Welcome to the PZ Cussons Governance and Financial Statements 2015

This interactive pdf allows you to easily access the information that you want. Use the document controls located at the top of each page to navigate through the report and use the contents to jump straight to the section you require.

Search the entire document by keyword.

Return to the contents at the beginning of the document.

Print a single page or whole sections.

Next Page/ Previous Page

Contents

Links

Throughout this report there are links to pages, other sections and web addresses for additional information.

They are recognisable by the red underline simply click to go to the relevant page or web URL www.pzcussons.com

Creating sustainable value through strong governance and successful financial performance

PZ Cussons is a dynamic consumer products group and innovator of some of the world's best known and loved brands. Calling on over 130 years of expertise, we operate internationally in carefully selected developed and emerging markets that present the greatest strategic potential for future growth. Our world-class supply chain and distribution networks enable us to meet our global consumer needs and deliver quality brands that add value and enhance everyday lives.

Our 2015 Report

This year we have changed the format of our Annual Report and split it into two distinct reporting sections: a Strategic Report and Governance and Financial Statements. These documents are to be used in conjunction with each other.

Strategic Report

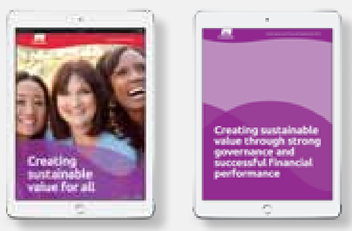
The Strategic Report takes a strategic look at how the Company operates and provides insight into our strategy, business model, people and vision.

Governance and Financial Statements

The Governance and Financial Statements provide an in depth analysis of the Company's annual results and governance processes.

Online

Digital, downloadable copies of the two reports are available online at: **www.pzcussons.com**



Contents

CHAIRMAN'S LETTER TO SHAREHOLDERS

Creating sustainable value for all

Dear Shareholder

I am pleased to report a solid performance in the year ended 31 May 2015, as well as the completion of several strategic initiatives.

Performance

Despite tough trading conditions, particularly in our largest market Nigeria, underlying revenue and operating profit growth grew 2.3 per cent and 2.7 per cent respectively, and our market share positions were either held or grown in our core categories.

Good governance

The Board is committed to principles of good governance, particularly as set out in the Financial Reporting Council's 2012 UK Corporate Governance Code. This provides an effective framework for how the Board should discharge its responsibilities in respect of leadership and effectiveness, remuneration, accountability and relations with Shareholders, and how the business is governed through the Audit, Remuneration, Group Risk, Nomination and CSR Committees.

Board changes

During the year James Steel retired from his role as a Non-executive Director. In his place in September 2014, Professor John Arnold became Senior Independent Non-executive Director and Helen Owers was appointed Chair of the Remuneration Committee.

Outlook and dividend

The Group's balance sheet remains strong with a net debt of 1.2x EBITDA at the year-end. The strength of our balance sheet gives us the flexibility to further evolve the Group's portfolio into new areas of growth and to take advantage of new investment opportunities as they arise.

Finally, the Board is pleased to declare a further increase in the full year dividend, marking 42 consecutive years that we have increased our dividend year-on-year. This 'sustainable value for all' mind-set is underpinned by a focus on long-term growth in earnings per share and tight cash management.

The following pages discuss in more detail the Board's various activities during the year, explaining the different roles of the principal standing committees and how we govern our business.

R J Harvey
Chairman

We are pleased to declare a further increase in the full year dividend, marking 42 consecutive years that we have increased our dividend year-on-year.

GOVERNANCE

Board of Directors

Directors

Executive Directors

Alex Kanellis
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 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 2003-2005. 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 Plc. Mr Harvey is the Chairman of the Nomination Committee and a member of the CSR and Group Risk Committees.

Professor John Arnold
Professor 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, assuming the role of Senior Independent Director in September 2014. A chartered accountant, his previous experience includes spending twelve years as Director and Dean of Manchester Business School. Professor Arnold is currently Chairman of the Co-operative Performance Committee of Co-operatives UK and Chairman of Feelgood Theatre Productions. Professor Arnold is Chairman of the Audit Committee and the Group Risk Committee and a member of the Nomination, Remuneration and CSR Committees.

Ngozi Edozien
Ms Edozien was appointed a Non-executive Director of PZ Cussons Plc in January 2012. She was Head/Chief Executive Officer, Actis West Africa of the firm Actis LLP, a leading private equity investor in emerging markets based in the UK. As Head, West Africa, she was responsible for all aspects of the company's business in the region. Prior to this, 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 focused 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 Chair of the CSR Committee and a member of the Nomination, Remuneration, Audit and Group Risk Committees.

Helen Owers
Mrs Owers was appointed a Non-executive Director of PZ Cussons Plc in January 2012. She was previously Chief Development Officer for Thomson Reuters, 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 Graham & Co LLP and of the Eden Project. Mrs Owers is Chair of the Remuneration Committee and a member of the Nomination, Audit, Group Risk and CSR Committees.

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 Trustee of the Victoria & Albert Museum. She 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 2015 Annual General Meeting and, each, being eligible, will offer himself or herself for re-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.

GOVERNANCE

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 31 of the consolidated financial statements.

Results and Dividends

A summary of the Group's results for the year is set out in the Financial Overview on pages 28 to 29 of the Strategic Report.

The Directors recommend a final dividend of 5.39p (2014: 5.23p) per Ordinary Share to be paid on 1 October 2015 to Ordinary Shareholders on the register at the close of business on 14 August 2015 which, together with the interim dividend of 2.61p (2014: 2.53p) paid on 7 April 2015, makes a total of 8.00p for the year (2014: 7.76p).

Scope of the reporting in this Annual Report and Accounts

The Group's statement on corporate governance can be found in the Report on Corporate Governance which is incorporated by reference and forms part of this Report of the Directors.

The Board has prepared a separate Strategic Report which provides an overview of the development and performance of the Company's business in the year ended 31 May 2015 and its position at the end of that year and which covers likely future developments in the business of the Company and Group.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the 'Management Report' can be found in the Strategic Report and this Report of the Directors, including the sections of the Annual Report and Accounts incorporated by reference.

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

Section	Topic	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Report on Directors' Remuneration – pages 22 to 23
5	Waiver of emoluments by a Director	Not applicable
6	Waiver of future emoluments by a Director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling Shareholder	Not applicable
12	Shareholder waivers of dividends	ESOT see note 25
13	Shareholder waivers of future dividends	ESOT see note 25
14	Agreements with controlling Shareholders	Report of the Directors' – pages 5 to 6

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

Directors' interests

The Directors' and close relatives' interests in the share capital of the Company at 31 May 2015 together with their interests at 1 June 2014 are detailed below:

Ordinary Shares

Beneficial	2015 Number	2014 Number
Mr R Harvey	**75,493**	60,848
Mr G A Kanellis	**681,699**	623,952
Prof J A Arnold	**13,450**	13,450
Mr C G Davis	**323,677**	323,677
Ms N Edozien	**–**	–
Mr B H Leigh	**128,297**	100,228
Mrs H Owers	**1,000**	1,000
Mrs C Silver	**–**	–
Total	**1,223,616**	1,123,155

[1] The figures in the tables do not include 9,262,811 (2014: 7,208,905) Ordinary Shares purchased and held by the Employee Share Option Trust (ESOT) as at 31 May 2015. 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.

There have been no changes in the interests of any of the Directors between 31 May 2015 and the date of this report save that Mr Harvey purchased on 30 June 2015 an additional 3,440 shares pursuant to a trading plan. The register recording the Directors' interests will be open for inspection at the 2015 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 and Mr Davis 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 21 July 2015:

	Number of shares	%
Zochonis Charitable Trust	55,899,629	13.04
Sir J B Zochonis Will Trust	49,320,712	11.50
M&G	28,516,499	6.65
Capital Group	25,223,150	5.88
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.

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

For the purposes of the Listing Rules, certain Shareholders in the Company (principally comprising of the founding Zochonis family or certain wider family groups, certain Company trusts, the Executive Directors of the Company and current or former employees) are deemed to be controlling Shareholders of the Company (together, the 'Concert Party'). As at 21 July 2015, the Concert Party held 228,112,361 shares, representing approximately 53 per cent of the Company's issued share capital.

GOVERNANCE

Report of the Directors *continued*

As required by the Listing Rules, the Board confirms that the Company entered into a written relationship agreement with the Concert Party on 17 November 2014 containing the Independence Provisions and a procurement obligation (the 'Relationship Agreement'). The Board also confirms that, during the period from 17 November 2014 to 31 May 2015 (being the end of the financial year under review):

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

Political and charitable contributions

Charitable contributions in the United Kingdom during the year amounted to £1,026,000 (2014: £663,000). No political contributions were made (2014: nil).

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
2014/15	**75,078**	**19,514**	**94,592**	**147**
2013/14	85,203	27,439	112,642	160

Payment of suppliers

The Group does not follow any code or statement on payment practice. It is the responsibility of the management of each operating unit within the Group to agree appropriate terms of business with suppliers upon entering into binding contracts and to adhere to these payment terms provided the relevant goods or services have been supplied in accordance with contractual obligations.

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.

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.

Diversity and inclusion

PZ Cussons is an extremely diverse organisation in terms of its ethnic and cultural make-up and this is something which we continue to promote. 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. 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.

	2015 Number	**%**	2014 Number	%
Women employees	**1,391**	**26**	1,688	29
Women senior managers	**91**	**34**	91	32
Women Group Board Directors	**3**	**38**	3	33
Employees with over 15 years' service	**1,126**	**21**	1,178	20
Employees over 50	**380**	**7**	512	9

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
A review of the functional performance of the Group is provided in the Strategic Report.

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 in the Strategic Report.

Annual General Meeting
The Company's 2015 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 22 September 2015. The resolutions which will be proposed at the 2015 Annual General Meeting are set out in the separate Notice of Annual General Meeting which accompanies these Governance and Financial Statements.

Share capital
As at 31 May 2015, the Company's issued share capital consisted of 428,724,960 Ordinary Shares of 1p each.

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

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

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

Purchase of own shares
Pursuant to Shareholder approval given at the 2014 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 2015 Annual General Meeting. No shares were purchased from 1 June 2014 to 21 July 2015 (2014: 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

S P Plant
Company Secretary
21 July 2015

GOVERNANCE

Report on Directors' Remuneration
Chairman's Statement

Introduction
On behalf of the Board, I am pleased to present our 2015 Remuneration Report. 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.

The Annual Report on Remuneration (pages 19 to 27) sets out how we implemented our Remuneration Policy for the year ended 31 May 2015 and how we intend to implement it during the year ending 31 May 2016. This will be put to an advisory Shareholder vote at our Annual General Meeting (AGM) on 22 September 2015. There are no changes to the Remuneration Policy which was approved by our Shareholders at last year's AGM. Our approved Policy is provided on pages 10 to 18 for reference.

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 2014/15
The Group delivered a solid performance in the year ended 31 May 2015 with underlying revenue and operating profit growth of 2.3 per cent and 2.7 per cent respectively. This performance was set against a background of tough trading conditions in most markets and a significant weakening in currencies which impacted profits by around £4m. As a result, the Board was able to declare a further increase in the full year dividend, marking 42 consecutive years over which the dividend has been increased year-on-year.

In addition, a number of important strategic initiatives were successfully completed in the year as part of the Group's long-term growth strategy to focus on higher growth and value add businesses. Examples include the acquisition of the Australian food brand five:am and the buy out of the Nutricima beverage business from our joint venture partner. Good progress was also made in respect of the ongoing programme to evolve the organisation towards a new Target Operating Model and the Group-wide implementation of a new SAP-enabled IT system, both of which will deliver significant operational efficiencies. This, combined with a focus on talent and succession planning, seeks to secure the long term health of the business. In addition, actions taken in the year were consistent with the long term strategy to deliver sustainable value and enable the Group to meet the carbon emission and water consumption reduction targets set at the beginning of the year.

Key aspects of remuneration earned during the year were:

- **Salary reviews –** As disclosed in last year's report, the salary of the CEO was increased by 5 per cent on 1 September 2014. The CFO's and COO's salaries were increased by 4 per cent. These increases were within the range of salary increases provided to other employees elsewhere in the PZ Cussons Group.
- **Bonus pay-out of 72.85 per cent of maximum opportunity –** In 2014/15 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. The balance of maximum bonus opportunity was dependent on delivery of i) a profit before tax stretch target and ii) certain strategic and CSR stretch non-financial objectives which, at the end of the period, the Committee concluded should have equal weighting, thereby better reflecting those priorities upon which the Executive Directors had been focussed during the year.

