**30 January 2018**

# INTERIM ANNOUNCEMENT OF RESULTS FOR THE HALF YEAR TO 30 NOVEMBER 2017

PZ Cussons Plc, a leading consumer products group, announces its unaudited interim results for the six months ended 30 November 2017.

| **Adjusted results** (before exceptional items[1]) | **Half year to 30 November 2017** | **Half year to 30 November 2016** | Reported % change | Constant currency % change[3] | Like for like % change[4] |
|---|---|---|---|---|---|
| Revenue[2] | **£385.4m** | **£378.2m** | 1.9% | 3.3% | 3.3% |
| Adjusted operating profit | **£37.5m** | **£41.8m** | (10.3%) | (9.2%) | (9.2%) |
| Adjusted profit before tax | **£34.0m** | **£40.2m** | (15.4%) | (14.1%) | (14.1%) |
| Adjusted basic earnings per share | **5.76p** | **6.50p** | (11.4%) | | |
| **Statutory results** (after exceptional items[1]) | | | | | |
| Revenue[2] | **£385.4m** | **£378.2m** | 1.9% | | |
| Operating profit | **£37.7m** | **£26.5m** | 42.3% | | |
| Profit before tax | **£34.2m** | **£24.9m** | 37.3% | | |
| Basic earnings per share | **5.04p** | **4.59p** | 9.8% | | |
| Interim dividend per share | **2.67p** | **2.67p** | - | | |
| **Net debt[5]** | **(£191.2m)** | **(£191.3m)** | | | |

## HIGHLIGHTS

Group

- Revenue 1.9% ahead of the prior period with performance underpinned by a strong and innovative product pipeline
- Adjusted operating profit 10.3% lower with strong profitability in Asia offset by reduced margins in some business units in Europe and Africa
- Profitability expected to improve in second half as a result of further new product launches and distribution expansion
- Strong balance sheet with net debt at 1.5 x EBITDA[6]
- Interim dividend maintained at 2.67p per share

Africa

- Robust performance in Nigeria in Personal Care, Home Care and in the PZ Wilmar joint venture
- Profitability significantly impacted in Nutricima milk business by competitor pricing and in Electricals by reduced consumer discretionary spend
- Second half performance expected to improve as business enters peak season

Asia

- Strong growth in profitability in Australia across all categories of Personal Care, Home Care and Food & Nutrition
- Performance in Indonesia strong across all brands of Cussons Baby, Cussons Kids and Imperial Leather

Europe

- Tough trading conditions in UK washing and bathing division in first half with further brand initiatives planned for second half to improve performance
- Solid performance in Beauty division across Sanctuary, St Tropez, Fudge and Charles Worthington

[1] Exceptional items before tax (2017: income £0.2m; 2016: costs £15.3m) are detailed in note 4.
[2] Excludes joint ventures revenue of £74.7m (2016: £85.6m).
[3] Constant currency comparison (2016 results retranslated at 2017 exchange rates). See page 2 for values of currency impact.
[4] Like for like comparison after adjusting 2016 for constant currency and 2017 for the impact of acquisitions and disposals. There were no such acquisitions or disposals in either period.
[5] Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings (refer to note 11).
[6] EBITDA (as used in this ratio calculation) is defined as statutory operating profit before charges for depreciation and amortisation for the 12 months prior to the reporting date. In this case 12 months to 30 November 2017.

# PZ CUSSONS PLC

**Commenting today, Caroline Silver (Chair) said:**

"In the first half of the financial year, the Group has faced tough trading conditions in many of the markets in which it operates, and whilst revenue was 1.9% higher than the previous period, adjusted operating profit was 10.3% lower as a result of reduced margins in certain business units in Europe and Africa.

Initiatives are underway to improve performance of these business units and, together with the positive momentum elsewhere in the Group and in particular in Asia, provide a solid basis for improved performance in the second half of the year.

The Board has maintained the interim dividend at 2.67p per share.

The Group's brand portfolio remains strong and, with a strong balance sheet, the Group is well placed to pursue growth opportunities."

**Press Enquiries**


| | |
|---|---|
| **PZ Cussons** | **Brandon Leigh (Chief Financial Officer)** |
| **Instinctif** | **Tim Linacre / Guy Scarborough** |

On 30 January c/o Instinctif on 020 7457 2020

After 30 January to Brandon Leigh on 0161 435 1236


**Investor and Analyst conference call**

Management will be hosting a conference call for investors and analysts at 9:30am (UK Time) today. Please call Guy Scarborough at Instinctif Partners for dial-in details on 020 7457 2047 or email Guy.Scarborough@instinctif.com.

The presentation slides to accompany the conference call are available to download from the Company's website at http://www.pzcussons.com/en_int/investor

**Basis of preparation**

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

Adjusted results are presented before exceptional items which in the current period include certain restructuring costs and net profit on the sale and impairment of assets.

The reported results for the current period are presented with variances to reported prior period results and also as variances between the current and prior period on a constant currency basis. The constant currency impact has been derived by retranslating the 2016 result using 2017 foreign currency exchange rates. The adverse translational impact on revenue, adjusted operating profit and adjusted profit before tax was £5.3 million, £0.5 million and £0.6 million respectively and this is due to the strengthening of the Euro and Australian Dollar being offset by the weakening of the Naira. As there were no acquisitions or disposals in the current or prior period the like for like impact equals the constant currency impact.

**Basis of segmental reporting**

Following completion of the implementation of the new operating model and go live of SAP on 1 June 2017, the Group has refreshed its transfer pricing model to ensure continued compliance with the arm's length standard. This resulted in a change to Group intercompany recharges and has therefore had an impact on the segmental split of reported statutory operating profit. The impact in the first six months of FY18 was a decrease in Asia and Africa's operating profit by £2.3 million and £0.3 million respectively, with a corresponding increase of £2.6 million reflected in Europe's result.

**Business Review**

**Group Overview**

Revenue for the half year to 30 November 2017 was 1.9% higher than the previous period with performance underpinned by a strong and innovative product pipeline.

Adjusted operating profit was 10.3% lower than the previous period with strong profitability in Asia offset by reduced margins in some business units in Europe and in particular Africa as a result of economic and competitive trading conditions.

Profit before tax after exceptional items at £34.2 million (2016: £24.9 million) was higher than the prior period due to the balance of exceptional costs versus income charged in the period. See note 4 for further details.

Net interest cost for the Group at £3.5 million was higher than the previous period cost of £1.6 million mainly due to higher borrowing charges in Nigeria ahead of the seasonal second half.

