it is proposed to make awards to the Executive Directors under the new plan over shares with a value equal to 150% of base salary.

The Committee expects the awards to continue to be based on growth in adjusted earnings per share and to be subject to attainment of the same adjusted earnings per share growth targets as applied to awards made in the year ended 31 May 2014. The Committee did consider whether to apply additional or alternative performance measures. However, the Committee continues to believe that growth in adjusted earnings per share remains the most appropriate measure for the Group, being an important indicator of the Group's underlying financial performance and providing a clear line of sight for executives between their performance and potential reward.

In line with the Company's Directors' Remuneration Policy for future awards, any awards earned in excess of 100% of salary (on grant) will vest not at the end of the three-year performance period but in equal amounts four years and five years after the date of grant.

Legacy arrangements

Deferred Annual Share Bonus Scheme

Prior to the introduction of the Senior Executive Annual Bonus Scheme on 1 June 2010, the Executive Directors had participated in the Deferred Annual Share Bonus Scheme. Under that earlier scheme, awards of deferred shares were made to the Executive Directors following the attainment of pre-determined annual financial targets. Vesting of such deferred shares was then subject to three years' continuing employment.

During the year ended 31 May 2014 each Executive Director received shares which had been the subject of earlier deferred share awards in respect of performance for the year ended 31 May 2010, each having satisfied the related conditions in respect of such awards.

Sufficient shares to satisfy deferred share awards had been purchased in the market and retained in an Employee Share Option Trust pending their transfer to participants. Further details regarding the Employee Share Option Trust are given in note 25 of the consolidated financial statements.

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. There have been no grants of options under the Executive Share Option Scheme since the introduction of the Performance Share Plan and it is not expected that any further awards will be made under this scheme.

All options granted under the Executive Share Option Scheme have now either vested (and are capable of exercise) or have lapsed.

Pension benefits (audited)

The following Executive Directors were members 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. 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 United Kingdom. The total entitlement across both arrangements is calculated 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) and all benefits are payable from age 62. In total, the sum of the deferred pensions within these two arrangements at 31 May 2014 was £325,805 p.a.
B H Leigh	Benefits held within the PZ Cussons Directors' Retirement Benefits Plan, supplemented by an unfunded contractual promise payable by the Company. The total entitlement across both arrangements is calculated 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) and all benefits are payable from age 62. In total, the sum of the deferred pensions within these two arrangements at 31 May 2014 was £113,715 p.a.
C G Davis	Benefits held within the PZ Cussons Directors' Retirement Benefits Plan, supplemented by an unfunded contractual promise payable by the Company. The total entitlement across both arrangements is calculated 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) and all benefits are payable from age 62. In total, the sum of the deferred pensions within these two arrangements at 31 May 2014 was £25,989 p.a.

Following closure of the Company's defined benefit plans, each of the Executive Directors became eligible for membership of the Company's defined contribution pension arrangements. Details of the benefits received by each in this respect are set out at note 5 to the table on page 50.

Loss of office payments (audited)

No payments for loss of office were made during the year.

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 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 Shares capital of the Company to satisfy awards to participants nor more than 5% of the issued Ordinary Shares capital for executive share plans.

Report on Directors' Remuneration continued
Annual Report on Remuneration continued

Statement of Directors' shareholding and share interests (audited)
The Committee has established Shareholding Ownership Guidelines which require Executive Directors:
- to build up and retain holdings of shares (and/or deferred shares net of tax) worth 150% 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 2014.

Richard Harvey (Chairman) is also required under his letter of appointment to invest 20% of his fees each year in the purchase of shares in the Company and to retain such shares during the term of his appointment which he has complied with during the current financial year.

Interests in shares
The interests in the Company's shares of each of the Executive Directors as at 31 May 2014 (together with interests held by his connected persons) were:

	Ordinary Shares held at 1 June 2014[1]	Interests in share incentive schemes which are not subject to any performance condition as at 1 June 2014[2]	Interests in share incentive schemes which are subject to any performance condition as at 1 June 2014[3]
G A Kanellis	632,952	197,309	423,825
C G Davis	323,677	131,539	269,304
B H Leigh	100,228	–	264,886

1 Includes shares held by connected persons.
2 Includes vested but unexercised options held under the Executive Share Option Scheme.
3 Includes unvested awards under the Performance Share Plan which remain subject to performance.

The Non-Executive Directors' shareholdings are disclosed on page 37.

Executive Share Option Scheme (audited)
The outstanding awards granted to each Director of the Company under the Executive Share Option Scheme are as follows:

	Date of award	Number of options/ awards at 1 June 2013	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2014**	Option exercise price (£)	Market price at date of exercise (£)	Earliest date of exercise	Expiry date	Exercise/ transfer date
G A Kanellis	08–Sep–05	184,900	–	184,900	–	**–**	1.298	4.04	08–Sep–08	08–Sep–15	14–Aug–13
	31–Aug–06	213,210	–	213,210	–	**–**	1.407	4.04	31–Aug–09	31–Aug–16	14–Aug–13
	06–Aug–07	197,309	–	–	–	**197,309**	1.6725	–	06–Aug–10	06–Aug–17	–
C G Davis	31–Aug–06	71,070	–	71,070	–	**–**	1.407	3.901	31–Aug–09	31–Aug–16	02–Aug–13
	06–Aug–07	131,539	–	–	–	**131,539**	1.6725	–	06–Aug–10	06–Aug–17	–

Notes:
– All awards have now vested and are capable of exercise.

Deferred Annual Share Bonus Scheme (audited)
The awards granted to each Director of the Company under the Deferred Annual Share Bonus Scheme are as follows:

	Date of award	Number of options/ awards at 1 June 2013	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2014**	Market price at date of award (£)	Vesting/ transfer date
G A Kanellis	02–Aug–10	85,380	85,380	–	–	**–**	3.901	02–Aug–13
C G Davis	02–Aug–10	54,600	54,600	–	–	**–**	3.901	02–Aug–13
B H Leigh	02–Aug–10	53,610	53,610	–	–	**–**	3.901	02–Aug–13

Notes:
– Awarded under the Deferred Annual Share Bonus Scheme following the attainment of predetermined financial targets.
– Deferred shares were received by participants following, and conditional only upon, three years of continuing employment from the date of the grant of the award.
– The last awards were made under the Deferred Annual Share Bonus Scheme in 2010 and no further deferred shares will be received by the Executive Directors pursuant to the Deferred Annual Share Bonus Scheme.

2008 Performance Share Plan (audited)

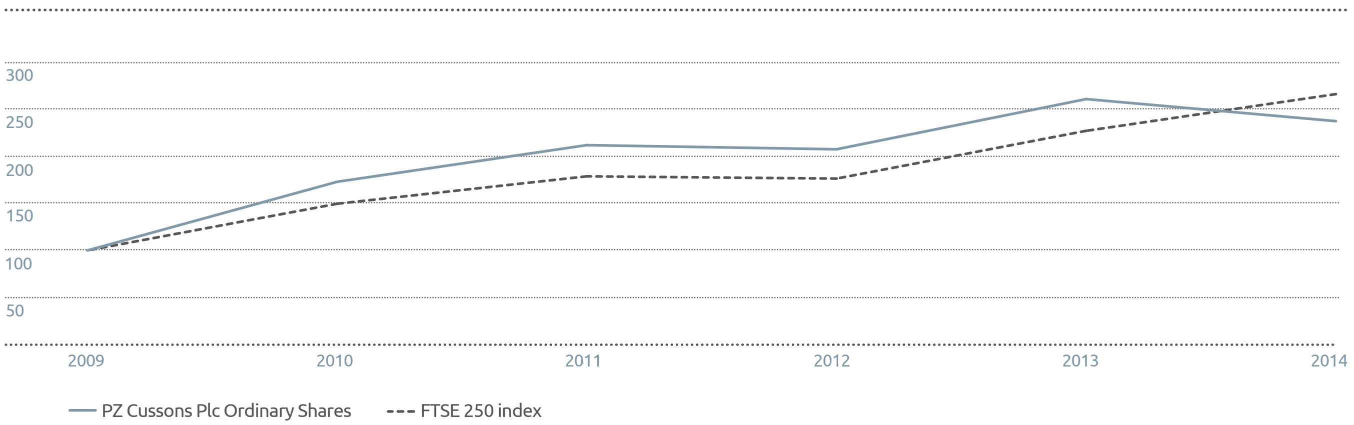
The outstanding awards granted to each Director of the Company under the 2008 Performance Share Plan are as follows:

	Date of award	Number of options/ awards at 1 June 2013	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2014**	Market price at date of award (£)	Vesting/ transfer date
G A Kanellis	30–Jul–10	131,633	–	–	131,633	**–**	3.43	–
	28–Jul–11	127,320	–	–	–	**127,320**	3.77	28–Jul–14
	26–Jul–12	163,672	–	–	–	**163,672**	3.11	26–Jul–15
	24–Jul–13	–	132,833	–	–	**132,833**	3.946	24–Jul–16
C G Davis	30–Jul–10	84,184	–	–	84,184	**–**	3.43	–
	28–Jul–11	80,900	–	–	–	**80,900**	3.77	28–Jul–14
	26–Jul–12	104,000	–	–	–	**104,000**	3.11	26–Jul–15
	24–Jul–13	–	84,404	–	–	**84,404**	3.946	24–Jul–16
B H Leigh	30–Jul–10	82,653	–	–	82,653	**–**	3.43	–
	28–Jul–11	79,570	–	–	–	**79,570**	3.77	28–Jul–14
	26–Jul–12	102,295	–	–	–	**102,295**	3.11	26–Jul–15
	24–Jul–13	–	83,021	–	–	**83,021**	3.946	24–Jul–16

Performance graph

The graph below illustrates the performance of PZ Cussons Plc measured by Total Shareholder Return (TSR) over the five year period to 31 May 2014 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 five years

	Total remuneration	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2013/14	**1,052,912**	**78.0%**	**0%**
2012/13	1,104,089	69.5%	0%
2011/12	599,070	0.0%	0%
2010/11	1,484,017	18.0%	100%
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 2013 and 31 May 2014, and the percentage change.

	2014 £m	2013 £m	Change %
Total employee costs	**103.9**	110.4	(6%)
Dividends paid	**32.2**	29.3	10%
Profit before tax and exceptional items	**115.0**	107.5	7%

Report on Directors' Remuneration continued
Annual Report on Remuneration continued

Change in CEO remuneration and for employees as a whole over 2014

The table below shows the change in CEO annual cash (defined as salary, taxable benefits and annual bonus), compared to the change in employee annual cash for a comparator group for 2013 to 2014.

The PZ Cussons (International) Limited employee workforce 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 for other employees
	2014	2013	% change	% change
Salary	**517,920**	494,400	5%	3%
Benefits	**22,563**	21,014	7%	3%
Bonus	**408,845**	347,063	18%	3%

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:

1) Mr J Steel (Chairman)
2) Professor J Arnold
3) Ms N Edozien
4) Mr S Heale (until retirement from the Board on 31 December 2013)
5) Mrs H Owers
6) Mrs C Silver (from her appointment to the Board on 1 April 2014)

The Committee was advised generally in relation to Directors' remuneration during the year by Deloitte LLP. During the year the Committee undertook a review of its advisers. This process included receiving proposals from a number of alternative advisers. Following careful consideration the Committee decided to re-appoint Deloitte LLP. The Committee was satisfied that the advice received was independent and objective. Deloitte LLP is a founder member of the Remuneration Consultants Group and has signed the voluntary Code of Practice for remuneration consultants.

During the year, Deloitte LLP provided advice on new reporting regulations, market data and assisted with the Committee's review of executive remuneration matters that materially assisted the Committee. The fees paid to Deloitte LLP in respect of this work were charged on a time and expenses basis and totalled £56,650. Deloitte LLP also provided advisory services to the Group during the year relating to tax, operating model design and enterprise resource planning. During the year, the Committee consulted Richard Harvey (Chairman) on issues where it felt his experience and knowledge could benefit its deliberations and Mr Harvey attended meetings by invitation. The Committee also consulted Alex 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 Sam Plant (Company Secretary) who acts as Secretary to the Committee.

Statement of shareholder voting

The table below sets out the results for the vote on the Remuneration report at the 2013 AGM

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
354,346,546	99.42%	2,059,599	0.58%	356,406,145	297,754

The Committee maintains regular contact with the Company's largest shareholders. During 2014 the Committee consulted with shareholders on the proposed changes to the Company's executive remuneration arrangements and their comments were considered when agreeing the proposed approach.

By order of the Board of Directors

James Steel
Chairman of the Remuneration Committee

29 July 2014

Report on Corporate Governance

The Board is committed to meeting the standards of good Corporate Governance as established by the Financial Reporting Council. In respect of the year ended 31 May 2014, the 2012 UK Corporate Governance Code (the Code) applied to the Company. The Code is publicly available on the Financial Reporting Council's website (www.frc.org.uk).

This report, together with the Annual Report on Remuneration in respect of remuneration matters, describes how the Board applied the Code during the year under review.

Board evaluation

Composition and independence

The size of the Board allows individuals to communicate openly and to 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 nine members comprising the Non-executive Chairman, the Chief Executive, two other Executive Directors and five other Non-executive Directors. The names of the Directors together with their biographical details are set out on pages 35 to 36. During the year, Simon Heale retired from the Board and Caroline Silver was appointed a Non-executive Director.