  Strong performance was delivered against all three financial measures and, in addition, the non-financial strategic and CSR stretch targets were largely achieved. As a result, the Executive Directors qualified for total bonus payments equivalent to 72.85 per cent of their maximum opportunity in respect of the year.

  The Committee has carefully considered the extent to which it is appropriate to disclose the detailed targets and, whilst we believe that future targets are commercially sensitive, the targets set for 2014/2015 are disclosed retrospectively in the Annual Report on Remuneration.
- **Long-term incentives –** As signalled in last year's report, no long term incentives vested in 2014/15. The performance conditions set in respect of the awards made to Executive Directors in 2012 under the Performance Share Plan were partially achieved over the three year period ended 31 May 2015, with the result that 32.5 per cent of the awards will shortly vest. As required, details of those awards are included in the tables within the Annual Report on Remuneration.

Changes in 2015/16

Last year, the Committee undertook a comprehensive review of executive remuneration arrangements, including the operation of each incentive plan, a benchmarking analysis and a review of market developments and current best practice approaches. This culminated with the approval of a new Directors' Remuneration Policy at our AGM in September 2014 after a process of consultation with our largest Shareholders.

This year, the Committee is not proposing to make any changes to the Policy which would require further Shareholder approval. I should like to draw to the attention of Shareholders the following amendments to the implementation of our Remuneration Policy:

- **Clawback**

  Following the publication by the FRC of an updated version of the Corporate Governance Code in September 2014, the Committee has resolved to revise the rules relating to the recovery of incentives provided to executives in certain circumstances.

  The Directors' Remuneration Policy already includes malus provisions which give the Committee the ability to scale back deferred awards (under both the Performance Share Plan and our annual bonus scheme) prior to vesting in the event of material misstatement, fraud or serious reputational damage.

  The new Code will apply to the Company for the first time in the 2015/16 financial year and the Committee has resolved to introduce 'clawback' provisions (again under both the Performance Share Plan and our annual bonus scheme). The rules of each incentive plan will be amended to enable the Committee to clawback awards made to Executive Directors and other senior executives for a period of up to two years from payment and/or vesting in the event of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business or iii) an erroneous calculation of a performance outcome. These changes will be introduced with effect from the awards to be made in respect of the 2015/16 financial year. We will also take the opportunity to amend the existing malus provisions so that they are consistent with these rules.

- **EPS growth targets**

  During the year the Committee reviewed the performance targets which will apply to the Performance Share Plan awards made to Executive Directors in the 2015/16 financial year.

  In recent years, awards made under the Performance Share Plan have been subject to the attainment over a three year performance period of predetermined targets based on growth in Earnings Per Share (EPS). For existing awards 25 per cent of awards vest in the event of compound EPS growth of 6 per cent p.a. over the period, rising on a straight-line basis to 100 per cent of awards vesting where compound EPS growth of 12 per cent p.a. is attained.

  The Committee considered the introduction of an additional performance measure but has concluded that EPS remains the most meaningful measure of long-term performance, providing a valuable line of sight for management and alignment with the interests of Shareholders.

  The Committee also reviewed the EPS performance targets in the context of the challenging economic and consumer market in which PZ Cussons is delivering performance. The Committee is also aware of PZ Cussons' ongoing significant and unmanageable exposure to adverse foreign exchange movements. In these circumstances, and following consultation with our largest Shareholders, the threshold compound EPS growth target for 2015/16 awards will be reduced to compound EPS growth of 4 per cent p.a. The target for maximum vesting will remain unchanged at compound EPS growth of 12 per cent p.a.

  The Committee is satisfied that these targets are appropriately challenging and the same stretching level of performance as applied in previous years will be required for the award to vest in full. We will, of course, keep this under review to ensure the performance targets for awards made in future years continue to remain appropriate.

- **Salary increases**

  The Committee has decided, with effect from 1 September 2015, to increase the base salaries of the CEO by 3.4 per cent and of the COO and CFO by 2.8 per cent. These increases are based on individual performance and are within the range of salary increases being awarded to the Group's wider UK-based employee population.

I hope you will find the Report on Directors' remuneration clear, transparent and informative and that this Statement has been helpful in setting out our approach to the 2015/16 financial year and our rationale behind the adjustments made. We are committed to engaging with Shareholders in respect of remuneration issues and welcome your views on the matters set out within the 2015 Report on Directors' remuneration.

Helen Owers
Chair of the Remuneration Committee

GOVERNANCE

Report on Directors' Remuneration

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 has also 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 as determined by the Remuneration Committee ('the Committee') and approved by Shareholders at the 2014 Annual General Meeting. The scenario charts relate to the Policy as applied for the first year in which it applied (2014/15). Since the Policy was approved by Shareholders the Committee has introduced additional clawback provisions and these are detailed in the Annual Report on Remuneration.

Remuneration framework

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

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fixed remuneration				
Base salary	To provide an appropriate level of fixed cash income to recruit and retain talent through the provision of competitively positioned base salaries.	Base salaries are normally reviewed annually taking into account: • the scope of the role and the markets in which PZ Cussons operates; • the performance and experience of the individual; • pay levels in other organisations of a similar size and complexity; and • pay increases elsewhere in the Group.	To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum for salary increases under this policy. Salary increases are reviewed in the context of salary increases across the wider Group. Any increase in excess of those elsewhere in the Group would be considered very carefully by the Committee. The circumstances in which higher increases may be awarded 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.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits	Recruitment and retention of senior executive talent through the provision of a competitively positioned and cost effective benefits package. Benefits may also be provided to assist in the effective performance of an Executive Director's duties.	Benefits 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.	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.
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.	A company pension contribution of 20 per cent of base salary in respect of each financial year into the scheme on behalf of the Executive Director, subject to a minimum employee contribution of 5 per cent of base salary, or cash allowance of up to 20 per cent of salary.	Not applicable.

GOVERNANCE

Report on Directors' Remuneration

Directors' Remuneration Policy *continued*

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Variable remuneration				
Annual Bonus Scheme and Deferred Annual Bonuses	Designed to motivate Executive Directors to focus on annual goals and milestones 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 per cent of base salary are payable in cash. If an annual bonus of more than 100 per cent of base salary is earned for a year, then any excess over 100 per cent 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 mis-statement 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 pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution.	The maximum annual bonus opportunity that may be earned for any year is 150 per cent 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.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan (PSP)	Designed to motivate the Executive Directors to focus on the generation of sustained shareholder value over the longer term and 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 per cent 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 mis-statement 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.	Award opportunities in respect of any financial year are limited to rights over shares with a market value determined by the Committee at grant of a maximum of 150 per cent 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 per cent of awards vest for threshold performance. 100 per cent of awards will vest for achieving stretching performance targets. For performance between threshold and maximum awards will vest on a straight line sliding scale.
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 per cent of salary and to reinvest half of any after-tax bonus or gain arising from the share incentive plans until this guideline is met.	Not applicable	Not applicable

GOVERNANCE

Report on Directors' Remuneration

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.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Non- executive Director				
Fees	To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-executive Directors.	Fees are normally reviewed every two years and amended to reflect market positioning and any change in responsibilities. The Committee recommends the remuneration of the 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.	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

Legacy awards

The Committee may make any remuneration payments and payments for loss of office where the terms of the payment were agreed:

- before the Policy came into effect; or
- 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.

GOVERNANCE

Report on Directors' Remuneration

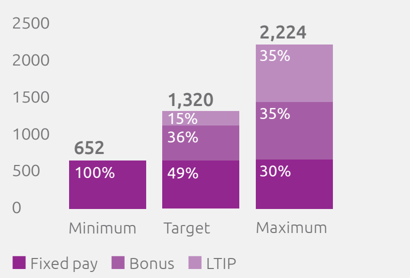
Directors' Remuneration Policy *continued*

Balance of fixed versus variable remuneration

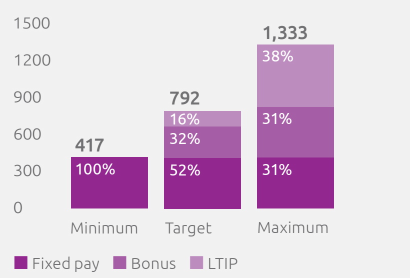
The Committee believes that an appropriate proportion of the executive remuneration package should be variable and performance-related in order to encourage and reward superior corporate and individual performance. The following charts illustrate executive remuneration in specific performance scenarios. 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	G A Kanellis – 150% of salary
		C G Davis – 60% of 125% of salary	C G Davis – 125% of salary
		B H Leigh – 60% of 125% of salary	B H Leigh – 125% of salary
Long term incentive plans	0%	**25% of award**	**100% of award**
		G A Kanellis – 25% of 150% of salary	G A Kanellis – 150% of salary
		C G Davis – 25% of 125% of salary	C G Davis – 125% of salary
		B H Leigh – 25% of 125% of salary	B H Leigh – 125% of salary

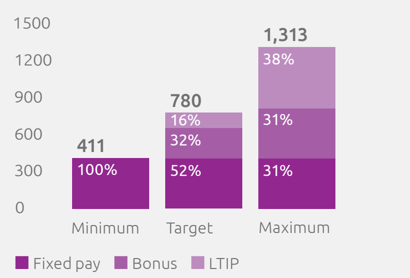
G A Kanellis
Total remuneration (£000)



C G Davis
Total remuneration (£000)



B H Leigh
Total remuneration (£000)



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 per cent 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; and
- the treatment of outstanding variable remuneration shall be as determined by the relevant plan rules, as set out below:

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 (ie 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.

GOVERNANCE

Report on Directors' Remuneration

Directors' Remuneration Policy *continued*

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 and Mrs Silver will expire on 31 December 2015, 31 December 2017, 31 December 2015, 31 December 2017 and 31 March 2017 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.

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 2015.

	Salary/fees[1]		Benefits[2]		Bonus[3]		PSP[4]		Pension[5]		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executive Directors												
G A Kanellis	**543,840**	517,920	**22,490**	22,563	**601,477**[6]	408,845	**186,753**	–	**108,765**	103,584	**1,463,325**	1,052,912
C G Davis	**343,065**	329,095	**16,792**	16,850	**315,432**	259,790	**118,667**	–	**68,612**	65,350	**862,568**	671,085
B H Leigh	**337,425**	323,700	**16,990**	17,063	**310,241**	255,530	**116,716**	–	**67,484**	64,740	**848,856**	661,033
	1,224,330	1,170,715	**56,272**	56,476	**1,227,150**	924,165	**422,136**	–	**244,861**	233,674	**3,174,749**	2,385,030
Non-executive Directors												
R J Harvey	**250,000**	250,000	**–**	–	**–**	–	**–**	–	**–**	–	**250,000**	250,000
J A Arnold	**57,500**	57,500	**–**	–	**–**	–	**–**	–	**–**	–	**57,500**	57,500
N Edozien	**52,500**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**52,500**	52,500
S J N Heale[7]	**–**	30,625	**–**	–	**–**	–	**–**	–	**–**	–	**–**	30,625
H Owers	**55,115**	52,500	**–**	–	**–**	–	**–**	–	**–**	–	**55,115**	52,500
C Silver[8]	**52,500**	8,750	**–**	–	**–**	–	**–**	–	**–**	–	**52,500**	8,750
J T J Steel[9]	**27,423**	57,500	**–**	–	**–**	–	**–**	–	**–**	–	**27,423**	57,500
	495,038	509,375	**–**	–	**–**	–	**–**	–	**–**	–	**495,038**	509,375
Total	**1,719,368**	1,680,090	**56,272**	56,476	**1,227,150**	924,165	**422,136**	–	**244,861**	233,674	**3,669,787**	2,894,405

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 as well as results achieved are shown below. The values shown reflect the partial vesting of awards made under the Performance Share Plan in 2012, valued at the average price for the Company's shares over the period of three months ended 31 May 2015.

5 With effect from 1 June 2008, the Executive Directors became eligible for membership of the Company's 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 per cent 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 per cent of his salary, the difference between those contributions and 20 per cent 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 That part of the bonus payable to Mr Kanellis which exceeds 100 per cent of his basic salary is deferred into Company shares vesting three years after the award is determined, subject to malus provisions and continued employment.

7 Mr Heale retired from the Board on 31 December 2013.

8 Mrs Silver was appointed to the Board on 1 April 2014.

9 Mr Steel retired from the Board on 23 September 2014.

GOVERNANCE

Report on Directors' Remuneration

Annual Report on Remuneration *continued*

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 2015 the base salary of Mr Kanellis will increase by 3.4 per cent and the salaries of each of Mr Davis and Mr Leigh will increase by 2.8 per cent, in each case within the range of salary increases across the Group. The base salaries for the year ended 31 May 2014 and the year ended 31 May 2015 are as set out below:

	01/09/2013 Base salary	01/09/2014 Base salary	**01/09/2015 Base salary**	Increase %
G A Kanellis	524,160	550,400	**569,113**	3.4
C G Davis	333,060	346,400	**356,100**	2.8
B H Leigh	327,600	340,700	**350,240**	2.8

Non-executive Director fees

The fees payable to Mrs Owers increased by £5,000 during the year to reflect her appointment on 23 September 2014 as Chair of the Remuneration Committee. No other changes were made during the year to the fees payable to Non-executive Directors.