**Financial position – overview**

Net debt at 30 November 2017 was broadly flat on the prior period at £191.2 million (2016: £191.3 million). The key elements that affect the Group's net debt position are operating cash flows, working capital movements and capital expenditure, with net debt typically peaking around the middle of the financial year due to seasonal factors.

During the period, there was an overall working capital outflow of £44.8 million (2016: inflow of £2.3 million), largely in relation to the timing of trade receivables and payables flows as a result of the developed markets' SAP go live on 1 June 2017, as well as the pre-season stock build in Nigeria. Capital expenditure was £15.5 million (2016: £16.9 million), £8.8 million of which reflects the final costs of the SAP project and £6.7 million non SAP related capital spend.

Overall, the Group's balance sheet remains strong with net debt at 1.5 x EBITDA.

**Regional Performance**

**Overview**

| **Revenue[1] (£m)** | **2017** | 2016 | Reported % change | Constant currency % change[2] | Like for like % change[3] |
|---|---|---|---|---|---|
| Africa | **144.7** | 135.7 | 6.6% | 14.2% | 14.2% |
| Asia | **110.8** | 107.9 | 2.7% | 1.1% | 1.1% |
| Europe | **129.9** | 134.6 | (3.5%) | (4.9%) | (4.9%) |
| | **385.4** | 378.2 | 1.9% | 3.3% | 3.3% |

| **Adjusted operating profit before exceptional items[4] (£m)** | **2017** | 2016 | Reported % change | Constant currency % change[2] | Like for like % change[3] |
|---|---|---|---|---|---|
| Africa | **4.1** | 11.6 | (64.7%) | (62.8%) | (62.8%) |
| Asia | **8.5** | 3.7 | 129.7% | 124.4% | 124.4% |
| Europe | **24.9** | 26.5 | (6.0%) | (6.4%) | (6.4%) |
| | **37.5** | 41.8 | (10.3%) | (9.2%) | (9.2%) |

[1] Excludes joint ventures revenue of £74.7m (2016: £85.6m).
[2] Constant currency comparison (2016 results retranslated at 2017 exchange rates).
[3] Like for like comparison after adjusting 2016 for constant currency and 2017 for the impact of acquisitions and disposals. There were no such acquisitions or disposals in either period.
[4] Exceptional items before tax (2017: income £0.2m; 2016: costs £15.3m) are detailed in note 4.

Africa's results reflect a robust performance in Personal Care and Home Care and in the PZ Wilmar joint venture, however much tougher trading conditions in the Nutricima milk business and in Electricals have caused a significant reduction in profitability for the region.

Asia has delivered significant growth in profitability underpinned by the continued recovery in Australia after a weaker first half last year, together with ongoing profitability improvement across the brand portfolio in Indonesia.

Europe's reduction in revenue and profitability is due to tough trading conditions in the washing and bathing division in the UK in the first half. Performance in the Beauty division and in Poland and Greece has been solid.

**Africa**

In **Nigeria**, the Naira has been stable against the US dollar on the interbank market and has strengthened slightly on the secondary market as a result of improved dollar liquidity levels. However, high interest rates and low Naira credit availability have resulted in poor liquidity in the trade in the first half, whilst the environment for consumers remains challenging following the very significant cost inflation of recent years.

Performance in Personal Care and Home Care, which accounts for the largest part of the Africa region, has been robust with brands across soaps, detergents, babycare and medicaments performing well with products catering for a broad range of sizes and price points.

In the Nutricima milk business, aggressive competitor pricing in the bulk milk category has resulted in a significant reduction in revenue and profitability versus the prior period. A full reassessment of the business model has taken place with greater focus now being placed on consumer pack innovation.

In Electricals, lower discretionary spend levels for the consumer have also resulted in reduced revenue and profitability although market shares across fridges, freezers and air conditioners have either been held or grown. A new range of energy efficient models is being launched ahead of the seasonally higher second half with technology that is first to the Nigerian market and will offer consumers significant savings on their electricity consumption.

In the PZ Wilmar joint venture, revenue and profitability have been at similar levels to the prior period. The mix of sales has continued to move in favour of the consumer pack products under the Mamador and King's brands with revenue now larger than that of semi-bulk products. Further new product launches will take place in the second half with the business entering into adjacent categories.

Overall profitability for the smaller African businesses in **Ghana** and **Kenya** was ahead of the prior period.

**Asia**

In **Australia**, profitability has improved across all categories of Personal Care, Home Care and Food & Nutrition, continuing the positive momentum of the second half of the prior year. Significant new product developments have been delivered across the portfolio including new ranges under the Rafferty's Garden brand and new packaging and flavours under the five:am brand.

In **Indonesia**, whilst discretionary spend of the consumer is under pressure, profitability has been good with mix improvement across both the core Cussons Baby range as well as from recent new product launches under Imperial Leather and Cussons Kids. The development of the non-baby brands has successfully contributed to a broadening of the overall portfolio.

Overall profitability in the smaller Asian markets of **Thailand** and the **Middle East** has been in line with the prior period.

**Europe**

In the **UK**, consumers are shopping cautiously reflecting general cost inflation outstripping wage growth and broader economic uncertainty, resulting in lower profitability in the washing and bathing division versus the prior period. Product launches across Imperial Leather, Carex and Original Source brands have been well received, however volumes remain very sensitive to price points and discounting. Further brand initiatives are planned for the second half with innovation for the consumer increasingly important to secure distribution and deliver stand out on shelf.

Performance in the **Beauty** division has been solid across Sanctuary, St Tropez, Charles Worthington and Fudge. The Sanctuary range has performed well during the period following the major relaunch last year and sales of Christmas gift sets have been strong. St Tropez continues to perform well in the US and in addition, the new millennial-targeted Sanctuary Being range is now in store in the US and Canada following the UK launch last year.

Overall profitability for the smaller European businesses in **Poland** and **Greece** was ahead of the prior period.

**Exceptional items**

As previously indicated, the Group has generated net exceptional income of £0.2 million in the period relating to costs associated with the Group structure and systems project (£4.6 million), the impairment of a non-operational European fixed asset (£3.6 million) offset by income from the sale of land relating to a redundant manufacturing site in Australia (£8.4 million).

**Taxation**

The effective tax rate before exceptional items was 27.6% (30 November 2016: 26.4%) and the effective tax rate post-exceptional items was 36.8% (30 November 2016: 23.2%). The tax charge on exceptional items is high due to certain exceptional costs being non-deductible for tax purposes.