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 Harvey is a Non-executive Director of Jardine Lloyd Thompson Group Plc, which acts as insurance broker to the Company, but the level of fees payable to Jardine Lloyd Thompson Group Plc is not material and Mr Harvey does not participate in any way in the provision of services; therefore the Board is wholly satisfied that it is appropriate to designate Mr Harvey as independent. In addition, in order that his independence is not compromised, if at any time the Board or a Committee of the Board is considering any matter concerning Jardine Lloyd Thompson Group Plc, it has been agreed that Mr Harvey will withdraw from that meeting until such matters have been dealt with.

Mr Steel is the Senior Independent Non-executive Director and in this capacity he is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. Having completed his third three year term as a Non-executive Director, Mr Steel will retire from the Board at the 2014 Annual General Meeting on 23 September and will be succeeded as Senior Independent Non-executive Director by Professor Arnold.

Non-executive Directors may serve on the boards of other companies provided that 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 will seek re-election annually.

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.

Diversity

The Company supports the Code provision that Boards should consider the benefits of diversity, including gender, when making appointments and 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 the 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. Whilst the Company agrees that it is entirely appropriate that it should seek to have diversity on its Board, it does not consider that this can be best achieved by establishing specific quotas and targets and appointments will continue to be made based wholly on merit.

Further details on diversity within the business are set out in the CSR report on page 31.

Performance evaluation

Effectiveness reviews of the Board and its committees are carried out annually. In compliance with the Code principle that evaluation of the Board should be externally facilitated at least every three years, the 2014 review was facilitated by Boardroom Review Limited. The results of that exercise have been reviewed by the Chairman of the Board and of each Board committee, discussed in a formal meeting and the recommendations recorded and acted upon.

The review process which was undertaken during the year concluded that all Directors continue to contribute effectively and with proper commitment, devoting adequate time to carry out their duties. The performance of the Non-executive Directors is evaluated separately by the Executive Directors. The Remuneration Committee reviews Executive Directors' performance with guidance from the Chief Executive (other than in respect of his own position).

Report on Corporate Governance continued

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 and the Directors met on a number of other occasions as necessary to consider specific matters arising and to review and develop the Group's corporate strategy.

The differing roles of the Chairman and Chief Executive are acknowledged and set out in terms of reference which have been adopted by the Board. The Chairman is primarily responsible for the running of 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 is responsible for coordinating the running of 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 invited to attend Board meetings to make presentations on specific matters or projects. 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 has maintained an understanding of the views of major shareholders through periodic face to face meetings and briefings from the Group's brokers.

The Board has adopted formal procedures for Directors to take independent professional advice where necessary at the Group's expense and 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, including approval of the Group's strategy, annual budgets, material agreements and major capital expenditure and acquisitions, the approval of financial arrangements, and the monitoring of performance, health, safety and 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 operational 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 take additional training where necessary as part of their continuing development at the expense of the Group.

Committees of the Board
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. Details of the principal standing committees of the Board are set out as follows:

Nomination Committee
The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and identifying and recommending appropriate candidates for membership of the Board when vacancies arise. During the year ended 31 May 2014, the Committee members were Mr Harvey (Committee Chairman), Professor Arnold, Ms Edozien, Mr Kanellis, Mrs Owers, Mr Steel, Mrs Silver (with effect from her appointment as a Non-executive Director on 1 April 2014) and (until his retirement from the Board on 31 December 2013) Mr Heale. The Company Secretary is secretary to the Committee.

During the year, the Committee undertook the process of identifying a new independent Non-executive Director, culminating in the appointment to the Board of Mrs Silver. In considering this appointment, the Nomination Committee evaluated the balance of skills, knowledge and experience of the Board and prepared a description of the role and capabilities required. External search agencies were engaged and a number of short-listed candidates were then invited to interview with members of the Committee. Other members of the Board were then given the opportunity of meeting with short-listed candidates, following which the Board approved the appointment of Mrs Silver. During the year, the Committee also considered the most appropriate allocation of responsibilities in the light of the retirement of Mr Heale and, in particular, Ms Edozien was appointed Chair of the CSR Committee from 1 January 2014.

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 members are Mr Steel (Committee Chairman), Professor Arnold, Ms Edozien, Mrs Owers, Mrs Silver (with effect from her appointment as a Non-executive Director on 1 April 2014) and, until his retirement from the Board on 31 December 2013, Mr Heale. The Company Secretary is secretary to the Committee. The Board has resolved that, upon Mr Steel's retirement from the Board on 23 September 2014, Mrs Owers will be appointed as Chair of the Remuneration Committee.

The Remuneration Committee is responsible for evaluating the performance and determining specific remuneration packages for each Executive Director, the Chairman and the Company Secretary. With the exception of the Non-executive Chairman, the fees of the Non-executive Directors are determined by the Executive Directors.

Further details of the Committee's responsibilities and activities during the year are set out in the Annual Report on Remuneration on pages 50 to 56.

Audit Committee

Responsibilities of the Audit Committee

The Audit Committee is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies, its disclosure practices, internal controls, internal audit and risk management. It is also 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 audit and its cost effectiveness.

Composition of Audit Committee

The Audit Committee comprises Professor Arnold (Committee Chairman), Ms Edozien, Mrs Owers, Mr Steel, Mrs Silver (with effect from her appointment as a Non-executive Director on 1 April 2014) and, until his retirement from the Board on 31 December 2013, Mr Heale. The Committee meets regularly with the external auditor. The Chairman, Professor Arnold, is a qualified chartered accountant, and together with the other Committee members bring recent and relevant financial experience to the Audit Committee. The Company Secretary is secretary to the Committee.

How the Audit Committee discharges its responsibilities

In order to fulfill its responsibilities, the Committee meets at least four times a year and receives and reviews presentations and reports from Group's senior management, Group internal audit and the external auditors.

Financial reporting and significant financial judgements

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provides details on the main financial reporting judgements. The Committee also reviews reports by the external auditors on the half year and full year results which highlight any issues arising from the work undertaken in respect of the half-year review and year-end audit. The specific areas of audit and accounting risk reviewed by the Committee were:

1. The carrying value and recognition of goodwill and intangible assets

The Group's goodwill and intangible assets related to our brands are a material balance sheet item. Management performs an annual impairment review for goodwill and other intangible assets with indefinite lives which uses key judgements including estimates of future business performance and cash generation, discount rates and long-term growth rates. The Committee has reviewed management's analysis and are comfortable with management's conclusion that no impairment is required.

2. Pensions including obligations and assumptions

The Group's defined benefit pension schemes are material to its financial position. The amounts shown in the balance sheet are highly sensitive to changes in key actuarial assumptions. The Committee has reviewed and agreed the appropriateness and consistency of these assumptions with management. Full disclosure of the financial position of the defined benefit pension schemes is provided in note 23 to the accounts.

3. Direct tax provisions

The global and transformational nature of the Group means that it is periodically involved in structuring activities (e.g. acquisitions, disposals and reorganisations) which have complex tax related consequences in a number of jurisdictions around the world where the approach of the authorities is difficult to predict. Where appropriate, provisions are made using management's judgement. The Committee has reviewed the key judgements with management and considers the tax provisioning levels to be appropriate.

At the request of the Board, the Committee considered whether the 2014 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee were satisfied that, taken as a whole, the 2014 Annual Report and Accounts are fair, balanced and understandable.

Auditor independence

Whilst the Audit Committee has not adopted a formal policy in respect of the rotation of the external auditor, one of its principal duties is to make recommendations to the Board in relation to the appointment of the external auditor. Various factors are taken into account by the Committee in this respect. These include the quality of the reports provided to the Audit Committee and the Board and the level of understanding demonstrated of the Group's business. This year, the Committee considered, as usual, whether to retain PwC as auditor and concluded that, in view of the quality of the service provided, the cost effectiveness of the work carried out and the firm's capacity to provide service across all of the Group's global operations, it was appropriate to retain them. The Committee last tendered the audit in 2008.

The Group has a policy governing the conduct of non-audit work by the auditor. The auditor is permitted to provide non-audit services which are not, and are not perceived to be, in conflict with auditor independence, providing it has the skill, competence and integrity to carry out the work and is considered to be the most appropriate to undertake such work in the best interests of the Group. Assignments with a value of £50,000 or more must be submitted to the Committee and activities which may be perceived to be in conflict with the role of the external auditor must be submitted to the Committee for approval prior to engagement, regardless of the amounts involved. All assignments are monitored by the Committee. Details of the amounts paid to the external auditor during the year for audit and other services are set out in note 4 to the financial statements.

Report on Corporate Governance continued

Group Risk Committee

The Group Risk Committee is responsible for identifying, assessing and prioritising all material risks facing the Group and ensuring, where possible, that appropriate action is taken to manage and mitigate those risks. The risk areas which the Committee reviews includes general business risk including risk arising out of the external financial environment, product safety risk, physical asset risk including factory, health and safety and environmental risks, IT and infrastructure risks. At least once a year, the Board as a whole reviews any material risks facing the Group and the output of this review forms the basis of the work undertaken by the Committee during the year.

The Committee is responsible for developing and supporting the activities necessary to convert an approved framework of risk limits and risk appetite policies into an effective plan for implementation across the Group. This is achieved by ongoing review to develop and implement plans to eliminate, reduce or transfer risk where practicable. The Committee is also responsible for reviewing the risk management and control process within the Group and encouraging and supporting two-way communications in respect of risks issues within the business and with external stakeholders including shareholders, suppliers and customers.

The Group Risk Committee comprises Professor Arnold (Committee Chairman), Mr Davis, Ms Edozien, Mr Harvey, Mr Kanellis, Mr Leigh, Mrs Owers, Mr Steel, Mrs Silver (with effect from her appointment as a Non-executive Director on 1 April 2014) and, until his retirement from the Board on 31 December 2013, Mr Heale. The Company Secretary is secretary to the Committee. It reports formally to the Board after each meeting. It has authority to obtain external advice as considered appropriate and the Board has resolved that it should be provided with sufficient resources to undertake fully its responsibilities.

The Board undertakes annually a formal review of the risk management process and the performance of the Group Risk Committee.

Corporate Social Responsibility (CSR) Committee

The CSR Committee is responsible for reviewing and developing the Company's corporate strategy to ensure that CSR is an integral part of the strategy and that the Group's social, environmental and economic activities are aligned. The CSR Committee is also responsible for the development of policies on all key areas of CSR including the environment, health and safety, consumer safety, business conduct and ethics, employees and local community and charity. Further details of the Committee's terms of reference and activities during the year are set out in the Corporate Social Responsibility report on pages 20 to 34.

The CSR Committee comprises Ms Edozien (who was appointed Committee Chair upon the retirement from the Board of Mr Heale), Professor Arnold, Mr Davis, Mr Harvey, Mr Kanellis, Mr Leigh, Mrs Owers, Mr Steel, Mrs Silver (with effect from her appointment as a Non-executive Director on 1 April 2014) and, until his retirement from the Board on 31 December 2013, Mr Heale. The Company Secretary is secretary to the CSR Committee. The Committee reports formally to the Board after each meeting. It has authority to obtain external advice as considered appropriate and the Board has resolved that it should be provided with sufficient resources to undertake fully its responsibilities.

Attendance at Board 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, Remuneration and Nomination Committees during the year ended 31 May 2014, together with a record of the attendance of the current Directors who are their respective members, is detailed in the table below:

	Board		Audit Committee		Remuneration Committee		Nomination Committee		Group Risk Committee		CSR Committee	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
Mr R Harvey	6	6	–	–	–	–	4	4	3	3	2	2
Mr G A Kanellis	6	6	–	–	–	–	4	4	3	3	2	2
Mr C G Davis	6	6	–	–	–	–	–	–	3	3	2	2
Mr B H Leigh	6	6	–	–	–	–	–	–	3	3	2	2
Prof J A Arnold	6	6	4	4	4	4	4	4	3	3	2	2
Ms N Edozien	6	6	4	4	4	4	4	4	3	3	2	2
Mr S J N Heale	3	3	2	2	1	1	2	2	1	1	1	1
Mrs H Owers	6	6	4	4	4	4	4	4	3	3	2	2
Mr J T J Steel	6	6	4	4	4	4	4	4	3	3	2	2
Mrs C Silver	1	1	–	–	1	1	1	1	1	1	1	1

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

Remuneration

Details of Directors' remuneration are set out in the Annual Report on Remuneration.

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 Business Review. The financial position of the Group and liquidity position are described within the Financial Review. In addition, note 18 to the financial statements includes policies in relation to the Group's financial instruments and risk management and policies for managing credit risk, liquidity, market risk, foreign exchange risk, price risk, cash flow and interest rate 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 the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Internal control
The Board is 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 2014 and up to the date of the Annual Report and Financial Statements, that it is regularly reviewed by the Board and that it accords with the Turnbull guidance for Directors on the Code. The process includes:
- frequent communication between the Board and the Group Risk Committee and subsidiary management on all critical business issues
- regular visits to operating units by the Board, head office management and Group internal audit
- a detailed system of budgeting, reporting and forecasting
- regular review by the Board and Group Risk Committee of risk throughout the Group and the risk management processes in place
- 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 has carried out assessments of internal control by considering documentation from the Executive Directors, Audit 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 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 whistleblowing process which are issued to all employees within the Group.

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, containing a wide range of information of interest to institutional and private investors and a subscription e-mail service is available which enables 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 and Financial Statements. 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. Voting at the Annual General Meeting is on a show of hands and after each show of hands, details of all proxy votes lodged for and against each resolution and the number of abstentions are disclosed.

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.

Compliance statement
The Directors consider that the Company complied with the provisions of section 1 of the Code.

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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). 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 Company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union and IFRSs issued by IASB and applicable UK Accounting Standards have been followed, 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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. They 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.