Non-executive Director fees are reviewed every other year and on 1 June 2015 the annual fees payable in respect of the chairmanship of principal standing committees were adjusted to better reflect market practice in comparable companies. As a result, with effect from the biennial review on 1 June 2015, the fees payable to Professor Arnold increased by £7,500 to £65,000 (to reflect his role as Senior Independent Director and his chairmanships of the Audit and Group Risk Committees), the annual fees payable to Mrs Owers increased by £5,000 to £62,500 (to reflect her role as Chair of the Remuneration Committee) and the annual fees payable to Ms Edozien increased by £7,500 to £60,000 (to reflect her appointment as Chair of the CSR Committee).

The annual fees payable to each of Mr Harvey and Mrs Silver remain unchanged.

Annual bonus

Bonus for the year ended 31 May 2015

In respect of the year ended 31 May 2015, each of the Executive Directors participated in the Senior Executive Annual Bonus Scheme.

Under this scheme, the CEO was eligible to earn a cash bonus of up to 150 per cent of base salary and the CFO and COO were each eligible to earn a cash bonus of up to 125 per cent of base salary. Any bonus awards earned in excess of 100 per cent of base salary are deferred into Company shares vesting three years after the award is determined, subject to malus provisions and continued employment.

The on-target element of the annual bonus (representing 60 per cent of maximum opportunity) was dependent on the achievement of stretching profit before tax, net working capital and operating contribution margin performance targets. A bonus was only payable in circumstances where a minimum financial performance gateway of 90 per cent of target profit before tax was achieved. Subject to that gateway being attained, Executive Directors earn a bonus in respect of each financial target on a sliding scale basis once a minimum of 90 per cent of each target was achieved. The balance (40 per cent) of maximum bonus opportunity was dependant on delivery of a profit before tax stretch target and certain non-financial objectives, in each case subject to achieving the same profit before tax threshold as above. At the conclusion of the year, the Committee looked back over the period and reconsidered the most appropriate weighting to apply in respect of i) the profit before tax stretch target and ii) the non-financial objectives which, together, determined the above-target element of the annual bonus and concluded that 20 per cent of maximum bonus opportunity should be payable in respect of each, better reflecting those priorities upon which the Executive Directors had been focussed during the year. This is consistent with the Remuneration Policy as approved last year.

Over the year, the Company achieved profit before tax and exceptional items of £108.8m (target: £108.6m), a net working capital margin of 21.9 per cent (target: 20.7 per cent) and an operating contribution margin of 18.9 per cent (target: 18.7 per cent). On this basis and in relation to the on-target element of the annual bonus, the Executive Directors earned 55.05 per cent of their maximum bonus opportunity (comprising 42 per cent in respect of the profit before tax target, 4.05 per cent in respect of the net working capital margin target and 9 per cent in respect of operating contribution margin target). The non-financial targets (relating to progress on the introduction of the Group's revised operating model, the deployment of SAP, entry into certain new export markets, the development of talent and succession planning and CSR objectives related to reduction in carbon emissions and water consumption) were largely attained (as a consequence of which the Executive Directors earned 17 per cent of maximum bonus opportunity). The profit before tax stretch target was partially attained (0.8 per cent of maximum bonus opportunity).

As a consequence, each of the Executive Directors qualified for 72.85 per cent of his maximum bonus opportunity. In the case of Mr Kanellis, this resulted in a total bonus payment equivalent to 109.28 per cent of his annual basic salary whilst Messrs Davis and Leigh each qualified for a total bonus payment equivalent to 91.06 per cent of his annual basic salary. That part of Mr Kanellis' bonus which exceeded in value 100 per cent of his annual basic salary was deferred into Company shares vesting three years after the award is determined.

2016 annual bonus framework

Executive Directors will continue to participate in the Senior Executive Annual Bonus Scheme in respect of the year ending 31 May 2016. The Directors consider that the Group's future targets are matters which 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, there have been no changes to the structure of or level of opportunity available under the Scheme and the principal features of the Scheme remain as follows:

- maximum opportunity remains at 150 per cent of salary for the CEO and 125 per cent of salary for the CFO and COO;
- any bonus awards earned in excess of 100 per cent of base salary will be deferred into Company shares vesting three years after the award is determined, subject to clawback provisions (as detailed below) and continued employment;
- the target award will remain at 60 per cent 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 on the same basis as applied in 2015;
- 20 per cent of maximum opportunity will be available for delivering non-financial objectives subject to achieving the same profit before tax threshold as above; and
- 20 per cent of maximum opportunity will be available for delivering a profit before tax stretch target.

The UK Corporate Governance Code published by the Financial Reporting Council in September 2014 will apply to the Company for the first time in respect of the year ending 31 May 2016. Reflecting best practice as set out in the Code, the Committee has resolved that awards made under the Senior Executive Annual Bonus Scheme in respect of the year ending 31 May 2016 will include new 'clawback' provisions which would enable the Committee to clawback awards made to Executive Directors and other senior executives for a period of up to two years from payment and/or vesting in the event of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business or iii) an erroneous calculation of a performance condition. The existing malus provisions will be amended so that they operate in a consistent fashion.

GOVERNANCE

Report on Directors' Remuneration

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. A new version of the Plan, the 2014 Performance Share Plan, was approved and adopted at the 2014 Annual General Meeting; prior to this awards were made under a version of the Plan approved and adopted in 2008. For the purposes of this Report, both versions of the Plan are referred to as 'the Performance Share Plan'.

Awards vesting in respect of the year ended 31 May 2015

The year ended 31 May 2015 represented the final year of the three year performance period for awards made under the Performance Share Plan in 2012. The overall performance during the three years was such that a proportion of the awards (32.5 per cent) made to the Executive Directors will vest but the remainder will lapse, as below:

EPS performance	Targets	Level of vesting	Performance achieved	Resulting level of award (% of maximum opportunity)
Threshold	RPI + 4%	25%	RPI + 4.6%	32.5%
Maximum	RPI + 10%	100%		

Awards granted in the year ended 31 May 2015 (audited)

As disclosed in last year's Report on Directors' Remuneration and in line with the Company's Remuneration Policy, as set out on page 13, during the year ended 31 May 2015 awards were made to the Executive Directors under the Performance Share Plan over shares with a value equal to 150 per cent of base salary for the CEO and 125 per cent for the COO and CFO. Any awards earned in excess of 100 per cent 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. These awards are subject to adjusted Earnings Per Share growth targets measured over the single three year performance period commencing on 1 June 2014.

No proportion of the awards may vest unless the Group's adjusted Earnings Per Share grow by at least 6 per cent per annum compounded over the relevant performance period. 25 per cent of the award will vest where adjusted Earnings Per Share grow by 6 per cent per annum rising on a straight line pro rata basis to 100 per cent vesting where adjusted Earnings Per Share grow by 12 per cent 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	2014 Performance Share Plan	150% of salary	223,135	£825,600	25%	24 September 2017
C G Davis	2014 Performance Share Plan	125% of salary	117,027	£433,000	25%	24 September 2017
B H Leigh	2014 Performance Share Plan	125% of salary	115,101	£425,874	25%	24 September 2017

Face value has been calculated using the average mid-market closing share price on 23 September 2014 of 370p 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 ending 31 May 2016

The Committee intends to make awards under the Performance Share Plan to Executive Directors during the year ending 31 May 2016 on the same basis as the prior year and in line with the Company's Remuneration Policy. Award levels remain unchanged from 2014/15 awards. The Committee proposes to continue to make awards subject to the attainment of targets related to growth in adjusted Earnings Per Share. The Committee has considered the introduction of an additional performance measure but has concluded that this is not appropriate for the Company and that Earnings Per Share alone remains the most meaningful measure of long-term performance, providing a valuable line of sight for management and alignment with the interests of Shareholders.

The Committee has also reviewed the most appropriate EPS performance targets. The Committee considers that long-term EPS growth targets should strike the right balance between incentivising management and aligning with Shareholders' experience. In this respect, it has been particularly conscious of the challenging economic and consumer market context in which PZ Cussons is delivering performance. For awards to be made in the year ending 31 May 2016 the minimum threshold compound EPS growth target, at which 25 per cent of awards will vest, will be compound EPS growth of 4 per cent p.a. The target for maximum vesting will remain unchanged at compound EPS growth of 12 per cent p.a. The Committee is satisfied that these targets are appropriately challenging and the same stretching level of performance as has applied in previous years will be required for the award to vest in full. The Committee will, of course, keep this under review to ensure the performance targets for awards made in future years remain appropriate.

In line with its decision in respect of awards under the Senior Executive Annual Bonus Scheme, the Committee has resolved to introduce 'clawback' provisions for awards under the Performance Share Plan awards which will be granted during the year ending 31 May 2016. The rules of each incentive plan will be amended to enable the Committee to clawback awards made to Executive Directors and other senior executives for a period of up to two years from vesting in the event of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business or iii) an erroneous calculation of a performance condition. These changes will be introduced with effect from the awards to be made in respect of the year ending 31 May 2016. The existing malus provisions applying to the Performance Share Plan will be amended so that they are consistent.

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 2015 was £329,612 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 2015 was £115,043 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 2015 was £26,294 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 19.

GOVERNANCE

Report on Directors' Remuneration

Annual Report on Remuneration *continued*

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 per cent of the issued Ordinary Share capital of the Company to satisfy awards to participants nor more than 5 per cent of the issued Ordinary Share capital for executive share plans. In respect of awards made during the year ended 31 May 2015 under the Company's share incentive plans, no new Ordinary Shares were issued.

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 per cent of salary from time to time; and
- until this share ownership threshold is met, to invest 50 per cent of any after-tax annual bonus into the Company's shares. They are also required to retain shares with a value equal to 50 per cent 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 2015.

Richard Harvey (Chairman) is also required under his letter of appointment to invest 20 per cent 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 2015 (together with interests held by his connected persons) were:

	Ordinary Shares held at 1 June 2015[1]	Interests in share incentive schemes which are not subject to any performance condition as at 1 June 2015[2]	Interests in share incentive schemes which are subject to any performance condition as at 1 June 2015[3]
G A Kanellis	681,699	–	519,640
C G Davis	323,677	131,539	305,431
B H Leigh	128,297	–	300,417

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 (including the whole of the awards made in 2012).

The Non-Executive Directors' shareholdings are disclosed on page 5 within the Report of the Directors.

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 2014	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2015**	Option exercise price (£)	Market price at date of award (£)	Earliest date of exercise	Expiry date	Exercise/ transfer date
G A Kanellis	06-Aug-07	197,309	–	197,309	–	**–**	1.6725	3.735	06-Aug-10	06-Aug-17	28-Aug-14
C G Davis	06-Aug-07	131,539	–	–	–	**131,539**	1.6725	–	06-Aug-10	06-Aug-17	–

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

Performance Share Plan (audited)

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

	Date of award	Number of options/ awards at 1 June 2014	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2015**	Market price at date of award (£)	Vesting/ transfer date
G A Kanellis	28-Jul-11	127,320	–	–	127,320	**–**	3.77	–
	26-Jul-12	163,672[1]	–	–	–	**163,672**	3.11	26-Jul-15
	24-Jul-13	132,833	–	–	–	**132,833**	3.946	24-Jul-16
	24-Sep-14	–	223,135	–	–	**223,135**	3.70	24-Sep-17
C G Davis	28-Jul-11	80,900	–	–	80,900	**–**	3.77	–
	26-Jul-12	104,000[2]	–	–	–	**104,000**	3.11	26-Jul-15
	24-Jul-13	84,404	–	–	–	**84,404**	3.946	24-Jul-16
	24-Sep-14	–	117,027	–	–	**117,027**	3.70	24-Sep-17
B H Leigh	28-Jul-11	79,570	–	–	79,570	**–**	3.77	–
	26-Jul-12	102,295[3]	–	–	–	**102,295**	3.11	26-Jul-15
	24-Jul-13	83,021	–	–	–	**83,021**	3.946	24-Jul-16
	24-Sep-14	–	115,101	–	–	**115,101**	3.70	24-Sep-17

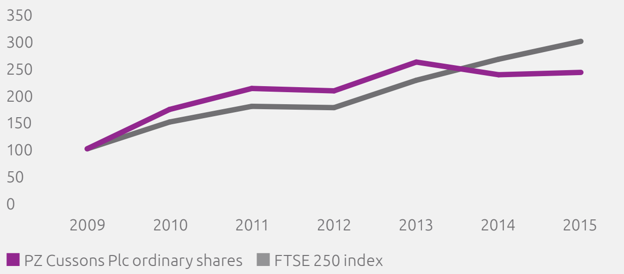
[1] Awards over 53,193 shares will vest on 26 July 2015; awards over 110,479 shares will lapse.
[2] Awards over 33,800 shares will vest on 26 July 2015; awards over 70,200 shares will lapse.
[3] Awards over 33,245 shares will vest on 26 July 2015; awards over 69,050 shares will lapse.