**Related parties**

Related party disclosures are given in note 14.

**Principal risks and uncertainties facing the Group**

Our principal risks and uncertainties are explained in more detail in note 16 and remain as stated on pages 35 to 39 of our 2017 Strategic Report which is available on our website at www.pzcussons.com.

**Board changes**

As previously announced, Chris Davis, Chief Operating Officer, retired from the Board as a Director with effect from the Annual General Meeting on 27 September 2017 and Non-executive Director Ngozi Edozien also retired on the same date.

**Outlook**

The Group result for the full year will largely be dependent on successful delivery of the result in the UK amid very tough trading conditions and an improvement in the economic environment in Nigeria as the business enters peak season.

Performance in Asia is expected to continue its positive momentum.

Across the Group, the brand portfolio remains strong with an upweighted renovation and innovation programme planned for the second half.

At the same time, and in light of ongoing exchange rate volatility and higher raw material costs as a result of the increase in the price of oil, further margin improvement and cost saving initiatives are being planned to ensure the Group is well positioned into the next financial year.

The Group’s balance sheet remains strong and well placed to pursue growth opportunities.

# PZ CUSSONS PLC

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **Unaudited** | | | Unaudited | | | Audited | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Half year to 30 November 2017** | | | Half year to 30 November 2016 | | | Year to 31 May 2017 | | |
| | **Note** | **Before exceptional items £m** | **Exceptional items (note 4) £m** | **Total £m** | Before exceptional items £m | Exceptional items (note 4) £m | Total £m | Before exceptional items £m | Exceptional items (note 4) £m | Total £m |
| **Continuing operations** | | | | | | | | | | |
| Revenue | 3 | **385.4** | **-** | **385.4** | 378.2 | - | 378.2 | 809.2 | **-** | 809.2 |
| Cost of sales | | **(245.0)** | **-** | **(245.0)** | (231.4) | - | (231.4) | (497.4) | **-** | (497.4) |
| **Gross profit** | | **140.4** | **-** | **140.4** | 146.8 | - | 146.8 | 311.8 | **-** | 311.8 |
| Selling and distribution costs | | **(66.1)** | **-** | **(66.1)** | (69.8) | - | (69.8) | (130.9) | **-** | (130.9) |
| Administrative expenses | | **(38.7)** | **0.2** | **(38.5)** | (37.1) | (15.3) | (52.4) | (77.5) | (15.5) | (93.0) |
| Share of results of joint ventures | | **1.9** | **-** | **1.9** | 1.9 | - | 1.9 | 2.9 | - | 2.9 |
| **Operating profit/(loss)** | | **37.5** | **0.2** | **37.7** | 41.8 | (15.3) | 26.5 | 106.3 | (15.5) | 90.8 |
| Finance income | | **0.1** | **-** | **0.1** | 1.5 | - | 1.5 | 2.7 | - | 2.7 |
| Finance costs | | **(3.6)** | **-** | **(3.6)** | (3.1) | - | (3.1) | (5.5) | - | (5.5) |
| **Net finance costs** | 5 | **(3.5)** | **-** | **(3.5)** | (1.6) | - | (1.6) | (2.8) | - | (2.8) |
| **Profit/(loss) before taxation** | | **34.0** | **0.2** | **34.2** | 40.2 | (15.3) | 24.9 | 103.5 | (15.5) | 88.0 |
| Taxation | 7 | **(9.4)** | **(3.2)** | **(12.6)** | (10.6) | 4.8 | (5.8) | (27.8) | 6.7 | (21.1) |
| **Profit/(loss) for the period** | | **24.6** | **(3.0)** | **21.6** | 29.6 | (10.5) | 19.1 | 75.7 | (8.8) | 66.9 |
| **Attributable to:** | | | | | | | | | | |
| Owners of the Parent | | **24.1** | **(3.0)** | **21.1** | 27.2 | (8.0) | 19.2 | 70.5 | (6.3) | 64.2 |
| Non-controlling interests | | **0.5** | **-** | **0.5** | 2.4 | (2.5) | (0.1) | 5.2 | (2.5) | 2.7 |
| | | **24.6** | **(3.0)** | **21.6** | 29.6 | (10.5) | 19.1 | 75.7 | (8.8) | 66.9 |
| Basic EPS (p) | 9 | **5.76** | **(0.72)** | **5.04** | 6.50 | (1.91) | 4.59 | 16.85 | (1.51) | 15.34 |
| Diluted EPS (p) | 9 | **5.76** | **(0.72)** | **5.04** | 6.50 | (1.91) | 4.59 | 16.85 | (1.51) | 15.34 |

The notes on pages 11 to 20 are an integral part of these interim consolidated financial statements.

# PZ CUSSONS PLC

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (EXPENSE)

| | **Unaudited**<br>**Half-year to 30 November 2017**<br>**£m** | Unaudited<br>Half-year to 30 November 2016<br>£m | Audited<br>Year to 31 May 2017<br>£m |
|---|---|---|---|
| **Profit for the period** | **21.6** | 19.1 | 66.9 |
| **Other comprehensive income / (expense)** | | | |
| *Items that will not subsequently be reclassified to profit or loss* | | | |
| Remeasurement of post-employment obligations (note 12) | **7.8** | 7.2 | (1.9) |
| Deferred tax on remeasurement of post employment obligations | **-** | - | 0.5 |
| Tax on items that will not be subsequently reclassified to profit or loss | **-** | - | 0.4 |
| **Total items that will not subsequently be reclassified to profit or loss** | **7.8** | 7.2 | (1.0) |
| *Items that may be subsequently reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | **(14.4)** | (42.1) | (53.4) |
| Cash flow hedges - fair value (loss) / gain in period | **-** | (0.8) | 0.6 |
| Tax on items that may be subsequently reclassified to profit or loss | **-** | - | 0.7 |
| **Total items that may subsequently be reclassified to profit or loss** | **(14.4)** | (42.9) | (52.1) |
| **Other comprehensive (expense) for the period / year net of taxation** | **(6.6)** | (35.7) | (53.1) |
| **Total comprehensive income / (expense) for the period / year** | **15.0** | (16.6) | 13.8 |
| **Attributable to:** | | | |
| Owners of the Parent | **16.5** | (4.2) | 25.0 |
| Non-controlling interests | **(1.5)** | (12.4) | (11.2) |

The notes on pages 11 to 20 are an integral part of these interim consolidated financial statements.