Each of the Directors, whose names and functions are listed on pages 35 to 36, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which it faces.

By order of the Board

Mr S P Plant
Company Secretary

29 July 2014

Independent Auditors' Report to the Members of PZ Cussons Plc

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements, defined below:
- give a true and fair view of the state of the Group's affairs as at 31 May 2014 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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

What we have audited

The Group financial statements, which are prepared by PZ Cussons Plc, comprise:
- the Group Balance Sheet as at 31 May 2014;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £5.75 million. This represents approximately 5% of Group profit before tax and exceptional items. Profit before tax and exceptional items was selected as this, in our judgement, is the most appropriate measure of the Group's underlying trading performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.25 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group has operations in a range of different geographies and is structured across three main business lines being Africa, Europe and Asia which comprise the Group's operating segments as set out in note 2 to the financial statements. The Group financial statements are a consolidation of 36 reporting units within these operating segments, comprising the Group's operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Independent Auditors' Report to the Members of PZ Cussons Plc

continued

Accordingly, we identified ten reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics, which together comprised in excess of 80% of the Group's profit before tax and exceptional items. We also performed specific audit procedures on revenue and exceptional items at a further two reporting units.

This, together with additional procedures performed on centralised functions and at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focussed our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 59.

Area of focus	How the scope of our audit addressed the area of focus
Goodwill, intangible assets and investments in joint ventures impairment assessment No impairment charge has been recognised by the directors in the year. We focussed on this area because the determination of whether or not an impairment charge for goodwill, intangible assets or investments in joint ventures was necessary involved significant judgements by the Directors about the future results of the Group's identified cash generating units and joint ventures, and changes in assumptions and forecasts used in supporting the value of the assets could give rise to a material impairment.	We evaluated the Directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We challenged: • the Directors' key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts; and • the discount rate by assessing the cost of capital for the Company and comparable organisations. We also performed sensitivity analysis around the key drivers of the cash flow forecasts being revenue and gross margin growth. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill, intangible assets or investments to be impaired, we considered the likelihood of such a movement in those key assumptions arising.
Provisions and contingencies – direct tax provisions The directors are required to exercise significant judgement when determining the appropriate amount to provide in respect of potential direct tax exposures relating to challenges by the tax authorities, particularly in emerging markets. (Refer to note 7 to the financial statements.) We focussed on this area because changes in assumptions can materially affect the levels of provisions recorded in the financial statements.	We obtained a detailed understanding of the Group's tax strategy and assessed key tax risks related to business and legislative developments including reading the Group's transfer pricing arrangements and testing how these have been implemented. We recalculated direct tax provisions and determined whether the calculations were in line with the Group's methodology and whether the principles had been applied consistently. We challenged the key underlying assumptions, particularly in territories where new tax structures are in place, having due regard to correspondence between PZ Cussons and local tax authorities.
Pensions – obligations and assumptions The Group operates defined benefit pension plans in the UK and certain overseas territories, principally Indonesia. We focussed on this area because of the magnitude of the gross pension plan liabilities in the context of the overall balance sheet. Measurement of the pension plan liabilities requires a significant level of judgement and technical expertise in choosing appropriate assumptions. Changes in key assumptions can have a material impact on the gross liability recorded. (Refer to note 23 to the financial statements.)	For the UK and Indonesian defined benefit pension plans, we challenged the reasonableness of key actuarial assumptions (including pension increase, salary increases, inflation, discount rates and mortality), using benchmark ranges based on market conditions and expectations at the balance sheet date and comparison across the wider pensions industry. We also checked whether the methods used by management to determine key assumptions had been consistently applied year-on-year and evaluated the rationale for any changes in approach. We tested the reconciliation of the opening to closing liability for accuracy taking into account the movements in key assumptions over the year and any changes made to benefits provided within the plans.

Area of focus	How the scope of our audit addressed the area of focus
Presentation of exceptional items We focussed on this area given the material income statement impact of exceptional income and costs presented in the year. The reporting and calculation of exceptional items involves judgement and the reporting of such items, along with adjusted performance measures, could impact the overall balance in reporting financial performance.	We tested the calculation of exceptional income and costs incurred in the year, checking to third party documentation and the Directors' calculations. We assessed the presentation of items identified as exceptional against the Group's accounting policy and relevant accounting standards and evaluated the disclosure in the financial statements.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition. We focussed on the risk that revenue may have been recognised for each revenue stream for transactions that had not occurred.	As the foundation of the evidence we obtained regarding the revenue recognised during the year, we evaluated the relevant IT systems and tested the internal controls over the accuracy and timing of revenue recognised in the financial statements. We also tested journal entries posted to revenue accounts to identify unusual or irregular items.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.

Going concern
Under the Listing Rules we are required to review the Directors' Statement, set out on page 61, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' Statement, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and

Other matters on which we are required to report by exception
Adequacy of information and explanations received
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. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of PZ Cussons Plc

continued

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 62 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 59, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 62, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other matter

We have reported separately on the Company financial statements of PZ Cussons Plc for the year ended 31 May 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

29 July 2014

Consolidated Income Statement
Year ended 31 May 2014

	Notes	Year ended 31 May 2014 Before exceptional items £m	Year ended 31 May 2014 Exceptional items (note 3) £m	Year ended 31 May 2014 Total £m	Year ended 31 May 2013 Before exceptional items £m	Year ended 31 May 2013 Exceptional items (note 3) £m	Year ended 31 May 2013 Total £m
Continuing operations							
Revenue	2	**861.4**	**–**	**861.4**	883.2	–	883.2
Cost of sales		**(524.4)**	**–**	**(524.4)**	(548.9)	–	(548.9)
Gross profit		**337.0**	**–**	**337.0**	334.3	–	334.3
Selling and distribution costs		**(145.3)**	**–**	**(145.3)**	(133.6)	–	(133.6)
Administrative expenses		**(76.8)**	**8.7**	**(68.1)**	(90.2)	(12.7)	(102.9)
Share of results of joint ventures	12	**1.5**	**–**	**1.5**	(2.1)	–	(2.1)
Operating profit/(loss)	2	**116.4**	**8.7**	**125.1**	108.4	(12.7)	95.7
Finance income		**2.6**	**–**	**2.6**	2.7	–	2.7
Finance costs		**(4.0)**	**–**	**(4.0)**	(3.6)	–	(3.6)
Net finance costs	6	**(1.4)**	**–**	**(1.4)**	(0.9)	–	(0.9)
Profit/(loss) before taxation		**115.0**	**8.7**	**123.7**	107.5	(12.7)	94.8
Taxation	7	**(29.9)**	**4.9**	**(25.0)**	(28.5)	4.7	(23.8)
Profit/(loss) for the year	4	**85.1**	**13.6**	**98.7**	79.0	(8.0)	71.0
Attributable to:							
Owners of the Parent		**76.3**	**15.1**	**91.4**	71.1	(8.0)	63.1
Non-controlling interests		**8.8**	**(1.5)**	**7.3**	7.9	–	7.9
		85.1	**13.6**	**98.7**	79.0	(8.0)	71.0
Basic EPS (p)	9			**21.52**			14.75
Diluted EPS (p)	9			**21.45**			14.70
Adjusted basic EPS (p)	9			**17.96**			16.62
Adjusted diluted EPS (p)	9			**17.91**			16.56

Consolidated Statement of Comprehensive Income
Year ended 31 May 2014

	2014 £m	2013 £m
Profit for the year	**98.7**	71.0
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment obligations	**(1.5)**	0.4
Deferred tax on remeasurement of post retirement obligations	**1.3**	(0.1)
Total items that will not be reclassified to profit or loss	**(0.2)**	0.3
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(45.9)**	11.5
Cash flow hedges – fair value (loss)/gain in year	**(1.5)**	0.5
Tax on items that may be subsequently reclassified to profit or loss	**0.1**	(0.1)
Total Items that may be subsequently reclassified to profit or loss	**(47.3)**	11.9
Other comprehensive (expense)/income for the year net of taxation	**(47.5)**	12.2
Total comprehensive income for the year	**51.2**	83.2
Attributable to:		
Owners of the Parent	**51.3**	73.5
Non-controlling interests	**(0.1)**	9.7

Consolidated Balance Sheet
At 31 May 2014

	Notes	31 May 2014 £m	31 May 2013 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	10	**287.7**	248.7
Property, plant and equipment	11	**195.3**	214.9
Other investments	13	**0.3**	0.5
Long term loans to joint ventures	12	**45.8**	42.3
Trade and other receivables	15	**4.4**	3.8
Retirement benefit surplus	23	**38.3**	38.9
		571.8	549.1
Current assets			
Inventories	14	**162.2**	168.4
Trade and other receivables	15	**166.7**	176.3
Current asset investments	16	**19.1**	10.4
Cash and cash equivalents	17	**70.0**	93.0
Current taxation receivable		**13.1**	9.5
		431.1	457.6
Total assets		**1,002.9**	1,006.7
Equity			
Share capital	24	**4.3**	4.3
Capital redemption reserve		**0.7**	0.7
Hedging reserve		**(1.1)**	0.3
Currency translation reserve		**(0.4)**	38.1
Retained earnings		**480.5**	437.3
Attributable to owners of the Parent		**484.0**	480.7
Non-controlling interests		**52.4**	65.6
Total equity		**536.4**	546.3
Liabilities			
Non-current liabilities			
Borrowings	18	**103.5**	85.0
Trade and other payables	20	**0.7**	0.5
Deferred taxation liabilities	21	**41.8**	46.6
Retirement benefit obligations	23	**23.2**	31.3
		169.2	163.4
Current liabilities			
Borrowings	18	**15.0**	15.0
Trade and other payables	19	**222.4**	232.3
Current taxation payable		**46.8**	36.5
Provisions	22	**13.1**	13.2
		297.3	297.0
Total liabilities		**466.5**	460.4
Total equity and liabilities		**1,002.9**	1,006.7

The financial statements from pages 67 to 100 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

R Harvey **G A Kanellis**

29 July 2014

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 2012	4.3	28.4	0.7	425.0	(0.1)	61.2	519.5
Profit for the year	–	–	–	63.1	–	7.9	71.0
Other comprehensive income:							
Remeasurement of post-employment obligations	–	–	–	0.4	–	–	0.4
Exchange differences on translation of foreign operations	–	9.7	–	–	–	1.8	11.5
Cash flow hedges – fair value gains in year	–	–	–	–	0.5	–	0.5
Cash flow hedges – tax on fair value gains	–	–	–	–	(0.1)	–	(0.1)
Deferred tax on actuarial gains on defined benefit pension schemes	–	–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the year	–	9.7	–	63.4	0.4	9.7	83.2
Tranactions with owners:							
Ordinary dividends	–	–	–	(29.3)	–	–	(29.3)
Acquisition of shares for ESOT	–	–	–	(15.0)	–	–	(15.0)
Share-based payments credit	–	–	–	(0.6)	–	–	(0.6)
Deferred tax on share-based payments	–	–	–	0.4	–	–	0.4
Acquisition of non-controlling interests	–	–	–	(6.6)	–	(2.9)	(9.5)
Non-controlling interests dividend paid	–	–	–	–	–	(2.4)	(2.4)
Total transactions with owners recognised directly in equity	–	–	–	(51.1)	–	(5.3)	(56.4)
At 31 May 2013	**4.3**	**38.1**	**0.7**	**437.3**	**0.3**	**65.6**	**546.3**
At 1 June 2013	**4.3**	**38.1**	**0.7**	**437.3**	**0.3**	**65.6**	**546.3**
Profit for the year	**–**	**–**	**–**	**91.4**	**–**	**7.3**	**98.7**
Other comprehensive income:							
Remeasurement of post-employment obligations	**–**	**–**	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Exchange differences on translation of foreign operations	**–**	**(38.5)**	**–**	**–**	**–**	**(7.4)**	**(45.9)**
Cash flow hedges – fair value losses in year	**–**	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Cash flow hedges – tax on fair value losses	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Deferred tax on actuarial loss on defined benefit pension schemes	**–**	**–**	**–**	**1.3**	**–**	**–**	**1.3**
Total comprehensive income/(expense) for the year	**–**	**(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 charge	**–**	**–**	**–**	**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**

Consolidated Cash Flow Statement
Year ended 31 May 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	26	**96.9**	119.2
Taxation paid		**(19.9)**	(16.1)
Interest paid		**(4.0)**	(3.6)
Net cash generated from operating activities		**73.0**	99.5
Cash flows from investing activities			
Interest income		**2.6**	2.7
Purchase of property, plant and equipment	11	**(33.0)**	(23.1)
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**	1.0
Acquisition of non-controlling interests	29	**(0.8)**	(9.5)
Cash and cash equivalents obtained from acquired business		**1.3**	–
Acquisition of Rafferty's Garden		**(42.2)**	–
Advance of short-term deposits to joint ventures	16	**(8.7)**	(3.4)
Loans granted to joint ventures	12	**(4.3)**	(5.2)
Net cash used in investing activities		**(43.6)**	(37.5)
Financing activities			
Dividends paid to non-controlling interests		**(12.9)**	(2.4)
Purchase of shares for ESOT	25	**(16.1)**	(15.0)
Dividends paid to Company shareholders	8	**(32.2)**	(29.3)
Repayment of term loan	18	**(15.0)**	(3.8)
Increase in borrowings	18	**33.5**	13.0
Net cash used in financing activities		**(42.7)**	(37.5)
Net (decrease)/increase in cash and cash equivalents		**(13.3)**	24.5
Cash and cash equivalents at the beginning of the year		**93.0**	65.9
Effect of foreign exchange rates		**(9.7)**	2.6
Cash and cash equivalents at the end of the year	17	**70.0**	93.0

Notes to the Consolidated Financial Statements

General information

PZ Cussons Plc is a public limited company which is listed on the London stock exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 109.