Performance graph

The graph below illustrates the performance of PZ Cussons Plc measured by Total Shareholder Return (TSR) over the six year period to 31 May 2015 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 the FTSE 250 index TSR

Value (£)



Chief Executive Officer remuneration for previous six years

	Total remuneration	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2014/15	**1,463,325**	**72.85%**	**32.5%**
2013/14	1,052,912	78.0%	0%
2012/13	1,104,089	69.5%	0%
2011/12	599,070	0%	0%
2010/11	1,484,017	18.0%	100.0%
2009/10	1,403,984	67.8%	N/A

GOVERNANCE

Report on Directors' Remuneration

Annual Report on Remuneration *continued*

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 2014 and 31 May 2015, and the percentage change.

	2015 £m	2014 £m	% change
Total employee costs	**99.9**	103.9	(4)%
Dividends paid	**33.0**	32.2	3%
Profits before tax and exceptional terms	**108.8**	115.0	(5)%

Change in CEO remuneration and for employees as a whole over 2015

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 2014 to 2015.

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			
	2015	2014	% change	Average for other employees % change
Salary	**543,840**	517,920	5%	2.5%
Benefits	**22,490**	22,563	0%	2.5%
Bonus	**601,477**	408,845	47%	(11.1)%

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.

- Mr J Steel (Chairman until his retirement from the Board on 23 September 2014)
- Mrs H Owers (Chair from 23 September 2014)
- Professor J Arnold
- Ms N Edozien
- Mrs C Silver

The Committee was advised in relation to Directors' remuneration during the year by Deloitte LLP. Deloitte is a founder member of the Remuneration Consultants Group and has signed the voluntary Code of Practice for remuneration consultants. Deloitte were appointed by the Committee and the Committee is satisfied that the advice they have received from Deloitte has been objective and independent.

During the year, Deloitte provided advice on market data and assisted with the Committee's review of executive remuneration matters. The fees paid to Deloitte in respect of this work were charged on a time and expenses basis and totalled £44,000. Deloitte LLP also provided advisory services to the Group during the year relating to tax advice. 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) 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. Invitees are not involved in any decisions or discussions regarding their own remuneration.

Statement of shareholder voting

The Committee is directly accountable to Shareholders and, in this context, is committed to an open and transparent dialogue with Shareholders on the issue of executive remuneration. During the year, the Committee actively engaged widely with key Shareholders and Shareholder representative bodies in respect of the approach to executive remuneration, including the performance conditions to be applied to awards under the Performance Share Plan, and their comments were considered when agreeing the proposed approach. The Remuneration Committee Chair will be available to answer questions from Shareholders regarding remuneration at the 2015 Annual General Meeting.

The votes cast by proxy at the Annual General Meeting held on 23 September 2014 in respect of resolutions relating to Directors' remuneration are shown below.

Advisory vote on the report on Directors' remuneration:

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
346,084,398	99.65%	1,226,279	0.35%	347,310,677	9,298,041

Adoption of the Policy on Directors' remuneration:

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
307,552,430	87.60%	43,536,321	12.40%	351,088,751	5,529,133

By order of the Board of Directors

H Owers
Chair of the Remuneration Committee
21 July 2015

GOVERNANCE

Report on Corporate Governance

The Board is committed to meeting the standards of good Corporate Governance as established by the Financial Reporting Council from time to time. In respect of the year ended 31 May 2015, 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 Report on Directors' 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 eight members comprising the Non-executive Chairman, the Chief Executive, two other Executive Directors and four other Non-executive Directors. The names of the Directors together with their biographical details are set out on pages 2 to 3. During the year, James Steel retired from the Board as 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 judgment. Mr Harvey is a Non-executive Director of Jardine Lloyd Thompson Plc, which acts as insurance broker to the Company, but the level of fees payable to Jardine Lloyd Thompson Plc is not material and Mr Harvey does not participate in any way in the provision of services on which basis 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 Plc, it has been agreed that Mr Harvey will withdraw from that meeting until such matters have been dealt with.

Professor Arnold is the Senior Independent Non-executive Director (a position which he assumed in September 2014 after the retirement of his predecessor, Mr Steel) 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.

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. In view of the existence of a group of 'controlling Shareholders' (see the Report of the Directors on page 5), the election or re-election of independent Directors is subject to a dual Shareholder vote. 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 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 Report of the Directors on page 6.

Performance evaluation

Effectiveness reviews of the Board and its committees are carried out annually. The 2015 review has been facilitated by the Company Secretary who, in conjunction with the Chairman of the Board, prepared a detailed questionnaire relating to the composition, governance and performance of the Board for completion by the Directors. The results of that exercise have been reviewed by the 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).

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 further occasions as necessary to consider specific matters arising and to review and develop the Company'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 Company's brokers.

The Board has adopted formal procedures for Directors to take independent professional advice where necessary at the Company'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 operating management. Training sessions have been organised during the year for the Board on matters considered relevant to the discharge of the Directors' duties and Directors may take additional training where necessary as part of their continuing development at the expense of the Company.

GOVERNANCE

Report on Corporate Governance *continued*

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 2015, the Committee members were Mr Harvey (Committee Chairman), Professor Arnold, Ms Edozien, Mr Kanellis, Mrs Owers, Mrs Silver and (until his retirement from the Board on 23 September 2014) Mr Steel. The Company Secretary is secretary to the Committee.

During the year, the Committee considered on behalf of the Board the extent to which the re-election of Ms Edozien and Mrs Owers at the expiry of their terms as Non-executive Directors should be recommended to the Board (in which respect Ms Edozien and Mrs Owers did not participate in the discussions regarding them) and received regular reports from the Executive Directors and the Group HR Director on senior executive talent management and succession planning throughout the Group. During the year, the Committee also considered the allocation of responsibilities in the light of the retirement of Mr Steel.

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 Mrs Owers (Committee Chair), Professor Arnold, Ms Edozien, Mrs Silver and (until his retirement from the Board on 23 September 2014) Mr Steel. The Company Secretary is secretary to the 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 Report on Directors' remuneration on pages 8 to 27.

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 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. The Audit Committee also reviews and approves arrangements by which staff can, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. This is achieved through using a third party reporting facility which accommodates telephone, web and email contacts and allows anonymity on request.

Composition of the Audit Committee

The Audit Committee comprises Professor Arnold (Committee Chairman), Ms Edozien, Mrs Owers, Mrs Silver and (until his retirement from the Board on 23 September 2014) Mr Steel. The Committee meets regularly with the external auditor. Professor Arnold, a qualified chartered accountant, brings 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 fulfil its responsibilities, the Committee meets 4 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 judgments
The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgments. The Committee reviews accounting papers prepared by management which provides details on the main financial reporting judgments. 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 relate to our brands and are a material balance sheet item. Annual impairment reviews are performed 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 is comfortable with the key assumptions applied and 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 pension scheme is provided in note 23 to the Financial Statements.

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). These activities have complex tax related consequences in a number of jurisdictions around the world where the approach of the tax authorities is particularly difficult to predict. Where appropriate, provisions are made using management's tax judgment. The Committee has reviewed the key judgments with management and considers the tax provisioning levels to be appropriate.

4. Promotional trade spend and related accruals
Trade spend is a significant expense for the Group, with the main judgment related to trade accruals, specifically the timing and extent to which temporary promotional activity has occurred. The Committee has reviewed with management its assessment of the control environment and the findings of Internal Audit relating to trade spend. It is the Committee's view that management operates an appropriate control environment which minimises the risks in this area.

5. Acquisition accounting
During the year the Group acquired five:am as well as completing the stepped acquisition of Nutricima, previously held as a joint venture. Management have used judgement in fair valuing the assets purchased, the valuation of brands and goodwill recognised and, in respect of the Nutricima acquisition, the fair value of consideration paid. The Committee has reviewed papers prepared by management addressing the accounting treatment applied. Based on this review the Committee is comfortable that the accounting for these transactions is appropriate.

6. Exceptional items
The Committee has considered the presentation of the Group Financial Statements, and, in particular, the presentation of exceptional items and the items included within such measures. The Committee has discussed this with management and agreed that the presentation provides more meaningful information to Shareholders about the underlying performance of the Group and the Committee agreed that the items presented as exceptional items have been treated in accordance with the Group's accounting policy.

At the request of the Board, the Committee considered whether the 2015 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 2015 Annual Report and Accounts are fair, balanced and understandable.

GOVERNANCE

Report on Corporate Governance *continued*

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.

Attendance at meetings

The number of scheduled meetings of the Board (excluding such ad hoc meetings as were necessary during the year to address specific matters arising) and of each of the Audit, Remuneration and Nomination Committees during the year ended 31 May 2015, 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	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
Mr G A Kanellis	6	6	n/a	n/a	n/a	n/a	3	3
Mr C G Davis	6	6	n/a	n/a	n/a	n/a	n/a	n/a
Mr B H Leigh	6	6	n/a	n/a	n/a	n/a	n/a	n/a
Mr R J Harvey	6	6	n/a	n/a	n/a	n/a	3	3
Prof J A Arnold	6	6	4	4	4	4	3	3
Ms N Edozien	6	6	4	4	4	4	3	3
Mrs H Owers	6	6	4	4	4	4	3	3
Mr J T J Steel	1	1	1	1	1	1	0	0
Mrs C Silver	6	6	4	4	4	4	3	3

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

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

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 include 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, Mrs Silver and (until his retirement from the Board on 23 September 2014) Mr Steel. 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 Good 4 Business report on pages 40 to 47 of the separate Strategic Review.

The CSR Committee comprises Ms Edozien (Committee Chair), Professor Arnold, Mr Davis, Mr Harvey, Mr Kanellis, Mr Leigh, Mrs Owers, Mrs Silver and (until his retirement from the Board on 23 September 2014) Mr Steel. 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.

Remuneration

Details of Directors' remuneration are set out in the Report on Directors' 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 Strategic Report. The financial position of the Group and liquidity position are described within the Financial Review which forms part of the Strategic Report. 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 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.

GOVERNANCE

Report on Corporate Governance *continued*

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 2015 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 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; and
- taking necessary action to remedy any significant weaknesses found as part of the review of the effectiveness of the internal control system.

Throughout the year, the Board 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 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. At the 2015 Annual General Meeting, for the first time voting on each resolution will be by way of a poll.

At each Annual General Meeting there is an update on the progress of the business over the last year and also on current trading conditions.

Compliance statement

The Directors consider that the Company complied with the provisions of the Code through the year ended 31 May 2015 and up to the date of this report.

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.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 2 to 3, 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

S P Plant
Company Secretary
21 July 2015

Contents

FINANCIAL STATEMENTS

Independent auditors' report

to the members of PZ Cussons Plc

Report on the Group financial statements

Our opinion

In our opinion, PZ Cussons Plc's group financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's affairs as at 31 May 2015 and of its 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.

What we have audited

PZ Cussons Plc's financial statements comprise:

- the Consolidated Balance Sheet as at 31 May 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; 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 the preparation of the financial statements is 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.

Our audit approach

Overview

Materiality

- Overall group materiality: £5.4m which represents 5 per cent of profit before tax and exceptional items.

Audit scope

- We conducted audit work in four countries in which the Group has significant operations.
- The reporting units we audited accounted for 74 per cent of Group revenue and 79 per cent of Group profit before tax and exceptional items.
- The Group engagement team visited one of the component audit teams, being the Group's largest component, Nigeria, to attend the audit clearance meeting and to discuss the audit approach and findings with the local audit team.
- For those countries not visited in the current year we maintained regular contact with the local team and evaluated the outcome of their audit work.