## PZ CUSSONS PLC

### CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **Unaudited 30 November 2017 £m** | Unaudited 30 November 2016 £m | Audited 31 May 2017 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill, software and other intangible assets | 6 | **410.0** | 384.7 | 403.4 |
| Property, plant and equipment | 6 | **165.0** | 185.2 | 177.0 |
| Other investments | | **0.3** | 0.3 | 0.3 |
| Net investments in joint ventures | | **25.1** | 32.1 | 23.1 |
| Trade and other receivables | | **1.6** | 0.7 | 1.6 |
| Retirement benefit surplus | 12 | **63.8** | 63.3 | 55.4 |
| | | **665.8** | 666.3 | 660.8 |
| **Current assets** | | | | |
| Inventories | | **151.7** | 161.2 | 163.3 |
| Trade and other receivables | | **212.2** | 209.0 | 190.3 |
| Derivative financial asset | 13 | **0.6** | - | 1.5 |
| Current asset investments | 11 | **0.3** | 0.3 | 0.3 |
| Cash and short term deposits | 11 | **125.0** | 172.2 | 150.6 |
| | | **489.8** | 542.7 | 506.0 |
| Assets held for sale | | **-** | - | 2.2 |
| | | **489.8** | 542.7 | 508.2 |
| **Total assets** | | **1,155.6** | 1,209.0 | 1,169.0 |
| **Equity** | | | | |
| Share capital | | **4.3** | 4.3 | 4.3 |
| Capital redemption reserve | | **0.7** | 0.7 | 0.7 |
| Currency translation reserve | | **(71.0)** | (48.9) | (58.6) |
| Hedging reserve | | **2.4** | 1.0 | 2.4 |
| Retained earnings | | **548.9** | 518.0 | 543.9 |
| **Attributable to owners of the Parent** | | **485.3** | 475.1 | 492.7 |
| **Non-controlling interests** | | **31.0** | 32.6 | 33.8 |
| **Total equity** | | **516.3** | 507.7 | 526.5 |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Trade and other payables | | **0.3** | 0.8 | 0.6 |
| Deferred taxation liabilities | | **49.3** | 42.3 | 48.1 |
| Retirement benefit obligations | 12 | **14.4** | 20.2 | 17.9 |
| | | **64.0** | 63.3 | 66.6 |
| **Current liabilities** | | | | |
| Borrowings | 11 | **316.5** | 363.8 | 294.7 |
| Trade and other payables | | **221.2** | 239.5 | 248.9 |
| Current taxation payable | | **35.0** | 29.4 | 28.4 |
| Provisions | | **2.6** | 5.3 | 3.9 |
| | | **575.3** | 638.0 | 575.9 |
| **Total liabilities** | | **639.3** | 701.3 | 642.5 |
| | | | | |
| **Total equity and liabilities** | | **1,155.6** | 1,209.0 | 1,169.0 |

The notes on pages 11 to 20 are an integral part of these interim consolidated financial statements.

## PZ CUSSONS PLC

### CONDENSED 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 2016** | **4.3** | **(19.1)** | **0.7** | **515.7** | **1.8** | **46.5** | **549.9** |
| Profit for the period | - | - | - | 19.2 | - | (0.1) | 19.1 |
| Other comprehensive (expense)/income for the period | - | (29.8) | - | 7.2 | (0.8) | (12.3) | (35.7) |
| Total comprehensive (expense)/income for the period | - | (29.8) | - | 26.4 | (0.8) | (12.4) | (16.6) |
| *Transactions with owners:* | | | | | | | |
| Ordinary dividends | - | - | - | (23.0) | - | - | (23.0) |
| Acquisition of shares by ESOT | - | - | - | (1.1) | - | - | (1.1) |
| Non-controlling interests dividend paid | - | - | - | - | - | (1.5) | (1.5) |
| Total transactions with owners recognised directly in equity | - | - | - | (24.1) | - | (1.5) | (25.6) |
| **At 30 November 2016** | **4.3** | **(48.9)** | **0.7** | **518.0** | **1.0** | **32.6** | **507.7** |
| | | | | | | | |
| **At 1 June 2016** | **4.3** | **(19.1)** | **0.7** | **515.7** | **1.8** | **46.5** | **549.9** |
| Profit for the year | - | - | - | 64.2 | - | 2.7 | 66.9 |
| Other comprehensive (expense)/income for the year | - | (39.5) | - | (0.3) | 0.6 | (13.9) | (53.1) |
| Total comprehensive (expense)/income for the year | - | (39.5) | - | 63.9 | 0.6 | (11.2) | 13.8 |
| *Transactions with owners:* | | | | | | | |
| Ordinary dividends | - | - | - | (34.2) | - | - | (34.2) |
| Acquisition of shares by ESOT | - | - | - | (1.2) | - | - | (1.2) |
| Acquisition of non-controlling interest | - | - | - | (0.3) | - | (0.1) | (0.4) |
| Non-controlling interests dividend paid | - | - | - | - | - | (1.4) | (1.4) |
| Total transactions with owners recognised directly in equity | - | - | - | (35.7) | - | (1.5) | (37.2) |
| **At 31 May 2017** | **4.3** | **(58.6)** | **0.7** | **543.9** | **2.4** | **33.8** | **526.5** |
| | | | | | | | |
| **At 1 June 2017** | **4.3** | **(58.6)** | **0.7** | **543.9** | **2.4** | **33.8** | **526.5** |
| Profit for the period | **-** | **-** | **-** | **21.1** | **-** | **0.5** | **21.6** |
| Other comprehensive (expense)/income for the period | **-** | **(12.4)** | **-** | **7.8** | **-** | **(2.0)** | **(6.6)** |
| Total comprehensive (expense)/income for the period | **-** | **(12.4)** | **-** | **28.9** | **-** | **(1.5)** | **15.0** |
| *Transactions with owners:* | | | | | | | |
| Ordinary dividends | **-** | **-** | **-** | **(23.5)** | **-** | **-** | **(23.5)** |
| Acquisition of shares by ESOT | **-** | **-** | **-** | **(0.4)** | **-** | **-** | **(0.4)** |
| Non-controlling interests dividend paid | **-** | **-** | **-** | **-** | **-** | **(1.3)** | **(1.3)** |
| Total transactions with owners recognised directly in equity | **-** | **-** | **-** | **(23.9)** | **-** | **(1.3)** | **(25.2)** |
| **At 30 November 2017** | **4.3** | **(71.0)** | **0.7** | **548.9** | **2.4** | **31.0** | **516.3** |

The notes on pages 11 to 20 are an integral part of these interim consolidated financial statements.