These financial statements are presented in Pounds Sterling. Foreign operations are included in accordance with the policies set out in note 1.

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 IFR IC.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, 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 period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

The financial statements have been prepared using consistent accounting policies except as stated below.

Standards and interpretations

The following new and amended standards are relevant to the Group and have been adopted for the first time in these financial statements:

- IAS 19 'Employee benefits (Revised)' changes a number of disclosure requirements and restricts the accounting options available for defined benefit pension plans. The expected return on pension plan assets and finance charges have been replaced by a net interest expense, calculated by applying the liability discount rate to the net defined benefit asset or liability. Administration costs by pension funds will now be recognised as an expense when the administrative services are performed. The revised standard requires retrospective application, however the impact on the years ended 31 May 2012 and 31 May 2013 was not material and therefore the prior year comparatives have not been restated.
- Amendments to IFRS 7 'Financial instruments: Disclosures' introduces new disclosures of information about the significance of financial instruments to an entity.
- IFRS 13 'Fair value measurement' explains how to measure fair value and enhances fair value disclosures. The standard does not significantly change the measurement of fair value but codifies it in one place.
- Amendments to IAS 1 'Presentation of Financial Statements' requires items of Other Comprehensive Income that may be reclassified to profit or loss being presented separately from items that will never be reclassified.
- Amendment to IAS 12 'Income Taxes' on deferred tax.
- Annual improvements 2011.

NOT ADOPTED BY THE GROUP

The Group is currently assessing the impact of the following new standards, amendments and interpretations that are not yet effective.

The Group does not currently believe adoption of these would have a material impact on the consolidated results or financial position of the Group. All of the following new standards, amendments and interpretations are effective from 1 January 2014 unless otherwise stated. Standards have not yet been endorsed by the EU unless otherwise stated.

- IFRS 9 'Financial instruments'. Effective date not set.
- 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)

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. Control is achieved where the Company has the ability to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

1. Accounting policies continued
On acquisition, the assets and 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 deficiency 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 at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently, losses applicable to the non-controlling interest in excess of the non-controlling interest's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date control is obtained or up to the date control is lost.

Where necessary, the accounts of overseas subsidiaries are adjusted to conform to the Group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Operating profit
Operating profit is the profit of the Group before finance income, finance costs and taxation.

Exceptional items
The Group adopts a columnar income statement format to highlight significant items within the Group results for the period. Such items are considered by the Directors to be exceptional in nature rather than being representative of the underlying trading of the Group, and may include such items as restructuring costs, acquisition related costs, material impairments of non-current assets, material profits and losses on disposal of property, plant and equipment, brands, profit or loss on disposal or termination of operations and material pension settlements and amendments. The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be disclosed in a separate column of the income statement and notes to the financial statements as 'Exceptional items'. The Directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance.

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. All acquisition costs are expensed as incurred as exceptional items.

Interests in joint ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Under IAS 28 'Investments in associates' and IAS 31 'Interests in joint ventures', a single figure for post-tax results is presented as a separate item on the face of the income statement as part of profit before tax within operating profit. Investments and long-term loans which are considered to be permanent as equity are combined with the Group's share of net assets/liabilities and shown on a single line within non-current assets.

Intangible assets
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.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued
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.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

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. Brands currently held are not amortised as the Directors believe they have indefinite lives due to their market leading nature. In accordance with IAS 36 'Impairment of assets', the brands are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the income statement.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and renovation and sustained and rising marketing (particularly media) investment. 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.

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, rebates and sales related taxes but including interest receivable on sales on extended credit and income from the provision of technical services and agreements. 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.

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. 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 expressed in Sterling, which is the functional currency of the Company, and the presentation 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. 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.

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.

1. Accounting policies continued
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 period. 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 and costs 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.

Employee benefits
Share-based payments
The Group operates a Deferred Annual Share Bonus Scheme, a Performance Share Plan and an Executive Share Option Scheme for senior executives, all 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 vesting period 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 awards under the Deferred Annual Share Bonus Scheme are measured at fair value at the date of grant and are expensed over the vesting period.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and are provided for or charged to Income Statement appropriately.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

The 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 and deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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 tax profit nor the 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 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 set off 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.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Property, plant and equipment

Land and buildings held 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 period.

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 amortisation 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 suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 using the FIFO 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables and is measured as the difference between carrying value and present value of estimated future cash flows. Subsequent recoveries of previously impaired trade receivables are recognised as a credit to profit as recorded.

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'.

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 acquisition. 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 intends to settle balances on a net basis bank overdrafts and cash balances are offset and presented on a net basis within the financial statements. Disclosure of the gross values has been included in note 18 of 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.

1. Accounting policies continued

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 uses derivative financial instruments (primarily interest rate swaps) to hedge a proportion of the exposure to floating interest rate fluctuations.

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 use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in 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.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, net of direct issue costs. 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 period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost.

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 cost, including transaction costs.

Investments are classified as either held-to-maturity, held-for-trading, loans and receivables or available-for-sale. Held-to-maturity investments and loans and receivables are measured at amortised cost. Held-for-trading and available-for-sale investments are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

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, is included in equity attributable to the Company's equity holders.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

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 managements' 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.

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.

Critical accounting policies and key sources of estimation uncertainty

The preparation of financial statements under IFRS requires management to make assumptions and estimates about future events. 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 resulting accounting estimates will, by definition, differ from the actual results. The assumptions and estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Accounting for intangible 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 calculating the value in use of the cash-generating units 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 cash-generating unit and a suitable discount rate in order to calculate present value. Details of key estimate and sensitivities or key assumptions are discussed in note 10.

Retirement benefit obligations

The Group operates retirement benefit schemes in the United Kingdom and for most overseas countries in which it carries on business. Those in the United Kingdom 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 in full on the balance sheet 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 which utilises key judgemental assumptions. 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.

Current tax provisions

The current tax provision directly relates to the actual tax payable on the Group's profits and is 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.

2. 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.

Sales between segments are carried out on an arm's length basis.

2. Segmental analysis continued

Business segments

2014	Africa £m	Asia[1] £m	Europe[2] £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**
Depreciation and amortisation	**8.6**	**3.0**	**8.3**	**–**	**19.9**
Impairment	**4.4**	**–**	**7.9**	**–**	**12.3**

2013	Africa £m	Asia[1] £m	Europe[2] £m	Eliminations £m	Total £m
Gross segment revenue	366.7	191.5	489.2	(164.2)	883.2
Inter segment revenue	(4.0)	(16.6)	(143.6)	164.2	–
Revenue	362.7	174.9	345.6	–	883.2
Segmental operating profit before exceptional items and share of results of joint venture	39.5	18.4	52.6	–	110.5
Share of results of joint venture	(2.1)	–	–	–	(2.1)
Segmental operating profit before exceptional items	37.4	18.4	52.6	–	108.4
Exceptional items	(0.6)	(3.3)	(8.8)	–	(12.7)
Segmental operating profit	36.8	15.1	43.8	–	95.7
Finance income					2.7
Finance cost					(3.6)
Profit before taxation					94.8
Depreciation and amortisation	8.3	3.4	8.6	–	20.3
Impairment	–	–	1.6	–	1.6

1 Asia segmental result includes revenue and profit from Australian operations.
2 Europe segmental result includes revenue and profit from US operations that is deemed to be immaterial for separate disclosure.

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 rest of the world (Other) is:

2014	UK £m	Nigeria £m	Other £m	Total £m
Revenue	**188.8**	**315.5**	**357.1**	**861.4**
Goodwill and other intangible assets	**238.4**	**–**	**49.3**	**287.7**
Property, plant and equipment	**48.8**	**94.5**	**52.0**	**195.3**
Pension	**38.3**	**–**	**–**	**38.3**
Other non-current assets	**45.8**	**3.8**	**0.9**	**50.5**

Notes to the Consolidated Financial Statements continued

2. Segmental analysis continued

2013	UK £m	Nigeria £m	Other £m	Total £m
Revenue	192.5	313.7	377.0	883.2
Goodwill and other intangible assets	238.4	–	10.3	248.7
Property, plant and equipment	46.5	104.9	63.5	214.9
Pension	38.9	–	–	38.9
Other non-current assets	42.3	3.1	1.2	46.6

3. Exceptional items

Year to 31 May 2014

Exceptional items included within operating profit:	**Exceptional items before taxation £m**	**Taxation £m**	**Exceptional items after taxation £m**
Group structure and systems project	**5.6**	**(1.4)**	**4.2**
Supply chain optimisation phase 1	**2.0**	**(0.4)**	**1.6**
Supply chain optimisation phase 2	**11.0**	**(1.7)**	**9.3**
Polish Home Care brands profit on divestment	**(30.6)**	**3.3**	**(27.3)**
Rafferty's Garden acquisition and integration costs	**3.3**	**(0.4)**	**2.9**
Deferred tax benefit of reduction in UK corporation tax rate principally relating to brands	**–**	**(4.3)**	**(4.3)**
	(8.7)	**(4.9)**	**(13.6)**

Year to 31 May 2013

Exceptional items included within operating profit:	Exceptional items before taxation £m	Taxation £m	Exceptional items after taxation £m
Supply chain optimisation phase 1	8.9	(2.4)	6.5
Boutique spas closure	3.8	(0.9)	2.9
Deferred tax benefit of reduction in UK corporation tax rate principally relating to brands	–	(1.4)	(1.4)
	12.7	(4.7)	8.0

Explanation of exceptional items

Year to May 2014

Group structure and systems project

The Group has incurred exceptional costs of £5.6 million relating to the project to realign the non-manufacturing organisational design to create a more effective Group operating model. These costs mainly consist of restructuring and advisory costs.

Supply chain optimisation phase 1

The Group has incurred exceptional costs of £2.0 million relating to restructuring costs associated with the completion of the supply chain optimisation project that was initiated in the year to 31 May 2012. The programme has been completed on budget early in this financial year, and the realisation of the benefits remains in line with previous expectations.

Supply chain optimisation phase 2

During the supply chain optimisation programme further opportunities to reduce the Group's supply chain cost base were identified and a further exceptional charge of £20 million is forecast to be taken in the current and next financial year in respect of this extended programme. The costs relate to restructuring costs associated with supply chain optimisation and impairment costs associated with the write-down of supply chain assets.

Polish Home Care brands profit on divestment

The Group has sold its Polish Home Care brands for £46.6 million cash consideration. The costs associated with the divestment include restructuring costs and asset impairment as set at in note 30.

Rafferty's Garden acquisition and integration costs

During the year the Group acquired the entire share capital of Rafferty's Garden PTY Limited. The Group incurred acquisition related costs and integration/restructuring costs of £3.3 million, as a result of integrating the business into existing operations.

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

The UK corporation tax rate reduces to 20% from 1 April 2015. As a result of this change, the deferred tax balances relating to UK assets and liabilities were reduced to take account of the substantively enacted rate change. The largest single effect of the rate change was in relation to the deferred tax liabilities recognised when the Sanctuary, St. Tropez and Charles Worthington brands were acquired and this is disclosed as an exceptional item due to its size and the fact that it relates to previous acquisitions.

3. Exceptional items continued

Year to May 2013

Supply chain optimisation phase 1

The Group incurred exceptional costs of £8.9 million relating to continuing restructuring costs associated with the supply chain optimisation project that was initiated in the year to 31 May 2012. This included some initial costs in relation to the Group structure and systems project.

Boutique spas closure

The Group decided to close the boutique spas to concentrate on product sales within the Beauty division. The exceptional costs included a £1.6 million impairment of boutique spa related assets with the remainder consisting of restructuring costs.

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

The UK corporation tax rate reduced to 23% from 24% on 1 April 2013. As a result of this change, the deferred tax balances relating to UK assets and liabilities were reduced to take account of the substantively enacted rate change. The largest single effect of the rate change was in relation to the deferred tax liabilities recognised when the Sanctuary, St. Tropez and Charles Worthington brands were acquired and this is disclosed as an exceptional item due to its size and the fact that it relates to previous acquisitions.

4. Profit for the year – analysis by nature

Profit for the year has been arrived at after charging/(crediting):

	2014 £m	2013 £m
Net foreign exchange losses	**4.5**	0.6
Research and development costs	**2.9**	3.1
Amortisation of government grants	**(0.1)**	(0.3)
Impairment of property, plant and equipment (note 11)	**12.3**	1.6
Depreciation of property, plant and equipment	**19.9**	20.3
Profit on disposal of property, plant and equipment	**(0.1)**	(0.2)
Profit on disposal of Polish Home Care brands	**(30.6)**	–
Raw and packaging materials and goods purchased for resale (note 14)	**431.6**	457.2
Operating lease rentals	**1.6**	1.9
Employee costs (note 5)	**103.9**	110.4
Auditors' remuneration (see below)	**1.1**	1.2

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2014 £m	2013 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts and consolidation	**0.1**	0.1
Fees payable to the Company's auditors and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	**0.5**	0.5
Total audit fees	**0.6**	0.6
Fees payable to the Company's auditors and its associates for other services:		
– Tax services	**0.2**	0.2
– Transaction related services	**0.2**	0.3
– Other services	**0.1**	0.1
Total fees	**1.1**	1.2

5. Directors and employees

Employee costs

The average monthly number of employees (including Executive Directors) was as follows:

	2014 Number	2013 Number
Production	**2,739**	2,895
Selling and distribution	**2,354**	2,538
Administration	**686**	692
	5,779	6,125

The costs incurred in respect of the above were as follows:

	2014 £m	2013 £m
Wages and salaries	**92.3**	99.4
Social security costs	**7.1**	7.3
Other pensions costs	**3.8**	4.3
Share-based payments charge/(credit) (note 28)	**0.7**	(0.6)
	103.9	110.4

Notes to the Consolidated Financial Statements continued

5. Directors and employees continued

The other pensions costs consist of:

	2014 £m	2013 £m
Defined benefit schemes (note 23)	**(0.5)**	–
Defined contribution schemes (note 23)	**3.2**	3.4
Overseas minor defined benefit schemes (note 23)	**1.1**	0.9
	3.8	4.3

Directors' remuneration

The costs incurred in respect of the Directors, who are regarded as the key management personnel, were as follows:

	2014 £m	2013 £m
Short-term employee benefits	**2.7**	2.9
Post-employment benefits	**0.2**	0.3
Share-based payments	**0.3**	(0.3)
	3.2	2.9

For the year ended 31 May 2014 the highest paid Director received total remuneration of £1.1 million and pension contributions of £104,000.