Areas of focus

- Goodwill and intangible assets impairment assessment.
- Accounting for, and presentation of, exceptional items.
- Accounting for customer rebates, discounts and other trade promotional spend.
- Determination of direct tax provisions.
- Selection of assumptions in relation to defined benefit pension scheme obligations.
- Accounting for the acquisitions of five:am and Nutricima.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

FINANCIAL STATEMENTS

Independent auditors' report *continued*

to the members of PZ Cussons Plc

Area of focus	How our audit addressed the area of focus
Goodwill and intangible assets impairment assessment	
Refer to page 31 of the statement of corporate governance, page 51 of the statement of accounting policies and note 10 of the consolidated financial statements. The Group has goodwill of £57.6m and other indefinite lived intangible assets of £294.1m as at 31 May 2015 which are required to be tested for impairment on an annual basis. Management has allocated these assets to individual cash generating units ('CGUs'), there is judgement around how these CGU's are identified. There is further judgement around the determination of recoverable amount of the GCUs, being the higher of value-in-use and fair value less costs to sell. We focused on this area because the determination of the recoverable amounts involves judgements and estimates based on management's view of the future results and prospects of the business, the appropriate discount rates and other key assumptions, including revenue and profit growth rates in the short and long term, to be applied and specific risk factors applied to the CGUs. As the Group's CGUs relate to different geographies including the UK, Nigeria and Australia specific consideration needs to be given to macro-economic and CGU specific risks in determining the most appropriate assumptions to adopt. Specific risk factors for Nutricima include currency risk, inflation differentials and country risk premium due to the trading environment in Nigeria.	We evaluated the process by which management prepared its cash flow forecasts and compared them against the latest Board approved forecasts. We evaluated the historical accuracy of forecasts, for example, comparing the forecasts used in the prior year model to the actual performance of the CGU in the current year. These procedures enabled us to determine the accuracy of the forecasting process. Through this work actual performance of the CGUs for the year ended 31 May 2015 was identified as being in line with the forecasts used as part of our work over impairment in the prior year. We evaluated revenue and profit forecasts included in management's value in use calculations. We compared forecast growth rates with historical performance as well as gaining an understanding of key factors and judgements applied in determining future growth rate assumptions. We inspected detailed forecast plans for each CGU which provided evidence of the key drivers for growth included within the cash flow forecasts. We assessed the appropriateness of management's discount rates, including the specific risk factors applied to the Nutricima CGU to reflect the specific risks associated with operating CGUs in Nigeria. The discount factors applied were consistent with those of peers and industry comparators for all CGUs. We challenged management on the appropriateness of its sensitivity calculations and also applied our own sensitivity analysis to the forecast cash flows and long term growth rates to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, require the impairment of goodwill and other intangibles. From the work performed no reasonably possible change in any of the assumptions was identified that would give rise to an impairment.
Accounting for, and presentation of, exceptional items	
Refer to page 31 of the statement of corporate governance, page 50 of the statement of accounting policies and note 3 of the consolidated financial statements. In the past few years the Group has had significant levels of 'exceptional items' which are disclosed separately within the Income Statement and are excluded from management's reporting of the underlying performance of the Group. The nature and use of these 'exceptional items' is explained within the Group accounting policy and includes restructuring costs, gains or losses arising on acquisitions or disposals and costs resulting from non-recurring provisions. This year the Group has identified £22.8m of exceptional items which primarily relate to the Group's supply chain optimisation program, the Group's structure and systems program, the acquisition of five:am, the divestment and sale of the Polish manufacturing facility and the provision against a Nigerian government receivable. We focused on this area, specifically to assess whether the items identified by management meet the definition within the Group's accounting policy and have been treated consistently, because the identification of such items requires judgement by the Directors. Consistency in the identification and presentation of these items is important to ensure comparability of year on year reporting within the Annual Report.	We challenged management's rationale for the designation of certain items as 'exceptional' and assessed such items against the Group's accounting policy and consistency of treatment with prior periods. We considered the items to materially meet the Group's definition of exceptional items and, given the nature of the supply chain optimisation and systems and structure programs, considered these costs to be exceptional in nature. The provision for the Nigerian government receivable is considered to be an exceptional item in line with the Group's accounting policy given the material amount of the provision recognised and the one off nature of the provision. We assessed the Group's policy for exceptional items which is focused on material one off costs and projects and considered the policy to be in accordance with IAS 1. We considered whether there were items that were recorded within underlying profit that we determined to be 'exceptional' in nature and should have been included within 'exceptional items' and found no such items.

Area of focus	How our audit addressed the area of focus
Accounting for customer rebates, discounts and other trade promotional spend	
Refer to page 31 of the statement of corporate governance and page 52 of the statement of accounting policies. As is industry practice, in each country in which the Group operates, but primarily in the UK and Australia, there are numerous types of complex commercial arrangements with retailers and other customers that have a range of terms (such as promotions, rebates and discounts). Estimates of the obligations at a reporting date in connection with these arrangements ('trade spend accruals') are material and can be judgemental. These judgements impact the reported results of the country, segment and the Group and in particular influence the calculation of Net revenue and Country operating profit, both of which are key performance indicators for management incentive schemes. Trade spend promotions have varying terms, some of which are supported by annual contracts, and others of which are based on shorter term arrangements entered into during the year. In addition the level and timing of promotions for individual stock keeping units varies from period to period, and activity can span over a year end. We focused on this area due to the complexity and level of judgement required in order to derive the estimates; for example the date of shipment to the retailer and period over which the promotion will run may differ, and details of the retailers' EPOS data may be required in order to determine the proportion of trade spend actually committed at the reporting date. Accordingly our focus included whether the accruals were complete, whether relevant spend was recorded in the correct period and how the accruals were valued.	Our audit procedures included understanding and evaluating the controls and systems related to the trade spend process and selectively testing those controls on which we planned to rely. Testing of controls included checking for appropriate authorisation for promotions and rebates and controls over the matching of customer claims against accrued amounts. Our approach combined testing management's controls and tests of details and, where applicable, additional substantive audit procedures to address specific areas of judgement. No material control deficiencies were identified. As part of our review of component teams' work the Group engagement team was specifically involved in determining the audit approach in this area to be satisfied that sufficient focus was placed on the more judgemental areas. As a result of this involvement we were satisfied that, whilst complex, the area was well understood and sufficient focus was placed on this risk area. Audit procedures across individual components included the following testing on a sample basis: • evaluating the accuracy of the prior year trade spend balance by comparing the historic accruals to actual spend incurred. The testing performed highlighted no material differences; • agreeing key elements of the estimates to supporting documentation such as promotion and rebate agreement and EPOS data. Testing performed found that estimates were supported by appropriate supporting evidence; • testing trade spend transactions around the year end to determine whether they had been recognised in the appropriate period. Testing performed found no material amounts had been recognised in the incorrect period; • testing of post year end claims from customer and post year end credit notes raised and agreeing that where claims / credit notes related to pre year end promotions they had been adequately accrued. Testing performed did not identify any material un-provided for amounts; and • tested aged customer receivable balances to identify any amounts that remained unpaid as trade spend deductions had been taken. Where identified the amounts were tested to check that corresponding accruals existed. Testing performed did not identify any material un-provided for amounts.
Determination of direct tax provisions	
Refer to page 31 of the statement of corporate governance, page 53 of the statement of accounting policies and note 7 of the consolidated financial statements. The Group operates in a number of overseas territories, including some with rapidly developing or highly ambiguous tax legislation, and regularly undertakes transactions with potentially complex or subjective tax implications. This includes, but is not limited to, acquisitions, disposals, reorganisations and transfer pricing arrangements. Where the amount of tax payable or receivable is uncertain the Group establishes provisions based on management's estimates of the probable amount payable, or receivable. We focused on the judgements made by management in assessing the quantification and likelihood of these potential exposures and therefore the level of provisions required against them. In particular we focused on the impact of disposals and restructuring, which could materially impact the amounts 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. We obtained explanations from management and obtained corroborative evidence, including communication with local tax authorities (where available) and copies of tax advice obtained by management from its external tax advisors, regarding the tax treatment applied to material transactions and the corresponding provisions recorded. We challenged the key underlying assumptions, particularly in territories where structuring transactions have occurred in the year; having due regard to correspondence between PZ Cussons and local tax authorities. We considered the direct tax provisions in place to be appropriate on the basis of management's best estimate of the information available, and the territories in which the Group operates.

FINANCIAL STATEMENTS

Independent auditors' report *continued*

to the members of PZ Cussons Plc

Area of focus	How our audit addressed the area of focus
Selection of assumptions in relation to defined benefit pension scheme obligations	
Refer to page 31 of the statement of corporate governance, page 56 of the statement of accounting policies and note 23 of the consolidated financial statements. The Group operates material defined benefit pension plans in the UK and certain overseas territories, principally Indonesia. An overall surplus of £16.2m is recognised in the Group's financial statements. The Group employs independent actuarial specialists in calculating the valuation of scheme liabilities. We focussed on this area because the magnitude of the gross pension plan liabilities is significant in the context of both the overall balance sheet and the results of the Group. 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.	For the UK and Indonesian defined benefit pension plans, we challenged the reasonableness of key actuarial assumptions as follows: • we compared the discount and inflation rates to our internally developed benchmarks based on market conditions and expectations at the balance sheet date; and • we assessed other assumptions, including pension increases, salary increases and mortality, based on market conditions and comparison across the wider pensions industry. We also tested 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. The results of our audit work have indicated that the financial and demographic assumptions used by management are within the appropriate ranges.
Accounting for the acquisitions of five:am and Nutricima	
Refer to page 31 of the statement of corporate governance, page 50 of the statement of accounting policies and note 29 of the consolidated financial statements. During the year the Group acquired five:am, a business based in Australia, as well as completing a stepped acquisition of Nutricima, a business operating in Nigeria and previously held as a joint venture with a third party. The acquisition accounting relating to five:am included the recognition of a material intangible asset relating to the brand itself. This involves significant judgement by the Directors and the application of assumptions, including royalty rates, changes in which could materially alter the allocation of acquired value between intangible assets and goodwill. The acquisition accounting relating to Nutricima is inherently more complex as this constituted a 'stepped acquisition' and therefore required the Group's existing interest in the business, as well as the assets and liabilities acquired, to be re-measured at fair value. Determination of an appropriate fair value involves significant judgement, particularly relating to the valuation of intangible assets, primarily the value of the Nutricima brands. Management also recognised fair value provisions of £7.5m and £5.2m respectively in respect of property, plant and equipment and a Nigerian Government receivable.	We evaluated the presentation and disclosure in the Group's financial statements, including consideration of fair presentation and with respect to the requirements of IFRS 3 – Business Combinations. We challenged the reasonableness of key assumptions used in management's calculation of the fair values attributed to intangible assets acquired, including the forecast future cash flows, growth rates and discount rates, based on past performance of each brand's products and management's future plans. We tested royalty rates used to determine the value of brands against market comparable rates and found the rates used to be appropriate. We tested management's fair value assessment of its existing interest in the Nutricima joint venture prior to acquisition. We inspected the sale and purchase agreement to understand the structure and terms of agreement and considered the fair value assessment to be in line with the structure of the acquisition and the terms of the sale and purchase agreement. We tested management's fair value calculation in respect of property, plant and equipment and their assessment of replacement cost as a proxy for the market fair value. We tested key assumptions applied and considered them to be appropriate. We considered whether there was sufficient evidence as at the date of acquisition to make provision against the Nigerian Government receivable, as discussed under the exceptional items area of focus. We considered the economic conditions in Nigeria at the time and actions being taken by other Nigerian entities and concluded that there was sufficient evidence to support the provision being made as at the date of acquisition.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has operations in a range of different geographies and is structured across three main business lines being Africa (Nigeria, Kenya and Ghana), Europe (UK, Poland, Greece and USA) and Asia (Indonesia, Australia, Thailand and Dubai) which comprise the Group's operating segments as set out in note 2 to the financial statements.

Each Country within the aforementioned geographical regions consists of a number of management reporting entities which are consolidated by Group management. The Group financial statements are a consolidation of 36 reporting units representing the Group's operating businesses within these geographic-based divisions and the centralised functions.

The reporting units vary in size and we identified 11 reporting units from across the three geographic operating divisions which required an audit of their complete financial information due to their individual size or risk characteristics. These reporting units subject to audit accounted for 79 per cent of the continuing Group's profit before tax and exceptional items and 76 per cent of the Group's revenue.

Seven of the 11 reporting units are audited by three component auditor teams, with the remaining 4 audited by the Group engagement team. The Group engagement team visited one of the three local component teams, being the largest component, Nigeria, which accounts for four of the 11 reporting units, to meet with local management, attend audit clearance meetings and discuss the audit approach and findings with the local audit teams. For those countries not visited we either attended the clearance meetings via a conference call or had regular communication with the local teams before and during their audit. Our attendance at the clearance meetings and review and discussion of reporting received from local component teams, together with the additional procedures performed at Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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 financial statements as a whole as follows:

Overall Group materiality	£5.4m (2014: £5.75m).
How we determined it	5 per cent of profit before tax and exceptional items.
Rationale for benchmark applied	Profit before tax and exceptional items was selected as this provides us with a consistent year on year basis for determining materiality and, we believe, is the metric most commonly used by Shareholders as a body in assessing Group performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.25m (2014: £0.25m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 33, 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 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.