# PZ CUSSONS PLC

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | **Unaudited Half-year to 30 November 2017 £m** | Unaudited Half-year to 30 November 2016 £m | Audited Year to 31 May 2017 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in) / generated from operations (note 10) | **(4.7)** | 33.8 | 110.9 |
| Taxation paid | **(4.9)** | (4.2) | (14.3) |
| Interest paid (note 5) | **(3.6)** | (3.1) | (5.5) |
| **Net cash (used in) / generated from operating activities** | **(13.2)** | 26.5 | 91.1 |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest income (note 5) | **0.1** | 1.5 | 2.7 |
| Purchase of property, plant and equipment and software (note 6) | **(15.5)** | (16.9) | (40.6) |
| Proceeds from sale of assets | **10.6** | - | 0.9 |
| Advance of short term deposits to joint venture | **-** | (14.6) | - |
| **Net cash (used in) investing activities** | **(4.8)** | (30.0) | (37.0) |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid to non-controlling interests | **(1.3)** | (1.5) | (1.4) |
| Purchase of shares for ESOT | **(0.4)** | (1.1) | (1.2) |
| Dividends paid to Company shareholders (note 8) | **(23.5)** | (23.0) | (34.2) |
| Acquisition of non-controlling interests | **-** | - | (0.4) |
| Increase in borrowings | **6.1** | 19.5 | 6.3 |
| **Net cash (used in) financing activities** | **(19.1)** | (6.1) | (30.9) |
| **Net (decrease)/increase in cash and cash equivalents (note 11)** | **(37.1)** | (9.6) | 23.2 |
| | | | |
| **Cash and cash equivalents at the beginning of the period (note 11)** | **116.1** | 104.6 | 104.6 |
| **Effect of foreign exchange rates (note 11)** | **(4.5)** | (12.8) | (11.7) |
| | | | |
| **Cash and cash equivalents at the end of the period (note 11)** | **74.5** | 82.2 | 116.1 |

The notes on pages 11 to 20 are an integral part of these interim consolidated financial statements.

## 1. Basis of preparation

The Company is a public limited company incorporated and domiciled in England. It has a primary listing on the London Stock Exchange. The address of its registered office is shown on page 23.

These condensed consolidated interim financial statements for the six months ended 30 November 2017, which have been reviewed, not audited, have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union (EU). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 May 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS IC).

The condensed consolidated interim financial statements for the period ended 30 November 2017 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information set out in this statement relating to the year ended 31 May 2017 does not constitute statutory accounts for that year. Full audited statutory accounts of the Group in respect of that financial year were approved by the Board of Directors on 25 July 2017 and have been delivered to the Registrar of Companies. The report of the auditors on these statutory accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements were approved for issue on 30 January 2018.

### Judgements and estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 May 2017.

### Going concern basis

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

After making enquiries and having considered the availability of resources, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

## 2. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 May 2017.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss before tax.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 June 2017:

- Disclosure Initiative - Amendments to IAS 7;
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12; and
- Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 12 Amendments.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods. Certain new accounting standards and interpretations have been published that are not mandatory for the 31 May 2018 reporting period and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course:

- IFRS 9 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 16 – Leases;
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration;
- IFRS 2 - Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRIC 23 - Uncertainty over Income Tax Treatments; and
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3. Segmental analysis**

The Chief Operating Decision-Maker (CODM) has been identified as the Executive Board which comprises the two Executive Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate.

The CODM considers the business from a geographic perspective with Africa, Asia and Europe being the operating segments. The CODM assesses performance based on operating profit before exceptional items. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that of the statutory financial statements.

Revenues and operating profit of the Europe and Asia segments arise from the sale of Personal Care, Home Care and Food and Nutrition products. Revenue and operating profit from the Africa segment arise from the sale of Personal Care, Home Care, Food and Nutrition and Electrical products.

**Business segments**

| **Half year to 30 November 2017** | **Africa £m** | **Asia £m** | **Europe £m** | **Eliminations £m** | **Total £m** |
|---|---|---|---|---|---|
| Gross segment revenue | 144.7 | 116.8 | 182.8 | (58.9) | 385.4 |
| Inter segment revenue | - | (6.0) | (52.9) | 58.9 | - |
| Revenue | 144.7 | 110.8 | 129.9 | - | 385.4 |
| Segmental operating profit before exceptional items and share of results of joint ventures | 2.2 | 8.5 | 24.9 | - | 35.6 |
| Share of results of joint ventures | 1.9 | - | - | - | 1.9 |
| Segmental operating profit before exceptional items | 4.1 | 8.5 | 24.9 | - | 37.5 |
| Exceptional Items | (0.1) | 6.3 | (6.0) | - | 0.2 |
| **Segmental operating profit** | 4.0 | 14.8 | 18.9 | - | 37.7 |
| Finance income | | | | | 0.1 |
| Finance cost | | | | | (3.6) |
| **Profit before taxation** | | | | | 34.2 |

| **Half year to 30 November 2016** | **Africa £m** | **Asia £m** | **Europe £m** | **Eliminations £m** | **Total £m** |
|---|---|---|---|---|---|
| Gross segment revenue | 136.8 | 112.6 | 197.8 | (69.0) | 378.2 |
| Inter segment revenue | (1.1) | (4.7) | (63.2) | 69.0 | - |
| Revenue | 135.7 | 107.9 | 134.6 | - | 378.2 |
| Segmental operating profit before exceptional items and share of results of joint ventures | 9.7 | 3.7 | 26.5 | - | 39.9 |
| Share of results of joint ventures | 1.9 | - | - | - | 1.9 |
| Segmental operating profit before exceptional items | 11.6 | 3.7 | 26.5 | - | 41.8 |
| Exceptional Items | (12.0) | (2.4) | (0.9) | - | (15.3) |
| **Segmental operating (loss) / profit** | (0.4) | 1.3 | 25.6 | - | 26.5 |
| Finance income | | | | | 1.5 |
| Finance cost | | | | | (3.1) |
| **Profit before taxation** | | | | | 24.9 |

**3. Segmental analysis (continued)**

| Year to 31 May 2017 | Africa £m | Asia £m | Europe £m | Eliminations £m | Total £m |
|---|---|---|---|---|---|
| Gross segment revenue | 307.2 | 235.0 | 417.0 | (150.0) | 809.2 |
| Inter segment revenue | (1.6) | (12.3) | (136.1) | 150.0 | - |
| Revenue | 305.6 | 222.7 | 280.9 | - | 809.2 |
| Segmental operating profit before exceptional items and share of results of joint ventures | 25.4 | 15.9 | 62.1 | - | 103.4 |
| Share of results of joint ventures | 2.9 | - | - | - | 2.9 |
| Segmental operating profit before exceptional items | 28.3 | 15.9 | 62.1 | - | 106.3 |
| Exceptional Items | (12.3) | (2.9) | (0.3) | - | (15.5) |
| **Segmental operating profit** | 16.0 | 13.0 | 61.8 | - | 90.8 |
| Finance income | | | | | 2.7 |
| Finance cost | | | | | (5.5) |
| **Profit before taxation** | | | | | 88.0 |

Other than the changes relating to the refresh of the transfer pricing model as described on page 2, there are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit.