Additional details are within the Report on Directors' Remuneration on pages 40 to 56.

6. Net finance costs

	2014 £m	2013 £m
Investment gains	**0.1**	0.1
Interest receivable	**2.5**	2.6
Interest income	**2.6**	2.7
Interest payable on bank loans and overdrafts	**(4.0)**	(3.6)
Net finance costs	**(1.4)**	(0.9)

7. Taxation

	2014 £m	2013 £m
Current tax		
UK corporation tax charge for the year	**4.8**	5.1
Adjustments in respect of prior years	**–**	(0.7)
	4.8	4.4
Overseas corporation tax charge for the year	**22.0**	21.9
Adjustments in respect of prior years	**–**	(0.2)
	22.0	21.7
Total current tax charge	**26.8**	26.1
Deferred tax		
Origination and reversal of temporary timing differences	**(1.5)**	(2.5)
Adjustments in respect of prior years	**(0.3)**	0.2
Total deferred tax credit	**(1.8)**	(2.3)
Total tax charge	**25.0**	23.8

UK corporation tax is calculated at 22.67% (2013: 23.83%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation on items taken directly to equity was a credit of £1.6 million (2013: £0.2 million credit) and relates to deferred tax on pensions, share option schemes and financial derivatives recognised in the hedging reserve.

7. Taxation continued

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2014 £m	2013 £m
Profit before tax	**123.7**	94.8
Tax at the UK corporation tax rate of 22.67% (2013: 23.83%)	**28.0**	22.6
Tax effect of revenue/expenses that are not taxable/deductible	**(2.1)**	0.1
Effect of different tax rates of subsidiaries in overseas jurisdictions	**1.0**	1.3
Effect of UK rate change on deferred taxation	**(3.9)**	(1.4)
Tax effect of share of results of joint ventures	**(0.2)**	0.4
Overseas withholding tax suffered on dividends	**2.5**	1.5
Adjustments in respect of prior periods	**(0.3)**	(0.7)
Tax charge for the year	**25.0**	23.8

8. Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to Ordinary Shareholders in the year comprise:		
Final dividend for the year ended 31 May 2013 of 5.04p (2012: 4.487p) per Ordinary Share	**21.4**	19.2
Interim dividend for the year ended 31 May 2014 of 2.53p (2013: 2.35p) per Ordinary Share	**10.8**	10.1
	32.2	29.3
Proposed final dividend for the year ended 31 May 2014 of 5.23p (2013: 5.04p) per Ordinary Share	**22.4**	21.6

The proposed final dividends for the years ended 31 May 2013 and 31 May 2014 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 2013 and 31 May 2014 respectively.

9. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit for the period attributable to equity holders by the weighted average number of shares in issue.

	2014 Number 000	2013 Number 000
Basic weighted average	**424,738**	427,735
Diluted weighted average	**426,129**	429,291

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Deferred Annual Share Bonus Scheme, the Executive Share Option Scheme and the Performance Share Plan. The weighted average number of shares can be reconciled to the weighted average number of shares including dilutive shares as follows:

	2014 Number 000	2013 Number 000
Average number of Ordinary Shares in issue during the year	**428,725**	428,725
Less weighted average number of Ordinary Shares held by Employee Share Option Trust	**(3,987)**	(990)
Basic weighted average Ordinary Shares in issue during the year	**424,738**	427,735
Dilutive effect of share incentive plans	**1,391**	1,556
Diluted weighted average Ordinary Shares in issue during the year	**426,129**	429,291

At 31 May 2014, the Employee Share Option trust held 7,208,985 Ordinary Shares (2013: 3,833,866 Ordinary Shares).

Adjusted earnings per share	2014	2013
Basic earnings per share	**21.52p**	14.75p
Exceptional items	**(3.56p)**	1.87p
Adjusted basic earnings per share	**17.96p**	16.62p
Diluted earnings per share	**21.45p**	14.70p
Exceptional items	**(3.54p)**	1.86p
Adjusted diluted earnings per share	**17.91p**	16.56p

Notes to the Consolidated Financial Statements continued

9. Earnings per share continued

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:

	2014 £m	2013 £m
Profit attributable to owners of the Parent	**91.4**	63.1
Exceptional items (net of taxation effect) attributable to owners of the Parent	**(15.1)**	8.0
Adjusted profit after tax	**76.3**	71.1

10. Goodwill and other intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 June 2012	45.8	202.6	248.4
Currency retranslation	–	0.3	0.3
At 31 May 2013	45.8	202.9	248.7
Acquired during the year (note 29)	–	39.2	39.2
Currency retranslation	–	(0.2)	(0.2)
At 31 May 2014	**45.8**	**241.9**	**287.7**

The other intangible asset cost includes the Trix brand of £9.7 million which was fully impaired in the year to 31 May 2012.

Other intangible assets include the Group's acquired brands which are deemed to have indefinite lives.

Goodwill and other intangible assets, which all have indefinite useful lives, are subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The methods used is as follows:

- Intangible assets (including goodwill) are allocated to the appropriate cash-generating units (CGUs) based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific intangible/goodwill.
- The recoverable amounts of the CGUs are determined from value-in-use calculations that use cash flow projections from approved budgets and plans over a period of five years.
- 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 and tax. These assumptions are based on historical trends and future market expectations. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate of 2.5% (2013: 3%). Management has assessed the appropriate discount rate for each individual CGU, using a Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group as the base discount rate, adjusted for risks specific to each CGU. Due to the similar geographic and product diversification of their respective markets and risks associated with each CGU, a pre-tax discount rate of 8.8% was deemed appropriate for all reviewed CGUs.

The net book value of goodwill and other intangible assets by CGUs is as follows:

	Goodwill 2014 £m	Goodwill 2013 £m	**Other intangible assets 2014 £m**	Other intangible assets 2013 £m
Original Source	**–**	–	**9.8**	9.8
Beauty Division brands	**40.4**	40.4	**188.2**	188.2
Rafferty's Garden	**–**	–	**39.2**	–
Other	**5.4**	5.4	**4.7**	4.9
Total	**45.8**	45.8	**241.9**	202.9

A sensitivity analysis has been performed around the base assumptions with the conclusion that no reasonable possible changes in key assumptions would cause the recoverable amount of the goodwill and other intangible assets to be less than the carrying value.

11. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Assets in course of construction £m	Total £m
Cost					
At 1 June 2012	147.2	200.9	50.7	7.5	406.3
Currency retranslation	3.7	5.4	0.7	0.3	10.1
Additions	0.3	1.1	1.0	20.7	23.1
Disposals	(0.3)	(1.3)	(0.7)	–	(2.3)
Reclassifications	1.6	6.1	3.3	(11.0)	–
At 31 May 2013	152.5	212.2	55.0	17.5	437.2
Currency retranslation	(13.6)	(21.7)	(4.2)	(1.8)	(41.3)
Additions	0.3	0.9	1.6	30.2	33.0
Disposals	(3.0)	(2.6)	(1.2)	–	(6.8)
Reclassifications	4.4	14.0	4.9	(23.3)	–
At 31 May 2014	**140.6**	**202.8**	**56.1**	**22.6**	**422.1**
Accumulated depreciation and amounts written off					
At 1 June 2012	28.3	132.1	36.4	–	196.8
Currency retranslation	0.6	3.7	0.8	–	5.1
Charge for the year	2.5	11.1	6.7	–	20.3
Disposals	(0.2)	(0.6)	(0.7)	–	(1.5)
Impairment loss	1.6	–	–	–	1.6
At 31 May 2013	32.8	146.3	43.2	–	222.3
Currency retranslation	(3.4)	(15.2)	(3.3)	–	(21.9)
Charge for the year	2.5	11.2	6.2	–	19.9
Disposals	(2.3)	(2.3)	(1.2)	–	(5.8)
Impairment loss	5.8	5.5	1.0	–	12.3
At 31 May 2014	**35.4**	**145.5**	**45.9**	**–**	**226.8**
Net book values					
At 31 May 2014	**105.2**	**57.3**	**10.2**	**22.6**	**195.3**
At 31 May 2013	119.7	65.9	11.8	17.5	214.9

At 31 May 2014, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £2.7 million (2013: £4.9 million). At 31 May 2014, the Group's share in the capital commitments of the joint ventures was nil (2013: nil).

The impairment loss of £12.3 million in the current financial year is in relation to; £6.4 million of supply chain optimisation phase 2 related asset impairments, £3.2 million impairment related to the Polish Home Care brands disposal and £2.7 million impairment in relation to the Covent Garden spa exit.

12. Long-term loans to joint ventures

Long-term loans to joint ventures include the Group's equity investment in joint ventures which total £nil (2013: £nil). The table below shows the composition of the Group's long term loans to joint ventures.

	2014 £m	2013 £m
Equity investment in joint ventures	**0.1**	0.1
– Share of joint venture net losses	**(0.1)**	(0.1)
Net equity investment in joint ventures	**–**	–

	2014 £m	2013 £m
Long-term loans issued to joint ventures	**51.1**	46.8
– Share of joint venture net losses	**(5.3)**	(4.5)
Net investment in joint ventures	**45.8**	42.3

The Group's investment in joint ventures comprises both equity investments and long-term loans issued to joint ventures. The share of losses from joint ventures have been allocated against the Group's equity investment first and then to the long-term loans issued by the Group, as these in substance form part of the Group's investment in joint ventures, and therefore in accordance with IAS 28 the Group's share of losses in joint ventures has not been restricted to its equity investment.

Notes to the Consolidated Financial Statements continued

12. Long-term loans to joint ventures continued

	£m
Carrying value	
At 1 June 2012	(3.0)
Exchange differences on translation of overseas net liabilities recognised in equity	0.5
Share of result for the year taken to the income statement	(2.1)
At 31 May 2013	(4.6)
Exchange differences on translation of overseas net liabilities recognised in equity	(2.3)
Share of result for the year taken to the income statement	1.5
At 31 May 2014	**(5.4)**

	2014 £m	2013 £m
Aggregated amounts relating to joint ventures		
Non-current assets	**75.7**	78.8
Current assets	**112.5**	112.6
Non-current liabilities	**(133.0)**	(105.1)
Current liabilities	**(65.8)**	(95.6)
Net liabilities	**(10.6)**	(9.3)
Revenues	**269.8**	94.2
Profit/(loss) after taxation	**3.2**	(4.1)

The Group accounts for joint ventures using the equity method. A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in note 32.

13. Other investments

Non-current asset investments of £0.3 million (2013: £0.5 million) comprise a 31% investment in Norpalm Ghana Limited, a palm oil plantation in Ghana (note 32). The Group does not exercise significant influence over the affairs of this Company as it does not have the ability to participate in the financial and operating policies of the entity, and it is therefore not treated as an associated Company. The Directors consider the historical cost of the investment to be representative of its fair value at both 31 May 2014 and 31 May 2013.

14. Inventories

	2014 £m	2013 £m
Raw materials and consumables	**64.2**	62.7
Work in progress	**5.4**	7.5
Finished goods and goods for resale	**92.6**	98.2
	162.2	168.4

During the year ended 31 May 2014 £0.9 million (2013: £2.5 million) 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 amounts to £431.6 million (2013: £457.2 million).

15. Trade and other receivables

Receivables due within one year	2014 £m	2013 £m
Trade receivables	**134.2**	139.5
Less: provision for impairment of trade receivables	**(6.5)**	(8.4)
Net trade receivables	**127.7**	131.1
Amounts owed by joint ventures	**8.8**	12.1
Other receivables	**23.0**	21.6
Prepayments and accrued income	**7.2**	11.5
	166.7	176.3

Receivables due after more than one year	2014 £m	2013 £m
Prepayments and accrued income	**0.3**	0.6
Other receivables	**4.1**	3.2
	4.4	3.8

15. Trade and other receivables continued

Movements in the Group provision for impairment of trade receivables are as follows:

	2014 £m	2013 £m
At 1 June	**(8.4)**	(7.0)
Provision for receivables impairment	**(1.2)**	(2.4)
Receivables written off during the year	**0.8**	0.3
Unused amounts reversed	**1.6**	0.8
Currency translation	**0.7**	(0.1)
At 31 May	**(6.5)**	(8.4)

Provisions are estimated by management based on past default experience and their assessment of the current economic environment. The creation and release of provisions for receivables is charged/(credited) to administrative expenses in the income statement.