FINANCIAL STATEMENTS

Independent auditors' report *continued*
to the members of PZ Cussons Plc

Other required reporting
Consistency of other information
Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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 Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the Directors on page 35, in accordance with provision C.1.1 of the UK Corporate Governance Code ('the Code'), 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 is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on pages 30 to 32, as required by provision C.3.8 of the Code, 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.

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 are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Report of Corporate Governance relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities, 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.

What an audit of financial statements involves

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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Other matter

We have reported separately on the company financial statements of PZ Cussons Plc for the year ended 31 May 2015 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
21 July 2015

FINANCIAL STATEMENTS

Consolidated income statement

Year ended 31 May 2015

		Year ended 31 May 2015			Year ended 31 May 2014		
		Before exceptional items	Exceptional items (note 3)	Total	Before exceptional items	Exceptional items (note 3)	Total
	Notes	£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	**819.1**	**–**	**819.1**	861.4	–	861.4
Cost of sales		**(493.3)**	**–**	**(493.3)**	(524.4)	–	(524.4)
Gross profit		**325.8**	**–**	**325.8**	337.0	–	337.0
Selling and distribution costs		**(146.7)**	**–**	**(146.7)**	(145.3)	–	(145.3)
Administrative expenses		**(69.0)**	**(24.8)**	**(93.8)**	(76.8)	8.7	(68.1)
Share of results of joint ventures	12	**4.3**	**–**	**4.3**	1.5	–	1.5
Operating profit/(loss)	2	**114.4**	**(24.8)**	**89.6**	116.4	8.7	125.1
Finance income		**0.8**	**–**	**0.8**	2.6	–	2.6
Finance costs		**(6.4)**	**–**	**(6.4)**	(4.0)	–	(4.0)
Net finance costs	6	**(5.6)**	**–**	**(5.6)**	(1.4)	–	(1.4)
Profit/(loss) before taxation		**108.8**	**(24.8)**	**84.0**	115.0	8.7	123.7
Taxation	7	**(27.8)**	**1.7**	**(26.1)**	(29.9)	4.9	(25.0)
Profit/(loss) for the year	4	**81.0**	**(23.1)**	**57.9**	85.1	13.6	98.7
Attributable to:							
Owners of the Parent	9	**75.5**	**(23.1)**	**52.4**	76.3	15.1	91.4
Non-controlling interests		**5.5**	**–**	**5.5**	8.8	(1.5)	7.3
		81.0	**(23.1)**	**57.9**	85.1	13.6	98.7
Basic EPS (p)	9			**12.45**			21.52
Diluted EPS (p)	9			**12.44**			21.45
Adjusted basic EPS (p)	9			**17.94**			17.96
Adjusted diluted EPS (p)	9			**17.92**			17.91

Consolidated statement of comprehensive income
Year ended 31 May 2015

	2015 £m	2014 £m
Profit for the year	**57.9**	98.7
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment obligations	**(6.7)**	(1.5)
Deferred tax on remeasurement loss on post-employment obligations	**1.3**	1.3
Total items that will not be reclassified to profit or loss	**(5.4)**	(0.2)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(37.5)**	(45.9)
Cash flow hedges – fair value gain/(loss) in year	**2.8**	(1.5)
Tax on items that may be subsequently reclassified to profit or loss	**(0.5)**	0.1
Total items that may be subsequently reclassified to profit or loss	**(35.2)**	(47.3)
Other comprehensive expense for the year net of taxation	**(40.6)**	(47.5)
Total comprehensive income for the year	**17.3**	51.2
Attributable to:		
Owners of the Parent	**18.6**	51.3
Non-controlling interests	**(1.3)**	(0.1)

FINANCIAL STATEMENTS

Consolidated balance sheet

At 31 May 2015

	Notes	31 May 2015 £m	31 May 2014 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	10	**356.6**	287.7
Property, plant and equipment	11	**209.1**	195.3
Other investments	13	**0.3**	0.3
Net investments in joint ventures	12	**28.6**	45.8
Trade and other receivables	15	**1.0**	4.4
Retirement benefit surplus	23	**43.4**	38.3
		639.0	571.8
Current assets			
Inventories	14	**163.7**	162.2
Trade and other receivables	15	**178.5**	166.7
Current asset investments	16	**0.3**	19.1
Cash and short term deposits	17	**55.4**	70.0
Current taxation receivable		**15.5**	13.1
		413.4	431.1
Total assets		**1,052.4**	1,002.9
Equity			
Share capital	24	**4.3**	4.3
Capital redemption reserve		**0.7**	0.7
Hedging reserve		**1.2**	(1.1)
Currency translation reserve		**(31.1)**	(0.4)
Retained earnings		**478.1**	480.5
Attributable to owners of the Parent		**453.2**	484.0
Non-controlling interests		**43.8**	52.4
Total equity		**497.0**	536.4
Liabilities			
Non-current liabilities			
Borrowings	18	**–**	103.5
Trade and other payables	20	**0.6**	0.7
Deferred taxation liabilities	21	**47.8**	41.8
Retirement benefit obligations	23	**27.1**	23.2
		75.5	169.2
Current liabilities			
Borrowings	18	**213.1**	15.0
Trade and other payables	19	**205.8**	222.4
Current taxation payable		**47.6**	46.8
Provisions	22	**13.4**	13.1
		479.9	297.3
Total liabilities		**555.4**	466.5
Total equity and liabilities		**1,052.4**	1,002.9

The financial statements from pages 44 to 87 were approved by the Board of Directors and authorised for issue.
They were signed on its behalf by:

R J Harvey **G A Kanellis**
21 July 2015

Consolidated statement of changes in equity

	Attributable to owners of the Parent						
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Non-controlling interests £m	Total £m
At 1 June 2013	4.3	38.1	0.7	437.3	0.3	65.6	546.3
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 remeasurement loss on post-employment obligations	–	–	–	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 by 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 interest	–	–	–	(0.6)	–	(0.2)	(0.8)
Non-controlling interests dividend paid	–	–	–	–	–	(12.9)	(12.9)
Total transactions with owners recognised directly in equity	–	–	–	(48.0)	–	(13.1)	(61.1)
At 31 May 2014	**4.3**	**(0.4)**	**0.7**	**480.5**	**(1.1)**	**52.4**	**536.4**
At 1 June 2014	**4.3**	**(0.4)**	**0.7**	**480.5**	**(1.1)**	**52.4**	**536.4**
Profit for the year	**–**	**–**	**–**	**52.4**	**–**	**5.5**	**57.9**
Other comprehensive income							
Remeasurement of post-employment obligations	**–**	**–**	**–**	**(6.7)**	**–**	**–**	**(6.7)**
Exchange differences on translation of foreign operations	**–**	**(30.7)**	**–**	**–**	**–**	**(6.8)**	**(37.5)**
Cash flow hedges – fair value gains in year	**–**	**–**	**–**	**–**	**2.8**	**–**	**2.8**
Cash flow hedges – tax on fair value gains	**–**	**–**	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Deferred tax on remeasurement loss on post-employment obligations	**–**	**–**	**–**	**1.3**	**–**	**–**	**1.3**
Total comprehensive income/(expense) for the year	**–**	**(30.7)**	**–**	**47.0**	**2.3**	**(1.3)**	**17.3**
Transactions with owners:							
Ordinary dividends	**–**	**–**	**–**	**(33.0)**	**–**	**–**	**(33.0)**
Acquisition of shares by ESOT	**–**	**–**	**–**	**(8.5)**	**–**	**–**	**(8.5)**
Share-based payments credit	**–**	**–**	**–**	**(0.9)**	**–**	**–**	**(0.9)**
Deferred tax on share-based payments	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**(6.8)**	**–**	**(3.1)**	**(9.9)**
Non-controlling interests dividend paid	**–**	**–**	**–**	**–**	**–**	**(4.2)**	**(4.2)**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**(49.4)**	**–**	**(7.3)**	**(56.7)**
At 31 May 2015	**4.3**	**(31.1)**	**0.7**	**478.1**	**1.2**	**43.8**	**497.0**

FINANCIAL STATEMENTS

Consolidated cash flow statement

Year ended 31 May 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	26	**61.6**	96.9
Taxation paid		**(18.5)**	(19.9)
Interest paid		**(6.4)**	(4.0)
Net cash generated from operating activities		**36.7**	73.0
Cash flows from investing activities			
Interest income		**0.8**	2.6
Purchase of property, plant and equipment	11	**(36.5)**	(33.0)
Proceeds from sale of property, plant and equipment		**0.1**	1.1
Proceeds from sale of Polish Home Care brands		**–**	46.6
Cash costs of sale of Polish Home Care brands		**–**	(6.2)
Costs incurred to gain control of Nutricima joint venture		**(21.0)**	–
Acquisition of five:am		**(39.5)**	–
Debt repaid as part of five:am acquisition		**(6.4)**	–
Acquisition of Greek vinegar brand and assets		**(5.4)**	–
Cash and cash equivalents obtained from acquired businesses		**1.7**	1.3
Acquisition of Rafferty's Garden		**–**	(42.2)
Repayment/(advance) of short-term deposits to joint ventures	16	**18.8**	(8.7)
Loans granted to joint ventures	12	**–**	(4.3)
Net cash used in investing activities		**(87.4)**	(42.8)
Financing activities			
Dividends paid to non-controlling interests		**(4.2)**	(12.9)
Purchase of shares for ESOT	25	**(8.5)**	(16.1)
Dividends paid to Company Shareholders	8	**(33.0)**	(32.2)
Acquisition of non-controlling interests	29	**(9.9)**	(0.8)
Repayment of term loan	18	**(15.0)**	(15.0)
Increase in borrowings	18	**102.0**	33.5
Net cash from/(used in) financing activities		**31.4**	(43.5)
Net decrease in cash and cash equivalents		**(19.3)**	(13.3)
Cash and cash equivalents at the beginning of the year		**70.0**	93.0
Effect of foreign exchange rates		**(2.9)**	(9.7)
Cash and cash equivalents at the end of the year	17	**47.8**	70.0

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 the inside back cover.

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

1. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to Companies reporting under IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by the IFRS IC.

The preparation of financial statements, in conformity with IFRSs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting 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 going concern basis and historical cost basis except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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:

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

The adoption of these new and amended standards has not had a material impact on the Group financial statements.

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. The following new standards, amendments and interpretations are effective from the dates stated below. Standards have been endorsed by the EU unless otherwise stated.

- IFRS 9, 'Financial Instruments' (effective 1 January 2018)
- IFRS 15, 'Revenue from Contracts with Customers' (effective 1 January 2017/2018)

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

1. Accounting policies *continued*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of PZ Cussons Plc and entities controlled by PZ Cussons Plc (its subsidiaries) made up to 31 May each year. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Any 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 as 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.

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

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 year. Such items are considered by the Directors to be exceptional in nature rather than being representative of the underlying trading of the Group, and may include, but are not limited to, such items as restructuring costs, acquisition related costs, material impairments of non-current assets, including receivables, material profits and losses on disposal of property, plant, equipment and 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', which are recognised and measured at the lower of the assets' previous carrying value and fair value less costs to sell. All acquisition costs are expensed as incurred as exceptional items.

Where acquisitions are achieved in stages, commonly referred to as 'stepped acquisitions', and results in control being obtained by the Group as part of a transaction, the Group re-assesses the fair value of its existing interest in associates or joint ventures as part of determining the fair value of consideration. In determining the fair value of the Group's existing interest reference is given to the fair value of consideration paid to increase the Group's interest in associates and joint ventures as well as considering the specific fair values of assets and liabilities transferred to gain control. Any increase or impairment of the Group's existing interest will be credited/charged to the income statement as an exceptional item.

Interests in joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PZ Cussons Plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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.

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.

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 more frequently where 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. A brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. 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.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

1. Accounting policies *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, rebates and sales related taxes but including interest receivable on sales on extended credit. Sales of goods are recognised when title has passed and the significant risks and rewards of ownership have been transferred which is generally on receipt or collection by customers. Should management consider that the criteria for recognition are not met, revenue is deferred until such time as the consideration has been fully earned.

Trade spend, which consist primarily of customer pricing allowances, placement/listing fees and promotional allowances, are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

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.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Cumulative foreign currency translation differences arising on the translation and consolidation of foreign operations' income statements and balance sheets denominated in foreign currencies are recorded as a separate component of equity. On disposal of a foreign operation the cumulative translation differences will be transferred to the income statement in the period of the disposal as part of the gain or loss on disposal.