The Group analyses its net revenue by the following categories:

| | **Unaudited Half-year to 30 November 2017 £m** | Unaudited Half-year to 30 November 2016 £m | Audited Year to 31 May 2017 £m |
|---|---|---|---|
| Personal Care | **209.3** | 203.0 | 431.0 |
| Home Care | **64.5** | 54.3 | 127.6 |
| Food & Nutrition | **71.9** | 78.3 | 156.5 |
| Electricals | **37.0** | 37.8 | 87.9 |
| Other | **2.7** | 4.8 | 6.2 |
| | **385.4** | 378.2 | 809.2 |

**4. Exceptional items**

**Half year to 30 November 2017**

The Group generated net exceptional income of £0.2 million as follows:

- Costs of £4.6 million relating to the Group structure and systems project to realign the organisation design to create a more effective operating model. These represent a continuation of the same project on which exceptional costs were recognised in previous periods and mainly consist of restructuring, advisory and IT system related costs;
- Costs of £3.6 million relating to the impairment of a non-operational European fixed asset; and
- Income of £8.4 million relating to the sale of land relating to a redundant manufacturing site in Australia.

**Half year to 30 November 2016**

The Group incurred net exceptional costs of £15.3 million as follows:

- Transactional foreign exchange losses of £12.0 million in Nigeria relating to long outstanding brought forward trade payables denominated in US Dollars that have been settled at higher exchange rates than originally recognised due to the introduction of the flexible exchange rate regime on 20 June 2016 which resulted in a devaluation of the Naira of greater than 40%; and
- Costs of £3.3 million relating to the Group structure and systems project to realign the organisation design to create a more effective operating model. These mainly consist of restructuring, advisory and IT system related costs.

**Year to 31 May 2017**

The Group incurred net exceptional costs of £15.5 million as follows:

- Group structure and systems project costs (charge of £6.6 million);
- Partial recovery of trade receivable in Europe provided for in prior year (income of £3.1 million); and
- Foreign exchange losses in Nigeria relating to long outstanding trade payables denominated in US Dollars (charge of £12.0 million).

**5. Net finance costs**

| | **Unaudited Half-year to 30 November 2017** | Unaudited Half-year to 30 November 2016 | Audited Year to 31 May 2017 |
|---|---|---|---|
| | **£m** | £m | £m |
| Interest receivable | **0.1** | 1.5 | 2.7 |
| **Interest income** | **0.1** | 1.5 | 2.7 |
| Interest payable on bank loans and overdrafts | **(3.6)** | (3.1) | (5.5) |
| **Net finance costs** | **(3.5)** | (1.6) | (2.8) |

**6. Property, plant and equipment and intangible assets**

| | **Goodwill, software and other intangible assets** | **Property, plant and equipment** |
|---|---|---|
| | **£m** | **£m** |
| Opening net book amount as at 1 June 2016 | 357.1 | 227.0 |
| Additions | - | 16.9 |
| Disposals | - | (0.3) |
| Transfers | 27.2 | (27.2) |
| Depreciation | - | (9.0) |
| Amortisation | (0.4) | - |
| Currency retranslation | 0.8 | (22.2) |
| **Closing net book amount as at 30 November 2016** | **384.7** | **185.2** |
| Opening net book amount as at 1 June 2017 | 403.4 | 177.0 |
| Additions | 8.8 | 6.7 |
| Transfers between asset classification | 0.7 | (0.7) |
| Depreciation | - | (9.4) |
| Amortisation | (2.7) | - |
| Impairment of asset | - | (2.6) |
| Currency retranslation | (0.2) | (6.0) |
| **Closing net book amount as at 30 November 2017** | **410.0** | **165.0** |

Goodwill, software and other intangible assets comprise goodwill of £63.0 million (30 November 2016: £63.0 million), software of £51.4m (30 November 2016: £26.8 million), the majority of which relates to the implementation and associated costs of the SAP project and other intangible assets of £295.6 million (30 November 2016: £294.9 million) relating to the Group's acquired brands.

At 30 November 2017, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £6.5 million (30 November 2016: £5.0 million). At 30 November 2017, the Group's share in the capital commitments of joint ventures was £nil (30 November 2016: £nil).

As at 31 May 2017, the land relating to a redundant manufacturing site in Australia was reclassified from property, plant and equipment to assets held for sale under IFRS 5. The sale of the land completed on 29 November 2017 and therefore the disposal is accounted for as a reduction in assets held for sale and not shown as a disposal above.

### 7. Taxation charge

| | **Unaudited** | Unaudited | Audited |
|---|---|---|---|
| | **Half-year to 30 November 2017** | Half-year to 30 November 2016 | Year to 31 May 2017 |
| | **£m** | £m | £m |
| United Kingdom | **3.0** | 3.6 | 6.4 |
| Overseas | **9.6** | 2.2 | 14.7 |
| | **12.6** | 5.8 | 21.1 |

Income tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate to be used for the year ending 31 May 2018, before exceptional items, is 27.6% (the tax rate for the half-year ended 30 November 2016 was 26.4%) and the effective tax rate to be used post-exceptional items, is 36.8% (30 November 2016: 23.2%).

### 8. Dividends

An interim dividend of 2.67p per share for the half year to 30 November 2017 (30 November 2016: 2.67p) has been declared totalling £11.1 million (30 November 2016: £11.1 million) and is payable on 6 April 2018 to shareholders on the register at the close of business on 16 February 2018. This interim dividend has not been recognised in this half yearly report as it was declared after the end of the reporting period. The proposed final dividend for the year ended 31 May 2017 of 5.61p per share, totalling £23.5 million, was approved by shareholders at the Annual General Meeting of the Company and paid on 2 October 2017.