Trade receivables consist of a broad cross section of our international customer base for whom there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

The credit period taken on sales ranges from 4 to 127 days (2013: 4 to 100 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:

	2014 £m	2013 £m
Sterling	**35.1**	33.3
US Dollar	**8.3**	11.4
Nigerian Naira	**26.8**	26.0
Euro	**17.9**	17.5
Polish Zloty	**6.8**	11.6
Indonesian Rupiah	**9.9**	11.6
Ghanaian Cedi	**6.2**	7.2
Australian Dollar	**12.2**	8.7
Other minor currencies	**4.5**	3.8
	127.7	131.1

The following table shows the age of trade receivables at the reporting date for which no allowance for impairment of trade receivables has been recognised:

	2014 £m	2013 £m
Not past due	**98.1**	100.5
Past due 0–90 days	**27.1**	29.9
Past due 90–180 days	**1.9**	0.6
Past due >180 days	**0.6**	0.1
	127.7	131.1

16. Current asset investments

	2014 £m	2013 £m
Unlisted	**0.3**	0.3
Short-term deposits with joint ventures	**18.8**	10.1
	19.1	10.4

17. Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	**48.1**	42.3
Short-term deposits	**21.9**	50.7
Cash and cash equivalents	**70.0**	93.0

The effective interest rate on cash and cash equivalents during the year ended 31 May 2014 was 2.2% (2013: 4.7%).

Notes to the Consolidated Financial Statements continued

18. Financial liabilities and assets, derivative financial instruments and financial risk management

a) Financial instrument fair value estimation

The Group holds a number of financial instruments that are either held at fair value or historic cost within the annual report and accounts.

Fair values of financial assets and financial liabilities

Financial instruments utilised by the Group during the years ended 31 May 2014 and 31 May 2013, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

- *Current and non-current investments* – In accordance with IAS 39 'Financial instruments: Recognition and Measurement', unlisted investments are held in the Group'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.
- *Borrowings and cash* – The carrying values of cash and short-term borrowings approximate to their fair values because of the short-term maturity of these instruments.
- *Derivative financial instruments* – Derivative financial instruments are initially measured at fair value at the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated as 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.

In deriving the fair value the derivative instruments are classified as level 1, 2 or 3 depending 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
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)
3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The only financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging and interest rate swaps on a portion of the Group's long term borrowings. These financial instruments are level 2 financial instruments for all periods and there have been no transfers between either level 1 and 2 or level 2 and 3 in any period.

b) Financial liabilities and assets

Set out below is a comparison by category of the carrying values and fair values of all the Group's financial assets and financial liabilities as at 31 May 2014 and 31 May 2013. None of the financial assets and liabilities has been reclassified during the year.

	2014 Carrying amount and fair value £m	2013 Carrying amount and fair value £m
Loans and receivables		
Cash and short-term deposits	**70.0**	93.0
Trade and other receivables	**159.5**	164.8
Short-term deposit with joint ventures	**18.8**	10.1
Financial liabilities		
Trade and other payables	**(204.8)**	(223.4)
Bank loans	**(118.5)**	(100.0)
Financial derivative liabilities	**(1.6)**	(0.6)
Amounts owed to joint ventures	**(7.3)**	–

18. Financial liabilities and assets, financial instruments and financial risk management continued

i) Financial liabilities

	2014 £m	2013 £m
Bank loans due within one year	**15.0**	15.0
Bank loans due between two and five years	**103.5**	85.0
	118.5	100.0

The Group's central loan facilities consist of an amortising £26 million term loan and a £134 million revolving credit facility with a syndicate of leading international banks. These facilities are committed until 2016. As at 31 May 2014 £118.5 million was drawn.

The Group's central loan facilities are all denominated in sterling. At 31 May 2014, the available Group-wide un-drawn facilities (including overdrafts) totalled £95.8 million (2013: £109.9 million). Borrowings are at a mix of floating and fixed rates and the applicable weighted average interest rates are as follows:

	2014 £m	2014 Interest rate (%)	2013 £m	2013 Interest rate (%)
Borrowing	**118.5**	**2.0**	100.0	2.0

ii) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities offset in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
Cash and cash equivalents	103.7	(33.7)	70.0

c) Derivative financial instruments

Derivative financial instruments comprise all trading and hedging derivatives which include the Group's forward foreign exchange contracts and interest rate swaps. These are fair valued as level 2 derivative financial instruments. The forward foreign exchange contracts have been fair valued using exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. The Group holds a cancellable interest rate swap over the amortising term loan and the fair value is immaterial at year-end.

The gross valuation of the forward foreign exchange contracts at year-end is:

	2014		2013	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward foreign exchange contracts – cash flow hedges	**0.3**	**(1.9)**	–	(0.6)
Net amounts of financial liabilities presented in the balance sheet	**–**	**(1.6)**	–	(0.6)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The net notional principal amounts of the outstanding forward foreign exchange contracts at 31 May 2014 were £49.9 million (2013: £26.7 million).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 May 2014 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset.

Notes to the Consolidated Financial Statements continued

18. Financial liabilities and assets, financial instruments and financial risk management continued

d) Financial risk management

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 Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Group Risk Committee, under authority delegated by the Board, formulates the high level Group risk management policy, monitors risk and receives reports that allow it to review the effectiveness of the Group's risk management policies.

i) Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group has dedicated standards, policies and procedures to control and monitor all such 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 Group does not believe it is exposed to any material concentrations of credit risk. As an example the Group's borrowings are arranged with a syndicate of major banks and are committed until 2016.

An analysis of the international long-term credit ratings of counterparties where cash and cash equivalents are held is as follows:

	2014 £m	2013 £m
AA	**16.0**	14.1
A	**22.5**	23.9
B	**26.5**	55.0
C	**5.0**	–
Total	**70.0**	93.0

The short-term deposit with joint ventures (which does not form part of cash and cash equivalents) of £18.8 million (2013: £10.1 million) is a repayable on-demand balance, split between Nutricima Limited £5.2 million (2013: £4.8 million) and PZ Wilmar Limited £13.6 million (2013: £5.3 million), both joint venture companies. The balance earns interest at a rate of 13% (2013: 13%).

ii) Liquidity management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

iii) Market risk management

Market risk is the risk that movements in market rates, including foreign exchange rates, cashflow, interest rates and commodity prices will reduce the Group's income. The management of market risk is undertaken by the operating unit Finance Directors under delegated authority using risk limits approved by the Board.

iv) Foreign exchange risk management

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. Subsidiary undertakings must ensure that all transactional exposures arising from commitments in a currency other than their functional currency are identified and monitored. The Group uses foreign currency forward contracts where possible to manage these exposures.

18. Financial liabilities and assets, financial instruments and financial risk management continued
The below sensitivity analysis was conducted by modelling a 10% weakening (based on average annual fluctuations) of Sterling against the following currencies at 31 May which would have increased equity and increased/(decreased) profit/(loss) by the following amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2014		2013	
	Equity £m	**Income statement £m**	Equity £m	Income statement £m
Nigerian Naira	**28.0**	**2.3**	20.6	2.1
Euro	**4.4**	**–**	4.7	0.1
Indonesian Rupiah	**2.6**	**0.4**	3.5	0.7
Australian Dollar	**1.4**	**0.5**	1.4	0.4
Polish Zloty	**2.8**	**(0.3)**	2.4	0.2

A 10% strengthening of Sterling against the above currencies would have had the equal and opposite effect on equity and profit/(loss) by the amounts shown above, on the basis that all other variables remain constant.

v) Price risk management
Due to the nature of the business, the Group is exposed to commodity price risk. The Group does take measures to protect against short-term impacts of these fluctuations, however, failure to recover higher costs could have a negative impact on profits.

vi) Cash flow and interest rate risk
The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group has reduced its exposure to this by entering into interest rate swaps.

vii) Contractual undiscounted cashflows
The Group's only contracted financial liabilities are the amortising term loan of £26 million as at 31 May 2014. The contracted undiscounted cashflows of the amortising term loan total £26.75 m as at 31 May 2014 (2013: £47.25 million).

viii) Capital risk management
The Group considers capital to be net (debt)/funds plus total equity. Net (debt)/funds is defined as cash, short-term deposits and current asset investments less borrowings. Total equity includes share capital, reserves and retained earnings as shown in the consolidated balance sheet.

The Group had net (debt)/funds positions as at 31 May 2014 and 31 May 2013 respectively, as shown below:

	2014 £m	2013 £m
Cash at bank and in hand (see note 17)	**48.1**	42.3
Short-term deposits (see note 17)	**21.9**	50.7
Cash and cash equivalents	**70.0**	93.0
Current asset investments	**19.1**	10.4
Loans due within one year	**(15.0)**	(15.0)
Loans and overdrafts greater than one year	**(103.5)**	(85.0)
Net (debt)/funds	**(29.4)**	3.4

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's capital is not restricted.

Notes to the Consolidated Financial Statements continued

19. Trade and other payables

	2014 £m	2013 £m
Trade payables	**111.0**	122.1
Amounts owed to joint ventures	**7.3**	–
Other taxation and social security	**8.7**	8.3
Other payables	**6.8**	8.5
Financial derivative liabilities (note 18)	**1.6**	0.6
Accruals and deferred income	**87.0**	92.8
	222.4	232.3

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days (2013: 61 days). The Directors consider the carrying amount of trade and other payables approximates their fair value.

20. Other non-current liabilities

	2014 £m	2013 £m
Other payables	**0.7**	0.5
	0.7	0.5

21. Deferred tax

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Tax losses and other timing differences £m	Business combinations £m	Share-based payments £m	Total £m
At 1 June 2012	(15.0)	0.3	(13.3)	10.8	(34.6)	1.2	(50.6)
Credit/(charge) to income	2.2	(1.9)	(0.2)	1.1	1.4	(0.3)	2.3
Credit/(charge) to equity	–	(0.1)	–	(0.1)	–	0.4	0.2
Currency translation	–	–	1.4	0.1	–	–	1.5
At 31 May 2013	(12.8)	(1.7)	(12.1)	11.9	(33.2)	1.3	(46.6)
Credit/(charge) to income	(0.1)	(1.9)	0.1	0.1	4.4	(0.8)	1.8
Credit/(charge) to equity	–	1.3	–	0.1	–	0.2	1.6
Currency translation	1.0	(0.2)	1.8	(1.2)	–	–	1.4
At 31 May 2014	**(11.9)**	**(2.5)**	**(10.2)**	**10.9**	**(28.8)**	**0.7**	**(41.8)**

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:

	2014 £m	2013 £m
Deferred tax assets	**11.6**	13.2
Deferred tax liabilities	**(53.4)**	(59.8)
	(41.8)	(46.6)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At the balance sheet date, the Group recognised £4.9 million in respect of unused tax losses (2013: £6.1 million) available against future profits. None of the recognised losses are expected to expire. Temporary differences arising in connection with interests in associates and joint ventures are not significant.

22. Provisions

	Restructuring and warranty provisions £m
At 1 June 2012	16.9
Charged to the income statement	4.6
Currency retranslation	0.1
Used during year	(8.4)
At 31 May 2013	13.2
Charged to the income statement	4.4
Currency retranslation	(1.1)
Used during year	(3.4)
At 31 May 2014	**13.1**

Provisions as at 31 May 2014 relate to restructuring costs in connection with the supply chain optimisation project (£12.0 million) and warranty costs in relation to the Africa Electricals division (2014: £1.1 million, 2013: £1.2 million). 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, and consist of the following plans:

- 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
- 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 £158,465 (2013: £154,296).

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.

Summary of Group defined benefit scheme associated obligations

	2014			2013		
	Surplus £m	**Deficit £m**	**Total £m**	Surplus £m	Deficit £m	Total £m
Expatriate plan	**37.2**	**–**	**37.2**	38.9	–	38.9
Directors plan	**1.1**	**–**	**1.1**	–	(1.8)	(1.8)
Main staff plan	**–**	**(11.6)**	**(11.6)**	–	(15.7)	(15.7)
Unfunded plan	**–**	**(4.6)**	**(4.6)**	–	(4.8)	(4.8)
Other overseas units	**–**	**(7.0)**	**(7.0)**	–	(9.0)	(9.0)
	38.3	**(23.2)**	**15.1**	38.9	(31.3)	7.6

Notes to the Consolidated Financial Statements continued

23. Retirement benefits continued

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 2012	(6.9)	8.9	2.0
Currency retranslation	0.2	–	0.2
Interest expense	(0.9)	–	(0.9)
Contributions paid	–	6.4	6.4
Utilised in the year	(0.5)	–	(0.5)
Remeasurement (losses)/gains	(0.9)	1.3	0.4
At 31 May 2013	(9.0)	16.6	7.6
Currency retranslation	1.7	–	1.7
Interest (expense)/income	(1.1)	0.5	(0.6)
Contributions paid	–	7.7	7.7
Utilised in the year	0.2	–	0.2
Remeasurement (losses)/gains	1.2	(2.7)	(1.5)
At 31 May 2014	(7.0)	22.1	15.1

Overseas retirement benefits and similar obligations measurement and assumptions used

The most significant overseas scheme as at 31 May 2014 is the Indonesian post-retirement benefit scheme. The obligations have been measured in accordance with IAS 19 (revised) and a discount rate of 8.3% (2013: 6.25%) and salary inflation rate of 8.0% (2013: 8.0%) have been used. The scheme is unfunded and provision for future obligations included in the above table is £5.3 million (2013: £7.3 million).

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 2013 using the projected unit method of valuation.