Finance income and expense

Finance income and expense 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 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 were measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date was expensed on a straight-line basis over the vesting period. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The awards under the Performance Share Plan are measured at the fair value at the date of grant and are expensed over the vesting period based on the expected outcome of the performance and service conditions. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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 charge will be treated as a cash-settled transaction.

Taxation

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

Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current and deferred tax is calculated using tax rates that have been in effect throughout the year.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, 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.

FINANCIAL STATEMENTS

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 year.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

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 sale 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 cashflows. Subsequent recoveries of previously impaired trade receivables are recognised as a credit to profit.

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 in 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.

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 initially recorded at fair value, net of direct issue costs and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the year in which they arise.

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.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

1. Accounting policies *continued*

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

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.

Retirement benefit obligations

The Group operates retirement benefit schemes in the United Kingdom and for most overseas countries in which it carries out 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. 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.

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:

Pensions

As disclosed in note 23, the Group's UK defined benefit pension schemes are closed to new members and future accruals. Year-end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet.

Accounting for intangible assets and goodwill

The Group records all intangible assets acquired as part of a business combination at fair value. Intangible assets are deemed to have indefinite lives and as such are not amortised but are subject, as a minimum, to annual tests for impairment. Determining whether intangible assets are impaired requires an estimation of the recoverable amount through value in use of the cash-generating units 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, sensitivities and key assumptions are discussed in note 10.

Current tax

The current tax liability/asset directly relates to the actual tax payable/receivable 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.

Trade promotions

The Group provides for amounts payable to trade customers for promotional activity. Where a promotional activity spans across the year end, an accrual is reflected in the Group accounts based on our expectation of customer and consumer uptake during the promotional period and the extent to which temporary promotional activity has occurred. This requires management to apply judgement and estimates based on historical trends and known activity to date and should actual uptake differ from that estimated this could impact the results of the Group.

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. 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 the performance based on operating profit before any exceptional items. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that of the financial statements.

Revenues and operating profit of the Europe 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.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

2. Segmental analysis *continued*

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

Business segments

2015	Africa £m	Asia[1] £m	Europe[2] £m	Eliminations £m	Total £m
Gross segment revenue	362.3	211.6	428.8	(183.6)	819.1
Inter segment revenue	(5.5)	(12.5)	(165.6)	183.6	–
Revenue	356.8	199.1	263.2	–	819.1
Segmental operating profit before exceptional items and share of results of joint ventures	35.3	16.9	57.9	–	110.1
Share of results of joint ventures	4.3	–	–	–	4.3
Segmental operating profit before exceptional items	39.6	16.9	57.9	–	114.4
Exceptional items	(6.7)	(6.6)	(11.5)	–	(24.8)
Segmental operating profit	32.9	10.3	46.4	–	89.6
Finance income					0.8
Finance cost					(6.4)
Profit before taxation					84.0
Depreciation and amortisation	8.2	3.3	8.3	–	19.8
Impairment	–	–	4.3	–	4.3

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

[1] Asia segment includes revenue and profit from Australian operations.
[2] Europe segmental result includes revenue and profit from US operations that are 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:

2015	**UK £m**	**Nigeria £m**	**Other £m**	**Total £m**
Revenue	**185.7**	**316.4**	**317.0**	**819.1**
Goodwill and other intangible assets	**258.3**	**–**	**98.3**	**356.6**
Property, plant and equipment	**60.7**	**98.9**	**49.5**	**209.1**
Pension	**43.4**	**–**	**–**	**43.4**
Financial instruments	**23.3**	**5.7**	**0.9**	**29.9**

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
Financial instruments	45.8	3.8	0.9	50.5

The Group analyses its net revenue by the following categories:

	2015 £m	2014 £m
Personal Care	**415.9**	428.0
Home Care	**139.8**	194.2
Food and Nutrition	**116.2**	87.7
Electricals	**140.6**	139.9
Other	**6.6**	11.6
	819.1	861.4

3. Exceptional items

Year to 31 May 2015

Exceptional items included within operating profit:	**Exceptional items before taxation £m**	**Taxation £m**	**Exceptional items after taxation £m**
Group structure and systems project	**2.0**	**(0.4)**	**1.6**
five:am acquisition and Australia integration costs	**4.3**	**(1.1)**	**3.2**
Supply chain optimisation project with associated restructuring costs	**6.1**	**(1.4)**	**4.7**
Polish Home Care brands divestment and manufacturing site disposal	**6.4**	**3.0**	**9.4**
Provision against Nigerian government receivables	**6.0**	**(1.8)**	**4.2**
	24.8	**(1.7)**	**23.1**

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 brand 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)

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

3. Exceptional items *continued*

Explanation of exceptional items

Year to May 2015

Group structure and systems project

The Group has incurred exceptional costs of £2.0m relating to the project to realign the non-manufacturing organisation design to create a more effective Group operating model. These costs mainly consist of restructuring and advisory costs.

five:am acquisition and integration costs

During the year the Group acquired the entire share capital of Five AM Life Pty Limited. The Group incurred acquisition related costs and integration/restructuring costs of £4.3m, as a result of integrating the business into existing operations.

Supply chain optimisation project with associated restructuring costs

The Group has incurred exceptional costs of £6.1m relating to further opportunities to reduce the Group's supply chain cost base identified in the prior year. The costs related to restructuring costs associated with supply chain optimisation and impairment costs associated with the write-down of supply chain assets.

Polish Home Care brands divestment and manufacturing site disposal

During the year the Group has completed the full divestment of its Polish Home Care brands. Post year end the Group completed the separate sale of the associated manufacturing site. Included in the £6.4m are redundancy costs and asset impairment costs.

Provision against Nigerian government receivables

During the year the Group has made a full provision of £6.0m against a Nigerian government receivable.

Year to May 2014

Group structure and systems project

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

Supply chain optimisation phase 1

The Group incurred exceptional costs of £2.0m 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 program was completed on budget early in the financial year, and the realisation of the benefits remained 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 £20.0m was forecast to be taken in the years to 31 May 2014 and 31 May 2015 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 sold its Polish Home Care brands for £46.6m cash consideration.

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 £3.3m, 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 reduced to 20 per cent on 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.

4. Profit for the year – analysis by nature

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

	2015 £m	2014 £m
Net foreign exchange losses	**3.8**	4.5
Research and development costs	**4.3**	2.9
Amortisation of government grants	**(0.1)**	(0.1)
Impairment of property, plant and equipment (note 11)	**4.3**	12.3
Depreciation of property, plant and equipment (note 11)	**19.8**	19.9
Loss/(profit) on disposal of property, plant and equipment	**0.3**	(0.1)
Profit on disposal of intangible asset	**–**	(30.6)
Raw and packaging materials and goods purchased for resale (note 14)	**401.5**	431.6
Operating lease rentals	**1.6**	1.6
Employee costs (note 5)	**99.9**	103.9
Auditors' remuneration (see below)	**1.1**	1.1

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

	2015 £m	2014 £m
Fees payable to the Company's auditors for the audit of the Company's annual financial statements 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	**0.6**	0.5
Total audit fees	**0.7**	0.6
Fees payable to the Company's auditors and its associates for other services:		
– Tax services	**0.2**	0.2
– Transaction related services	**0.1**	0.2
– Other services	**0.1**	0.1
Total fees	**1.1**	1.1

5. Directors and employees

Employee costs

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

	2015 Number	2014 Number
Production	**2,601**	2,739
Selling and distribution	**2,317**	2,354
Administration	**609**	686
	5,527	5,779

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

	2015 £m	2014 £m
Wages and salaries	**92.4**	92.3
Social security costs	**5.6**	7.1
Other pensions costs	**2.8**	3.8
Share-based payments (credit)/charge (note 28)	**(0.9)**	0.7
	99.9	103.9

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

5. Directors and employees *continued*

The other pensions costs consist of:

	2015 £m	2014 £m
Defined benefit schemes (note 23)	**(0.5)**	(0.5)
Defined contribution schemes (note 23)	**2.7**	3.2
Overseas minor defined benefit schemes and Nigerian gratuity scheme (note 23)	**0.6**	1.1
	2.8	3.8

Directors' remuneration

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

	2015 £m	2014 £m
Short term employee benefits	**3.5**	2.7
Post-employment benefits	**0.2**	0.2
Share-based payments	**(0.3)**	0.3
Total	**3.4**	3.2

For the year ended 31 May 2015 the highest paid Director received total remuneration of £1.5m (2014: £1.1m) and pension contributions of £0.1m (2014: £0.1m).

Additional details are within the Report on Directors' Remuneration on pages 8 to 27.

6. Net finance costs

	2015 £m	2014 £m
Investment gains	**0.1**	0.1
Interest receivable	**0.7**	2.5
Total interest income	**0.8**	2.6
Interest payable on bank loans and overdrafts	**(6.4)**	(4.0)
Net finance costs	**(5.6)**	(1.4)

7. Taxation

	2015 £m	2014 £m
Current tax		
UK corporation tax charge for the year	**4.6**	4.8
Adjustments in respect of prior years	**–**	–
	4.6	4.8
Overseas corporation tax charge for the year	**14.5**	22.0
Adjustments in respect of prior years	**(0.8)**	–
	13.7	22.0
Total current tax charge	**18.3**	26.8
Deferred tax		
Origination and reversal of temporary timing differences	**6.1**	(1.5)
Adjustments in respect of prior years	**1.7**	(0.3)
Total deferred tax charge/(credit)	**7.8**	(1.8)
Total tax charge	**26.1**	25.0

UK corporation tax is calculated at 20.83 per cent (2014: 22.67 per cent) 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 £0.6m (2014: £1.6m credit) and relates to deferred tax on pensions, share option schemes and financial derivatives recognised in the hedging reserve.

	2015 £m	2014 £m
Profit before tax	84.0	123.7
Tax at the UK corporation tax rate of 20.83% (2014: 22.67%)	17.5	28.0
Tax effect of revenue/expenses that are not taxable/deductible	(2.7)	(2.1)
Effect of different tax rates of subsidiaries in overseas jurisdictions	3.7	1.0
Effect of UK rate change on deferred taxation	–	(3.9)
Tax effect of share of results of joint ventures	(1.0)	(0.2)
Overseas withholding tax suffered on dividends	3.5	2.5
Derecognition of deferred tax assets not deemed recoverable	4.2	–
Adjustments in respect of prior periods	0.9	(0.3)
Tax charge for the year	26.1	25.0

8. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to Ordinary Shareholders in the year comprise:		
Final dividend for the year ended 31 May 2014 of 5.23p (2013: 5.04p) per Ordinary Share	22.0	21.4
Interim dividend for the year ended 31 May 2015 of 2.61p (2014: 2.53p) per Ordinary Share	11.0	10.8
	33.0	32.2
Proposed final dividend for the year ended 31 May 2015 of 5.39p (2014: 5.23p) per Ordinary Share	23.1	22.4

The proposed final dividends for the years ended 31 May 2014 and 31 May 2015 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 2014 and 31 May 2015 respectively.

9. Earnings per share

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

	2015 Number 000	2014 Number 000
Basic weighted average	420,851	424,738
Diluted weighted average	421,282	426,129

The difference between the basic and diluted weighted average number of shares represents the potentially dilutive effect of 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:

	2015 Number 000	2014 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 the Employee Share Option Trust	(7,874)	(3,987)
Basic weighted average Ordinary Shares in issue during the year	420,851	424,738
Dilutive effect of share incentive plans	431	1,391
Diluted weighted average Ordinary Shares in issue during the year	421,282	426,129

At 31 May 2015, the Employee Share Option trust held 9,262,811 Ordinary Shares (2014: 7,208,985 Ordinary Shares).

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

9. Earnings per share *continued*

Adjusted earnings per share

	2015	2014
Basic earnings per share	**12.45p**	21.52p
Exceptional items	**5.49p**	(3.56p)
Adjusted basic earnings per share	**17.94p**	17.96p
Diluted earnings per share	**12.44p**	21.45p
Exceptional items	**5.48p**	(3.54p)
Adjusted diluted earnings per share	**17.92p**	17.91p

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:

	2015 £m	2014 £m
Profit attributable to owners of the Parent	**52.4**	91.4
Exceptional items (net of taxation effect)	**23.1**	(15.1)
Adjusted profit after tax	**75.5**	76.3

10. Goodwill and other intangible assets

Cost	Goodwill £m	Other intangible assets £m	Total £m
At 1 June 2013	45.8	202.9	248.7
Acquired during the year	–	39.2	39.2
Currency retranslation	–	(0.2)	(0.2)
At 31 May 2014	45.8	241.9	287.7
Acquired during the year (note 29)	16.4	53.4	69.8
Currency retranslation	–	(0.9)	(0.9)
At 31 May 2015	**62.2**	**294.4**	**356.6**

Other intangible assets include the Group's acquired brands which are deemed to have indefinite lives. In the year the Group has recognised goodwill and other intangible assets in respect of its acquisitions of five:am and the acquisition of the remaining 50 per cent of the Nutricima joint venture not previously owned by the Group. Additional details of amounts recognised have been set out in note 29.