### 9. Earnings per share

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

| | **Unaudited** | Unaudited | Audited |
|---|---|---|---|
| | **Half-year to 30 November 2017** | Half-year to 30 November 2016 | Year to 31 May 2017 |
| Basic weighted average (000) | **418,320** | 418,537 | 418,412 |
| Diluted weighted average (000) | **418,320** | 418,547 | 418,423 |

The difference between the average number of Ordinary Shares and the basic weighted average number of Ordinary Shares represents the shares held by the Employee Share Option Trust, whilst the difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Executive Share Option Schemes and the Performance Share Plan (together the 'share incentive plans'). The average number of shares is reconciled to the basic and diluted weighted average number of shares below:

| | **Unaudited** | Unaudited | Audited |
|---|---|---|---|
| | **Half-year to 30 November 2017** | Half-year to 30 November 2016 | Year to 31 May 2017 |
| Average number of Ordinary Shares in issue during the period (000) | **428,725** | 428,725 | 428,725 |
| Less weighted average number of Ordinary Shares held by the Employee Share Option Trust (000) | **(10,405)** | (10,188) | (10,313) |
| **Basic weighted average Ordinary Shares in issue during the period (000)** | **418,320** | 418,537 | 418,412 |
| Dilutive effect of share incentive plans (000) | **-** | 10 | 11 |
| **Diluted weighted average Ordinary Shares in issue during the period (000)** | **418,320** | 418,547 | 418,423 |

**9. Earnings per share (continued)**

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

| | **Unaudited** **Half-year to 30 November 2017** | Unaudited Half-year to 30 November 2016 | Audited Year to 31 May 2017 |
|---|---|---|---|
| Basic earnings per share: | | | |
| - Adjusted basic earnings per share | **5.76p** | 6.50p | 16.85p |
| - Exceptional items | **(0.72p)** | (1.91p) | (1.51p) |
| Basic earnings per share | **5.04p** | 4.59p | 15.34p |
| Diluted earnings per share: | | | |
| - Adjusted diluted earnings per share | **5.76p** | 6.50p | 16.85p |
| - Exceptional items | **(0.72p)** | (1.91p) | (1.51p) |
| Diluted earnings per share | **5.04p** | 4.59p | 15.34p |

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

| | **Unaudited** **Half-year to 30 November 2017** **£m** | Unaudited Half-year to 30 November 2016 £m | Audited Year to 31 May 2017 £m |
|---|---|---|---|
| Profit attributable to owners of the Parent | **21.1** | 19.2 | 64.2 |
| Exceptional items (net of taxation effect) | **3.0** | 8.0 | 6.3 |
| Adjusted profit after tax | **24.1** | 27.2 | 70.5 |

**10. Reconciliation of profit before taxation to cash generated from operations**

| | **Unaudited** **Half-year to 30 November 2017** **£m** | Unaudited Half-year to 30 November 2016 £m | Audited Year to 31 May 2017 £m |
|---|---|---|---|
| **Profit before taxation** | **34.2** | 24.9 | 88.0 |
| Adjustment for net finance costs | **3.5** | 1.6 | 2.8 |
| **Operating profit** | **37.7** | 26.5 | 90.8 |
| Depreciation (note 6) | **9.4** | 9.0 | 19.0 |
| Amortisation (note 6) | **2.7** | 0.4 | 0.9 |
| Impairment of fixed asset | **3.6** | - | - |
| (Profit) / loss on sale of tangible fixed assets | **(8.4)** | 0.3 | 0.2 |
| Difference between pension charge and cash contributions | **(3.0)** | (2.8) | (5.7) |
| Share of results from joint ventures | **(1.9)** | (1.9) | (2.9) |
| **Operating cash flows before movements in working capital** | **40.1** | 31.5 | 102.3 |
| Movements in working capital: | | | |
| Inventories | **5.0** | (17.1) | (27.9) |
| Trade and other receivables | **(27.2)** | (18.6) | (8.6) |
| Trade and other payables | **(21.5)** | 38.6 | 45.6 |
| Provisions | **(1.1)** | (0.6) | (0.5) |
| **Cash (used in) / generated from operations** | **(4.7)** | 33.8 | 110.9 |

**11. Net debt reconciliation**

Group net debt comprises the following:

| | Audited<br>1 June 2017<br>£m | Unaudited<br>Cash flow<br>£m | Unaudited<br>Foreign exchange movements<br>£m | **Unaudited<br>30 November 2017<br>£m** |
|---|---|---|---|---|
| Cash at bank and in hand | 134.5 | (11.5) | (4.0) | **119.0** |
| Overdrafts | (34.5) | (16.0) | - | **(50.5)** |
| Short term deposits | 16.1 | (9.6) | (0.5) | **6.0** |
| **Cash and cash equivalents** | 116.1 | (37.1) | (4.5) | **74.5** |
| Current asset investments | 0.3 | - | - | **0.3** |
| Loans due within one year | (260.2) | (6.1) | 0.3 | **(266.0)** |
| **Net debt** | (143.8) | (43.2) | (4.2) | **(191.2)** |

Loans due within one year includes the Group's main borrowing facility which is provided by a syndicate of three UK banks in the form of a £285 million committed multi-currency revolving credit facility with a final termination date of February 2020. In addition the Group has a further £40 million of bilateral facilities which are utilised for general working capital and trade finance purposes.

Overdrafts do not form part of the Group's main borrowing facilities and arise as part of the Group's composite banking arrangement with Barclays Bank Plc. Under the terms of this arrangement, whilst they are not physically offset at each reporting date, cash and overdraft balances recognised by the Group's UK operations are considered as one cash pool with the net position being monitored by the Directors and by Barclays. At 30 November 2017 these overdraft balances have been presented gross with a corresponding increase in cash at bank and in hand.