For the purposes of IAS 19 (revised) the actuarial valuation as at 1 June 2013, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 May 2014. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous period's disclosures.

The key financial assumptions used by the actuary were as follows:

	2014	2013
Rate of increase in retirement benefits in payment	**3.15%**	3.25%
Discount rate	**4.35%**	4.35%
Inflation assumption	**3.25%**	3.35%

The mortality assumptions used were as follows:

	2014 Years	2013 Years
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations		
– Member age 65 (current life expectancy)	**22.5**	23.5
– Member age 40 (life expectancy at age 65)	**25.1**	25.8

The assets in the schemes and the expected rates of return were:

		2014 £m		2013 £m		2012 £m
Equities	**7.20%**	**108.2**	7.05%	112.1	6.60%	120.0
Bonds	**3.35%**	**186.2**	3.20%	125.7	2.85%	99.8
Property	**4.50%**	**4.5**	4.40%	50.0	4.90%	43.7
Cash and other	**0.50%**	**6.3**	0.50%	15.1	0.50%	9.8
Total fair value of scheme assets		**305.2**		302.9		273.3
Present value of scheme liabilities		**(283.1)**		(286.3)		(264.4)
Surplus in the schemes		**22.1**		16.6		8.9
Related deferred tax liability		**(4.4)**		(3.8)		(2.1)
Net retirement benefit surplus		**17.7**		12.8		6.8

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:

	2014 £m	2013 £m
Interest income on net defined benefit obligation	**0.9**	0.6
Administration expenses paid by the scheme	**(0.4)**	(0.6)
Net retirement benefit income before taxation	**0.5**	–

All 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:

	2014 £m	2013 £m
Surplus at beginning of year	**16.6**	8.9
Interest cost on net defined benefit obligation	**0.9**	0.6
Administration expenses paid by the scheme	**(0.4)**	(0.6)
Contributions paid	**7.7**	6.4
Remeasurement gain/(loss) due to scheme experience	**1.1**	–
Remeasurement (loss)/gain due to changes in demographic assumptions	**(4.6)**	9.7
Remeasurement gain/(loss) due to changes in financial assumptions	**8.4**	(30.4)
Return of plan assets (excluding interest income)	**(7.6)**	22.0
Net surplus at end of year	**22.1**	16.6
Analysed between:		
Retirement benefit surplus	**38.3**	38.9
Retirement benefit obligation	**(16.2)**	(22.3)

Actuarial gains and losses are recognised directly in the statement of comprehensive income. At 31 May 2014, cumulative pre-tax actuarial losses of £39.0 million (2013: £36.3 million) were recorded directly in the statement of comprehensive income.

Movements in the fair value of plan assets were as follows:

	Assets 2014 £m	Assets 2013 £m
1 June	**302.9**	273.3
Interest income	**13.1**	12.5
Return of plan assets (excluding interest income)	**(7.6)**	22.0
Employer contribution	**7.7**	6.4
Administrative expenses	**(0.4)**	(0.6)
Benefits paid	**(10.5)**	(10.7)
31 May	**305.2**	302.9

Movements in the present value of the defined benefit obligations were as follows:

	Obligations 2014 £m	Obligations 2013 £m
1 June	**(286.3)**	(264.4)
Interest expense	**(12.2)**	(11.9)
Remeasurement gain/(loss) due to Scheme experience	**1.1**	–
Remeasurement (loss)/gain due to changes in demographic assumptions	**(4.6)**	9.7
Remeasurement gain/(loss) due to changes in financial assumptions	**8.4**	(30.4)
Benefits paid	**10.5**	10.7
31 May	**(283.1)**	(286.3)
Plans that are wholly or partly funded	**(278.5)**	(282.2)
Plans that are wholly unfunded	**(4.6)**	(4.1)
	(283.1)	(286.3)

Notes to the Consolidated Financial Statements continued

23. Retirement benefits continued

The sensitivities on the key actuarial assumptions as at the end of the period were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	Increase of 4.6%
Rate of inflation	Increase of 0.25%	Increase of 4.4%
Rate of mortality	Increase in life expectancy of 1 year	Increase of 2.7%

The sensitivities shown above are approximate. Each sensitivity considers each change in isolation and are calculated using the same methodology as used for the calculation of the defined benefit obligation at the end of the period. 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 2015 the Group expects to make cash contributions of £7.7 million (2014: £6.5 million) to funded defined benefit plans. A further £1.6 million (2014: £3.4 million) is expected to be contributed to defined contribution plans.

The amount recognised as an expense in the consolidated income statement in relation to defined contribution schemes is £3.2 million (2013: £3.4 million).

24. Share capital

	2014		2013	
	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 retained earnings is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Deferred Annual Share Bonus Scheme, the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. The cost of buying shares is charged to retained earnings. At 31 May 2014, the trust held 7,208,985 (2013: 3,833,866) Ordinary Shares with a book value of £29.4 million (2013: £15.2 million). The market value of these shares as at 31 May 2014 was £25.4 million (2013: £14.5 million). During the year the ESOT purchased 3,851,549 shares of the Company at a cost of £16.1 million (2013: 3,921,889 at a cost of £15.0 million) representing 0.9% of issued share capital. 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 operations

	2014 £m	2013 £m
Profit before tax	**123.7**	94.8
Adjustment for net finance costs	**1.4**	0.9
Operating profit	**125.1**	95.7
Depreciation	**19.9**	20.3
Impairment loss of tangible fixed assets	**9.1**	1.6
Profit on sale of Polish Home Care brands	**(30.6)**	–
Profit on sale of tangible fixed assets	**(0.1)**	(0.2)
Pension scheme contributions paid	**(7.7)**	(6.4)
Net pension charge for the year	**0.6**	0.9
Share of results from joint ventures	**(1.5)**	2.1
Share-based payments charge/(credit)	**0.7**	(0.6)
Operating cash flows before movements in working capital	**115.5**	113.4
Movements in working capital:		
Inventories	**(14.1)**	8.6
Trade and other receivables	**(5.9)**	(35.0)
Trade and other payables	**0.2**	37.3
Provisions	**1.2**	(5.1)
Cash generated from operations	**96.9**	119.2

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 office properties, which fall due as follows:

	2014 £m	2013 £m
Within one year	**2.7**	3.5
In the second to fifth years inclusive	**8.6**	10.4
Over five years	**1.3**	5.4

The Group leases a number of premises. These are subject to rent reviews on dates ranging from 2014 to 2023.

28. Share-based payments

Share-based payments are made to senior executives and other selected key individuals throughout the organisation. These are the Performance Share Plan; Deferred Annual Share Bonus Scheme; and the Executive Share Option Scheme. The total charge in the year relating to the three schemes was £0.7 million (2013: credit £0.6 million).

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 the retail price index over a single three year period. The fair value of the award is taken as the share price at the date of grant. On 1 August 2013, the Group made 883,089 awards under the PSP scheme and a further 29,284 awards on 22 January 2014 (2013: total awards of 1,204,459). The number of shares exercised in the year was 33,065 (2013: nil) at a market value of £131,331 (2013: nil) based on the market price at the date of exercise. In addition the number of lapsed share options totalled 2,062,149 (2013: 1,087,490). The number of awards outstanding but not yet exercisable is 1,981,359 at 31 May 2014 (2013: 3,164,200). The total charge included in operating profit in relation to these awards was £0.7 million (2013: credit £0.6 million). The charge relates to the movement in the cumulative charge for the awards in issue based on expected vesting. The weighted average exercise price is nil (2013: nil).

Executive Share Option Scheme

The Group operates a share option scheme for senior executives. 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 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. All options have vested and therefore no income statement charge has been incurred (2013: nil). No options have been granted during the current or previous year under the Executive Share Option Scheme.

The movement in total outstanding options in respect of the Executive Share Option Scheme is provided below:

	Number of share options	Weighted average exercise price £
Outstanding at 1 June 2012	1,474,786	1.5
Lapsed	(17,110)	1.1
Exercised	(125,950)	1.4
Outstanding at 31 May 2013	1,331,726	1.5
Exercisable at 31 May 2013	1,331,726	1.5
Lapsed	–	–
Exercised	(857,229)	1.4
Outstanding at 31 May 2014	**474,497**	**1.6**
Exercisable at 31 May 2014	**474,497**	**1.6**

	Price/share £	Weighted average exercise price £
Range of prices:		
31 May 2014	**0.7–1.7**	**1.6**
31 May 2013	0.7–1.7	1.5

Notes to the Consolidated Financial Statements continued

28. Share-based payments continued

	Number of share options	Weighted average contract term (years)
Weighted average contractual remaining life:		
31 May 2014	**474,497**	**2.0**
31 May 2013	1,331,726	3.0

There were no options outstanding at 31 May 2014 or 31 May 2013 that are outside of the scope of IFRS 2 'Share-based payments'.

29. Acquisitions

i) Acquisition of 0.13% of share capital of PZ Cussons Nigeria Plc

Throughout the year to 31 May 2014, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 70.42% to 70.55%. The consideration for these additional shares was £0.8 million, resulting in the acquisition of a non-controlling interest of £0.2 million and an amount debited to retained earnings through the consolidated statement of changes in equity of £0.6 million.

ii) Acquisition of the entire share capital of Rafferty's Garden PTY Limited

On 4 July 2013, the Group acquired the entire share capital of Rafferty's Garden PTY Limited, a company registered in Australia, whose principal activity is the supply and sale of baby food. Details of the acquisition are as follows:

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

	£m
Total purchase consideration	42.2

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

	Book value £m	Fair value adjustment £m	Provisional fair value £m
Inventories	2.2	(0.6)	1.6
Receivables	4.3	–	4.3
Cash and cash equivalents	1.3	–	1.3
Payables	(4.2)	–	(4.2)
Rafferty's Garden brand	–	39.2	39.2
Net identifiable assets acquired	**3.6**	**38.6**	**42.2**
Consideration paid			**42.2**

The fair value adjustments relate to the recognition of the Rafferty's Garden brand and the provision for impairment of inventories. The deferred tax liability in relation to the recognition of the Rafferty's brand (£10.1 million) has been reversed in the second half of the year in respect of an associated tax base that has been determined post acquisition.

b) Acquisition related costs

Acquisition and integration related costs of £3.3 million are included in the income statement and are treated as exceptional.

c) Revenue and profit contribution

The acquired business contributed revenues of £19.6 million and operating profit before exceptional items of £2.2 million to the Group for the period from 4 July 2013 to 31 May 2014. If the acquisition had occurred on 1 June 2013, Group consolidated revenue and consolidated operating profit before exceptional items for the year ended 3 May 2014 would have been £863.6 million and £116.6 million respectively.

30. Disposal

Disposal of Polish Home Care brands

On 14 February 2014 the Group announced the completion of the sale of its Polish Home Care brands to Henkel for consideration of £46.6 million in cash. The profit, net of recognised deal costs, deferred income in respect of delivery of associated supply contract, restructuring costs and asset impairment was £30.6 million. There are anticipated to be further restructuring costs recognised in the year to 31 May 2015.

The results of the Polish Home Care brands business for the 12 months ended 31 May 2014 are included within continuing operations as the brands do not represent a separate major line of business.

The consideration and the profit on disposal were as follows:

	£m
Consideration	46.6
Deferred income in relation to supply contract	(6.7)
Net consideration in relation to Home Care brands sale	39.9
Impairment of assets	(3.2)
Deal costs	(2.9)
Restructuring	(3.2)
	30.6

31. Related party transactions

Milk Ventures (UK) Limited and Nutricima Limited

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

At 31 May 2014 the outstanding balance receivable from Milk Ventures (UK) Limited was £23.7 million (2013: £23.7 million). The Group received interest from Milk Ventures (UK) Limited of £0.1 million (2013: £0.1 million).

The Group sourced and then sold fixed assets, power and raw materials to Nutricima Limited to the value of £48.2 million (2013: £36.2 million). In addition the Group received distribution fee income of £4.8 million (2013: £4.2 million) from Nutricima Limited. At 31 May 2014 the amount outstanding from Nutricima Limited was £5.6 million (2013: £7.1 million). The amount outstanding from the Group at 31 May 2014 was £1.2 million (2013: nil).

The Group has advanced a short-term deposit to Nutricima Limited. This is repayable on demand and interest is charged at market rates. As at 31 May 2014 the outstanding balance was £5.2 million (2013: £4.8 million).

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

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 2014 the outstanding balance receivable from PZ Wilmar Limited was £21.1 million (2013: £16.8 million) and from PZ Wilmar Food Limited was £6.4 million (2013: £6.4 million).

The Group sourced and then sold certain raw materials to PZ Wilmar Limited to the value of £4.3 million (2013: £0.9 million). At 31 May 2014 the amount outstanding from PZ Wilmar Limited was £1.9 million (2013: £3.7 million) and from PZ Wilmar Food Limited was £0.1 million (2013: £0.3 million) The amount outstanding from the Group to PZ Wilmar Limited was nil (2013: nil) and from PZ Wilmar Food Limited at 31 May 2014 was £6.1 million (2013: nil).

The Group has advanced a short-term deposit to Wilmar Limited. This is repayable on demand and interest is charged at market rates. As at 31 May 2014 the outstanding balance was £13.6 million (2013: £5.3 million).

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

Notes to the Consolidated Financial Statements continued

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 2014 the amount outstanding from Wilmar PZ International Pte Limited was £1.2 million (2013: £0.9 million). The amount outstanding from the Group at 31 May 2014 was nil (2013: nil).

32. Subsidiaries, joint ventures and non-current asset investments

Details of the Company's principal subsidiaries at 31 May 2014 are as follows:

Company	Operation	Incorporated in:	Parent Company's interest	Proportion of voting interest
PZ Cussons Australia Pty Limited	Manufacturing	Australia	†100%	†100%
Rafferty's Garden Pty Limited	Distribution	Australia	†100%	†100%
PZ Cussons Middle East and South Asia FZE	Distribution	Dubai	†100%	†100%
Seven Scent Limited	Manufacturing	England	†100%	†100%
PZ Cussons (Holdings) Limited	Holding company	England	*100%	*100%
PZ Cussons (International) Limited	Provision of services to Group companies	England	*100%	*100%
PZ Cussons (UK) Limited	Manufacturing	England	†100%	†100%
PZ Cussons Ghana Limited	Manufacturing	Ghana	†90%	†90%
Minerva SA	Manufacturing	Greece	*100%	*100%
PT PZ Cussons Indonesia	Manufacturing	Indonesia	†100%	†100%
PZ Cussons East Africa Limited	Manufacturing	Kenya	†100%	†100%
HPZ Limited[1]	Manufacturing	Nigeria	†51%	†51%
PZ Cussons Nigeria Plc	Manufacturing	Nigeria	†71%	†71%
Harefield Industrial Nigeria Limited	Distribution	Nigeria	†100%	†100%
PZ Power Company Limited	Power generation	Nigeria	†71%	†71%
PZ Tower Limited	Manufacturing	Nigeria	†71%	†71%
PZ Cussons Polska SA	Manufacturing	Poland	†99%	†99%
PZ Cussons (Thailand) Limited	Manufacturing	Thailand	†100%	†100%

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
Milk Ventures (UK) Limited	Holding company	England	†50%
Nutricima Limited	Manufacturing	Nigeria	†50%
PZ Wilmar Food Limited	Manufacturing	Nigeria	†51%
PZ Wilmar Limited	Manufacturing	Nigeria	†49%
Wilmar PZ International Pte Limited	Manufacturing	Singapore	†50%

Other investments	Operation	Incorporated in:	Parent Company's interest
Norpalm Ghana Limited	Manufacturing	Ghana	†31%

* Shares held by the Parent Company.
† Shares held by a subsidiary.

PZ Cussons (Holdings) Limited has a 100% interest in PZ Cussons Beauty LLP as the Corporate member. PZ Cussons Beauty LLP brings together the Charles Worthington, Sanctuary, St. Tropez and Fudge businesses and as such its principal operations are the marketing and distribution of beauty products. PZ Cussons Beauty LLP has a 100% interest in St. Tropez Inc., a US beauty product distribution company.

All subsidiary entities have a year end of 31 May. No Subsidiaries of the Group have taken the exemption from audit under Section 479A of CA 2006.

Five Year Financial Record

Year to 31 May	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Operating profit before exceptional items	**116.4**	108.4	93.4	108.1	101.4
Net finance (costs)/income	**(1.4)**	(0.9)	(1.1)	0.8	0.4
Profit before taxation and exceptional items	**115.0**	107.5	92.3	108.9	101.8
Exceptional items	**8.7**	(12.7)	(43.8)	(0.8)	–
Profit before taxation	**123.7**	94.8	48.5	108.1	101.8
Taxation	**(25.0)**	(23.8)	(10.5)	(28.2)	(29.1)
Profit for the year	**98.7**	71.0	38.0	79.9	72.7
Attributable to:					
Equity holders of the Parent	**91.4**	63.1	34.4	70.4	63.7
Non-controlling interests	**7.3**	7.9	3.6	9.5	9.0
Net assets attributable to equity owners of the Parent	**484.0**	480.7	458.3	474.0	454.8
Nets (debt)/funds	**(29.4)**	3.4	(17.9)	51.8	86.5
Per Ordinary Share:					
Basic earnings	**21.52p**	14.75p	8.03p	16.48p	14.89p
Adjusted basic earnings	**17.96p**	16.62p	14.74p	16.20p	14.89p
Dividend (interim and final declared post year-end)	**7.76p**	7.39p	6.717p	6.61p	5.90p
Times cover – after exceptional items	**2.8**	2.0	1.2	2.5	2.5
Times cover – before exceptional items	**2.3**	2.2	2.2	2.5	2.5
Net assets	**112.90p**	112.13p	106.90p	110.56p	106.08p

Independent Auditors’ Report to the Members of PZ Cussons Plc

Report on the Company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company’s affairs as at 31 May 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What we have audited

The Company financial statements (the ‘financial statements’), which are prepared by PZ Cussons Plc, comprise:

- the company balance sheet as at 31 May 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts (the ‘Annual Report’), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other matter
We have reported separately on the Group financial statements of PZ Cussons Plc for the year ended 31 May 2014.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

29 July 2014

Company Balance Sheet
At 31 May 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Investment	4	**123.2**	123.2
		123.2	123.2
Current assets			
Debtors	5	**247.7**	201.7
Investments	6	**0.3**	0.3
		248.0	202.0
Creditors – amounts falling due within one year	7	**(207.6)**	(231.3)
Net current assets/(liabilities)		**40.4**	(29.3)
Total assets less current liabilities		**163.6**	93.9
Creditors – amounts falling due after more than one year	7	**(109.7)**	(36.2)
Net assets		**53.9**	57.7
Capital and reserves			
Called up share capital	8	**4.3**	4.3
Capital redemption reserve	9	**0.7**	0.7
Profit and loss account	9	**48.9**	52.7
Total shareholders' funds		**53.9**	57.7

The financial statements from pages 104 to 108 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

R Harvey **G A Kanellis**

29 July 2014

PZ Cussons Plc Registered number 00019457

Notes to the Company Financial Statements

1. Accounting policies
The principal accounting policies applied under UK GAAP are detailed below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation
The accounts have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (UK GAAP), under the historical cost convention. As permitted by section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of PZ Cussons Plc. The profit for the financial year dealt with in the accounts of the Parent Company is £43.8 million (2013: £72.9 million).

No cash flow statement has been included as the cash flows of the Company are included in the consolidated financial statements of PZ Cussons Plc which are publicly available. The consolidated financial statements of PZ Cussons Plc have been prepared in accordance with International Financial Reporting Standards.

The Directors have used the going concern principle on the basis the Company is profitable and has positive net assets.

Amounts paid to the Company's auditors in respect of the statutory audit were £6,000 (2013: £6,000).

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.

Taxation and deferred taxation
Current tax including UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets, nor on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Borrowing costs
Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise. The Company has not entered into any transactions involving derivative instruments.

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.

Current asset 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 cost, including transaction costs.

Own shares held by ESOT
Transactions of the Company-sponsored 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.

Dividend distribution
Dividend distribution to the Company's shareholders is 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.

Notes to the Company Financial Statements continued

1. Accounting policies continued

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 are adjusted to reflect this capital contribution.

Share-based payments

The Company operates a Deferred Annual Share Bonus Scheme, a Performance Share Plan and an Executive Share Option Scheme for senior executives, all 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 awards under the Deferred Annual Share Bonus Scheme are measured at fair value at the date of grant and are expensed over the period to which the performance relates.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the change will be treated as a cash-settled transaction.

2. Directors' emoluments

	2014 £m	2013 £m
Aggregate amount of Directors' emoluments	**3.2**	2.9
Emoluments of the highest paid Director	**1.1**	0.9

For the year ended 31 May 2014 the highest paid Director received Company pension contributions of £104,000 (2013: £99,000).

3. Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to Ordinary Shareholders in the year comprise:		
Final dividend for the year ended 31 May 2013 of 5.04p (2012: 4.487p) per Ordinary Share	**21.4**	19.2
Interim dividend for the year ended 31 May 2014 of 2.53p (2013: 2.35p) per Ordinary Share	**10.8**	10.1
	32.2	29.3
Proposed final dividend for the year ended 31 May 2014 of 5.23p (2013: 5.04p) per Ordinary Share	**22.4**	21.6

The proposed final dividends for the years ended 31 May 2013 and 31 May 2014 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 2013 and 31 May 2014 respectively.

At 31 May 2014, the Employee Share Option Trust held 7,208,985 Ordinary Shares (2013: 3,833,866 Ordinary Shares). The trust waived any entitlement to the dividends on these shares.

4. Investments in subsidiaries

	Shares £m	Loans £m	Total £m
Cost at 1 June 2013 and 31 May 2014	124.8	3.0	127.8
Provisions at 1 June 2013 and 31 May 2014	(4.6)	–	(4.6)
Net book value at 31 May 2014	**120.2**	**3.0**	**123.2**
Net book value at 1 June 2013	120.2	3.0	123.2

4. Investments in subsidiaries continued

Details of the Company's direct subsidiaries at 31 May 2014 are as follows:

Subsidiary companies	Operation	Incorporated in:	Parent Company's interest	Proportion of voting interest
Charles Worthington Hair & Beauty Limited	Holding company	England	100%	100%
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

	2014 £m	2013 £m
Amounts owed by Group companies	**246.5**	200.3
Deferred taxation	**1.2**	1.4
	247.7	201.7

£12.2 million (2013: £12.2 million) of amounts owed by Group companies are interest bearing and are based on market rates of interest. £234.3 million (2013: £188.1 million) 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

	2014 £m	2013 £m
Unlisted	**0.3**	0.3

7. Creditors

	2014 £m	2013 £m
Due within one year		
Bank loans and overdrafts	**39.5**	111.9
Amounts owed to Group companies	**162.0**	113.2
United Kingdom corporation taxation payable	**5.6**	5.6
Accruals and deferred income	**0.5**	0.6
	207.6	231.3

	2014 £m	2013 £m
Due after more than one year		
Bank loans and overdrafts	**103.5**	30.0
Amounts owed to Group companies	**6.2**	6.2
	109.7	36.2

Amounts owed to Group companies are unsecured, non-interest bearing 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.

Financial instruments utilised by the Company during the years ended 31 May 2014 and 31 May 2013, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Current asset investments

In accordance with FRS 25 'Financial instruments: recognition and measurement', 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.

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.

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.

Notes to the Company Financial Statements continued

8. Called up share capital

	2014		2013	
	Number 000	Amount £m	Number 000	Amount £m
Allotted, called up 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

9. Reserves and movements in shareholders' funds

	Called up share capital £m	Capital Redemption Reserve £m	Profit and loss account £m	Total £m
At 1 June 2012	4.3	0.7	24.9	29.9
Profit for the financial year	–	–	72.9	72.9
Acquisition of shares for ESOT	–	–	(15.0)	(15.0)
Share-based payments	–	–	(0.8)	(0.8)
Dividends paid	–	–	(29.3)	(29.3)
At 31 May 2013	4.3	0.7	52.7	57.7
At 1 June 2013	4.3	0.7	52.7	57.7
Profit for the financial year	–	–	43.8	43.8
Acquisition of shares for ESOT	–	–	(16.1)	(16.1)
Share-based payments	–	–	0.7	0.7
Dividends paid	–	–	(32.2)	(32.2)
At 31 May 2014	**4.3**	**0.7**	**48.9**	**53.9**

10. Employee Share Option Trust

Included within retained earnings is the Employee Share Option Trust (ESOT). The ESOT purchases shares to fund the Deferred Annual Share Bonus Scheme, the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. The cost of buying own shares is charged to retained earnings. At 31 May 2014, the trust held 7,208,985 (2013: 3,833,866) Ordinary Shares with a book value of £29.4 million (2013: £15.2 million). The market value of these shares as at 31 May 2014 was £25.4 million (2013: £14.5 million). During the year the ESOT purchased 3,851,549 shares of the Company at a cost of £16.1 million (2013: 3,921,889 at a cost of £15.0 million) representing 0.9% of issued share capital. The trust has waived any entitlement to dividends in respect of all the shares it holds.

11. Share-based payments

The Company makes share-based payments to senior executives under a Performance Share Plan and until 31 May 2010 a Deferred Annual Share Bonus Scheme. The total charge in the year relating to the two schemes was £0.7 million (2013: credit £0.3 million).

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 Company's performance is measured by reference to the growth of adjusted earnings per share over the retail price index over a single three-year period. The fair value of the award is taken as the share price at the date of grant.

On 1 August 2013, the Company made 883,089 awards under the PSP scheme and a further 29,284 awards on 22 January 2014 (2013: total awards of 1,204,459). The number of shares exercised in the year was 33,065 (2013: nil) at a market value of £131,331 (2013: nil) based on the market price at the date of exercise. In addition the number of lapsed share options totalled 2,062,149 (2013: 1,087,490). The number of awards outstanding but not yet exercisable is 1,981,359 at 31 May 2014 (2013: 3,164,200). The total charge included in operating profit in relation to these awards was £0.7 million (2013: credit £0.6 million). The charge relates to the movement in the cumulative charge for the awards in issue based on expected vesting.

12. 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 2014 was £118.5 million (2013: £100.0 million).

In addition the Company is party to cross guarantee arrangements relating to an overdraft facility for certain Group companies' accounts at Barclays Bank Plc. The maximum exposure at 31 May 2014 was £5.0 million (2013: £5.0 million).

Further Statutory and Other Information

Health and safety
PZ Cussons 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 and safety specialists and, where appropriate, provides on-site medical facilities for employees.

The Company continues to monitor and increase standards of health and 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 resource 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 improvements 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 which 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 and additional contributions are made through staff time and gifts in kind. PZ Cussons continues to provide assistance and donations to significant global fund-raising 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
PricewaterhouseCoopers LLP has signified its willingness to continue in office and a resolution for its appointment 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 2014 comprises this page and the information contained in the Report of the Directors on pages 37 to 39.

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