**12. Retirement benefits**

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

| | **Unaudited<br>30 November 2017<br>£m** | Unaudited<br>30 November 2016<br>£m | Audited<br>31 May 2017<br>£m |
|---|---|---|---|
| UK schemes in surplus | **63.8** | 63.3 | 55.4 |
| UK schemes in deficit | **(5.0)** | (9.8) | (7.8) |
| **Net UK position** | **58.8** | 53.5 | 47.6 |
| Overseas schemes in deficit | **(9.4)** | (10.4) | (10.1) |
| | **49.4** | 43.1 | 37.5 |

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

The key financial assumptions (applicable to all UK schemes) applied in the actuarial review of the pension schemes have been reviewed in the preparation of these interim financial statements and amended where appropriate from those applied at 31 May 2017. The key assumptions made were:

| | **Unaudited<br>Half-year to 30 November 2017<br>% per annum** | Unaudited<br>Half-year to 30 November 2016<br>% per annum | Audited<br>Year to 31 May 2017<br>% per annum |
|---|---|---|---|
| Rate of increase in retirement benefits in payment | **3.05%** | 3.15% | 3.05% |
| Discount rate | **2.70%** | 2.85% | 2.45% |
| Inflation assumption | **3.10%** | 3.20% | 3.10% |

**12. Retirement benefits (continued)**

The movement during the period in the UK schemes is broken down as follows:

| | **Unaudited 30 November 2017 £m** | Unaudited 30 November 2016 £m |
|---|---|---|
| Retirement benefit surplus as at 1 June | **47.6** | 42.8 |
| Net pension interest income | **0.5** | 0.8 |
| Administration expenses paid by the schemes | **(0.1)** | (0.4) |
| Contributions paid | **3.0** | 3.1 |
| Remeasurement gain/(loss) due to changes in financial assumptions | **15.6** | (48.6) |
| (Loss)/return on scheme assets (excluding interest income) | **(7.8)** | 46.9 |
| Remeasurement gain due to scheme experience | **-** | 8.9 |
| **Retirement benefit surplus as at 30 November** | **58.8** | 53.5 |

**13. Financial risk management and financial instruments**

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

The condensed consolidated interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements. This information and related disclosures are presented in the Group’s annual financial statements as at 31 May 2017. There have been no significant changes to risk management policies or processes since the year end.

**i) Fair value estimation**

The Group holds a number of financial instruments that are held at fair value within the condensed consolidated interim financial statements. Financial instruments have been classified as level 1 or level 2 dependent on the valuation method applied in determining their fair value.

The different levels have been defined as follows:

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

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

The financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging.

For both the six months ended 30 November 2017, 30 November 2016 and the year ended 31 May 2017 the assets and liabilities arising from foreign currency forward contracts have been classified as level 2. The fair value of these instruments at each of the period-ends was:

| | **Unaudited Half-year to 30 November 2017 £m** | Unaudited Half-year to 30 November 2016 £m | Audited Year to 31 May 2017 £m |
|---|---|---|---|
| **Assets** | | | |
| Foreign currency forward contracts | **0.6** | - | 1.5 |
| **Liabilities** | | | |
| Foreign currency forward contracts | **-** | 0.4 | - |

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

**13. Financial risk management and financial instruments (continued)**

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

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

**ii) Valuation techniques used to derive fair values**

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for level 2 derivatives.

**iii) Group's valuation processes**

The Group's finance department includes a treasury team that performs the valuations of financial assets required for financial reporting purposes.

**14. Related party transactions**

**PZ Wilmar Limited and PZ Wilmar Food Limited**

The following related party transactions were entered into by subsidiary companies during the year under the terms of a joint venture agreement with Singapore based Wilmar International Limited:

- At 30 November 2017 the outstanding loan balance receivable from PZ Wilmar Limited was £25.0 million (30 November 2016: £21.1 million) (31 May 2017: £26.1 million) and from PZ Wilmar Food Limited was £7.6 million (30 November 2016: £6.4 million) (31 May 2017: £8.0 million). These receivables relate to long term loan investments that have been made by both joint venture partners.

- The value of certain raw materials and services provided by the Group to PZ Wilmar Limited was £3.7 million (30 November 2016: £0.5 million) (31 May 2017: £0.5 million). At 30 November 2017 the outstanding trade receivable balance from PZ Wilmar Limited was £0.6 million (30 November 2016: £1.7 million) (31 May 2017: £0.5 million).

- At 30 November 2017 the outstanding other receivable balance from PZ Wilmar Limited was £4.9 million (30 November 2016: £24.5 million) (31 May 2017: £4.0 million). These receivables relate to short term loan investments that have been made by the Group's Nigeria subsidiaries.

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 30 November 2017 (30 November 2016: £nil) (31 May 2017: £nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2016: £nil) (31 May 2017: £nil).

**Wilmar PZ International Pte Limited**

The following related party transactions were entered into by subsidiary companies during the year under the terms of a joint venture agreement with Singapore based Wilmar International Limited:

- At 30 November 2017 the outstanding other receivable balance from Wilmar PZ International Pte Limited was £3.3 million (30 November 2016: £3.0 million) (31 May 2017: £3.4 million). These receivables relate to services provided by subsidiary companies to Wilmar PZ International Pte Limited.

**15. Seasonality**

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

## 16. Principal risks and uncertainties

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

The exchange rate fluctuation risk remains heightened, particularly in Nigeria where secondary currency market rates remain higher than interbank rates. Further devaluation in future periods would lead to additional transactional impacts on outstanding US Dollar liabilities and ongoing input costs.

The Group's risk management framework is explained on page 36 of our 2017 Strategic Report which is available on our website at www.pzcussons.com. The Audit & Risk Committee assumes overall accountability for the management of risk and for reviewing the effectiveness of the Group's risk management and internal control systems. On its behalf, the Executive Committee takes the responsibility for identifying, assessing, prioritising and monitoring the principal risks affecting the Group and ensuring that, where possible, appropriate action is taken to manage and mitigate those risks.

The identified principal risks and uncertainties and measures to manage them are considered largely unchanged from those outlined on pages 35 to 41 of our 2017 Strategic Report. These are: exchange rate volatility, political and social instability, taxation, supply chain, consumer safety, IT system dependency & cyber security, staff retention and recruitment, legal and regulatory compliance, Brexit, sustainability, fraud, joint venture risk and public health.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of PZ Cussons Plc are listed on page 23. A list of current Directors is maintained on the PZ Cussons Plc website.

By order of the Board

Mr S P Plant
Company Secretary
30 January 2018

**Independent review report to PZ Cussons Plc**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2017 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

**Directors’ responsibilities**

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

**Deloitte LLP**
Statutory Auditor
Manchester, United Kingdom
30 January 2018

# PZ CUSSONS PLC

**Directors**

**Chair**
C Silver *

**Chief Executive**
G A Kanellis

C G Davis (retired 27 September 2017)
N Edozien* (retired 27 September 2017)
B H Leigh
J Maiden *
J Nicolson *
H Owers *

* Non-executive

**Secretary**
S P Plant

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M22 5TG

**Registered number**
Company registered number 00019457

**Registrars**
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