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 are as follows:

- intangible assets (including goodwill) are allocated to 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; and
- the recoverable amounts of the CGUs are determined through value-in-use calculations that use cash flow projections from approved budgets and plans over a period of five years which are then extrapolated beyond the five year period based on estimated long term growth rates.

The Group has identified the following CGUs and the table below summarises the allocation of goodwill and other intangible assets to each CGU.

	Goodwill 2015 £m	Goodwill 2014 £m	Other intangible assets 2015 £m	Other intangible assets 2014 £m
Original Source	–	–	9.8	9.8
Beauty division brands	40.4	40.4	188.2	188.2
Rafferty's Garden	–	–	39.2	39.2
Nutricima	4.6	–	15.5	–
five:am	11.8	–	33.3	–
Other	5.4	5.4	8.4	4.7
Total	62.2	45.8	294.4	241.9

As the Group's other intangible assets, which represent brand values, and goodwill have all arisen from previous business combinations, CGUs have been identified as the businesses, as a whole, acquired as these represent the smallest group of assets which independently generate cashflows. This is the case for all CGUs other than the Beauty division brands which have been identified as one CGU given this is the level at which management review goodwill for the Beauty division.

Key assumptions in the budgets and plans include future revenue volume/price growth rates, associated future levels of marketing support, cost-base of manufacture and supply and directly associated overheads. These assumptions are based on historical trends and future market expectations specific to each CGU and the markets and geographies in which they operate.

Other key assumptions applied in determining value in use are:

- long term growth rate – Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate applicable for the geographies in which the CGUs operate; and
- discount rate – The discount rate is based on 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.

The long term growth rates and discount rates applied in the value in use calculations have been set out below:

	Long term growth rate	Discount rate
Original Source	2.5%	8.8%
Beauty division brands	2.5%	8.8%
Rafferty's Garden	2.5%	8.8%
Nutricima	5.0%	17.5%
five:am	2.5%	8.8%
Other	2.5%	8.8%

The discount rate disclosed above is the pre-tax discount rate applied in the value in use calculations. The same discount rate has been applied to all CGUs other than Nutricima. This reflects the similar geographic and product diversification of their respective markets and risks associated with each CGU. The discount rate applied in the Nutricima value in use calculation reflects the specific risks associated with the CGU, including the specific economic and political risks facing the CGU given the majority of its cashflows are generated in emerging markets, and principally in Nigeria.

Long term growth rates have been set for each CGU based on estimated long term growth rates for the territories in which the CGUs operate. All CGUs, other than Nutricima, operate in geographies which include the UK, Australia, the USA and central Europe. Long term growth rates have been set with reference to long term inflation forecasts which have been deemed an appropriate proxy for long term growth. The long term growth rate for the Nutricima CGU reflects the estimated long term growth rate in the key geographies of Nigeria and Ghana in which the CGU operates and consistent with the other CGUs has been set with reference to long term inflation forecasts.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

10. Goodwill and other intangible assets *continued*

Having performed the annual impairment tests no impairment has been recognised for the year ended 31 May 2015 (31 May 2014: nil). As part of forming this conclusion the Directors performed a sensitivity analysis which focused on the change required in key assumptions, both individual and through dual assumption sensitivities to give rise to an impairment, 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 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
Currency retranslation	(12.6)	(18.8)	(3.1)	(1.3)	(35.8)
Additions	0.5	1.1	1.1	33.8	36.5
Acquisitions	9.4	8.9	0.2	–	18.5
Disposals	–	(1.1)	(1.6)	–	(2.7)
Reclassifications	1.3	13.1	1.6	(16.0)	–
At 31 May 2015	**139.2**	**206.0**	**54.3**	**39.1**	**438.6**
Accumulated depreciation and amounts written off					
At 1 June 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
Currency retranslation	(3.3)	(13.2)	(2.6)	–	(19.1)
Charge for the year	2.5	11.7	5.6	–	19.8
Disposals	–	(1.0)	(1.3)	–	(2.3)
Impairment loss	3.4	0.9	–	–	4.3
At 31 May 2015	**38.0**	**143.9**	**47.6**	**–**	**229.5**
Net book values					
At 31 May 2015	**101.2**	**62.1**	**6.7**	**39.1**	**209.1**
At 31 May 2014	105.2	57.3	10.2	22.6	195.3

At 31 May 2015, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £1.3m (2014: £2.7m). At 31 May 2015, the Group's share in the capital commitments of the joint ventures was nil (2014: nil).

The impairment loss of £4.3m in the current financial year is in relation to the Polish Home Care manufacturing site which was disposed of post year end.

12. Net investments in joint ventures

Net investments in joint ventures includes the Group's equity investment in joint ventures which total nil (2014: nil). As at the start of the financial year the Group had two principal joint ventures being Milk Ventures and PZ Wilmar. On 31 March 2015 the Group acquired the remaining 50 per cent share capital of Milk Ventures and therefore as at 31 May 2015 the results of Milk Ventures have been consolidated into the results and financial position of the Group. Further details on the acquisition of Milk Ventures have been set out in note 29 to these financial statements.

The tables below reconcile the movement in the Group's net investment in joint ventures in the year.

	2015 £m	2014 £m
Equity investment in joint ventures	0.1	0.1
– Additional equity investment in Milk Ventures	4.3	–
– Share of joint venture net liabilities	–	(0.1)
– Disposal of Milk Ventures joint ventures equity investment (note 29)	(4.4)	–
Net equity investment in joint ventures	**–**	–

	2015 £m	2014 £m
Long term loans issued to joint ventures	45.8	51.1
– New long terms loans issued to joint ventures	21.0	–
– Movement in share of joint venture net assets	1.5	(5.3)
– Disposal of Milk Ventures joint ventures loans	(39.7)	–
Net investment in joint ventures	**28.6**	45.8

The movement in share of joint venture net assets of £1.5m represents £4.3m of profit and £2.8m of foreign exchange loss.

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.

On 31 March 2015, prior to the Group acquiring the remaining 50 per cent of the Milk Ventures joint venture not previously owned, the Group had a net investment in the Milk Ventures joint venture totalling £39.7m which comprised an equity investment of £4.4m, long terms loans of £40.4m and a share of net liabilities of £5.1m. On acquisition, in accordance with IFRS 3, the Group has been deemed to have disposed of its investment in the joint venture and the fair value of the Group's interest in the joint venture has been re-assessed as part of the acquisition accounting as set out in note 29.

The movement in the Group's share of net assets of joint ventures has been summarised in the table below:

	£m
Carrying value	
At 1 June 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)
Exchange differences on translation of overseas net liabilities recognised in equity	(2.8)
Share of result for the year taken to the income statement	4.3
Disposal of Milk Ventures joint venture share of liabilities	5.1
At 31 May 2015	**1.2**

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

12. Net investments in joint ventures *continued*

Summarised financial information of joint venture

Set out below is the summarised financial information for the consolidated PZ Wilmar joint ventures, including PZ Wilmar Limited, PZ Wilmar Food Limited and Wilmar PZ International Pte Limited, which are accounted for using the equity method.

Aggregated amounts relating to joint ventures	2015 £m	2014 £m
Assets		
Non-current assets		
Assets	**50.5**	49.3
Current assets		
Cash and cash equivalents	**7.4**	8.0
Other current assets	**46.4**	74.4
	53.8	82.4
Total assets	**104.3**	131.7
Liabilities		
Non-current liabilities	**(52.5)**	(85.9)
Current liabilities	**(49.1)**	(48.3)
Total liabilities	**(101.6)**	(134.2)
Net assets/(liabilities)	**2.7**	(2.5)

Aggregated amounts relating to joint ventures	2015 £m	2014 £m
Revenue	**224.5**	193.8
Profit for the year	**6.2**	1.9
Total comprehensive income	**6.2**	1.9

The above information reflects the amounts presented in the financial statements of the joint venture adjusted for differences in accounting policies between the Group and the joint venture and excludes Wilmar's share of those amounts.

Pre-acquisition, Milk Ventures (UK) Limited and its subsidiary, Nutricima Limited, contributed profit after taxation of £1.3m (2014: £0.7m)

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 31.

13. Other investments

Non-current other investments of £0.3m (2014: £0.3m) comprise a 31 per cent investment in Norpalm Ghana Limited, a palm oil plantation in Ghana (note 31). 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 2015 and 31 May 2014.

14. Inventories

	2015 £m	2014 £m
Raw materials and consumables	**67.4**	64.2
Work in progress	**4.8**	5.4
Finished goods and goods for resale	**91.5**	92.6
	163.7	162.2

During the year ended 31 May 2015 £1.7m (2014: £0.9m) was charged to the income statement for slow moving and obsolete inventories. The cost of the inventories recognised as an expense and included in cost of sales amounted to £401.5 million (2014: £431.6m).

15. Trade and other receivables

Receivables due within one year	**2015 £m**	2014 £m
Trade receivables	**151.6**	134.2
Less: provision for impairment of trade receivables	**(7.9)**	(6.5)
Net trade receivables	**143.7**	127.7
Amounts owed by joint ventures	**2.7**	8.8
Other receivables	**25.6**	23.0
Prepayments and accrued income	**5.8**	7.2
Currency derivative instrument	**0.7**	–
	178.5	166.7

The Directors consider the carrying amount of trade and other receivables approximates their fair value due to their short term nature.

Receivables due after more than one year	**2015 £m**	2014 £m
Prepayments and accrued income	**0.6**	0.3
Other receivables	**0.4**	4.1
	1.0	4.4

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

	2015 £m	2014 £m
At 1 June	**(6.5)**	(8.4)
Provision for receivables impairment	**(3.7)**	(1.2)
Receivables written off during the year	**1.1**	0.8
Unused amounts reversed	**–**	1.6
Currency translation	**1.2**	0.7
At 31 May	**(7.9)**	(6.5)

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 19 to 110 days (2014: 4 to 127 days) due to the differing nature of trade receivables in the Group's geographical segments.

No other receivables have been deemed to be impaired.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

15. Trade and other receivables *continued*

The carrying amount of the Group's net trade receivables are denominated in the following currencies:

	2015 £m	2014 £m
Sterling	**36.8**	35.1
US Dollar	**10.7**	8.3
Nigerian Naira	**36.6**	26.8
Euro	**18.1**	17.9
Polish Zloty	**2.1**	6.8
Indonesian Rupiah	**11.9**	9.9
Ghana Cedi	**5.9**	6.2
Australian Dollar	**17.2**	12.2
Other minor currencies	**4.4**	4.5
	143.7	127.7

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:

	2015 £m	2014 £m
Not past due	**118.1**	98.1
Past due 0-90 days	**23.1**	27.1
Past due 90-180 days	**1.9**	1.9
Past due > 180 days	**0.6**	0.6
	143.7	127.7

16. Current asset investments

	2015 £m	2014 £m
Unlisted	**0.3**	0.3
Short-term deposits with joint ventures	**–**	18.8
	0.3	19.1

17. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**45.2**	48.1
Short-term deposits	**10.2**	21.9
Cash and short term deposits	**55.4**	70.0
Less: Bank overdrafts (included within borrowings note 18)	**(7.6)**	–
Cash and cash equivalents	**47.8**	70.0

The effective interest rate on cash and cash equivalents during the year ended 31 May 2015 was 1.4 per cent (2014: 2.2 per cent).

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 held at fair value within the financial statements.

Fair values of financial assets and financial liabilities

Financial instruments utilised by the Group during the years ended 31 May 2015 and 31 May 2014, 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 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.

In deriving the fair value the derivative financial instruments are classified as level 1, level 2 or level 3 dependant on the valuation method applied in determining their fair value.

The different levels have been defined as follows:

Level	
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
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 financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging and the contingent consideration which has arisen on the acquisition of five:am. The Group holds a cancellable interest rate swap over the amortising term loan and the fair value is immaterial at year end.

For both the year ended 31 May 2015 and 31 May 2014, the assets and liabilities arising from foreign currency contracts have been classified as level 2. The contingent consideration on the acquisition of five:am has been classified as level 3. There have been no transfers between either level 1 and 2 or level 2 and 3 in any period.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

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

(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 2015 and 31 May 2014. None of the financial assets and liabilities has been reclassified during the year.

	2015 Carrying amount and fair value £m	2014 Carrying amount and fair value £m
Loans and receivables		
Cash and short-term deposits	**55.4**	70.0
Trade and other receivables	**172.0**	159.5
Short-term deposit with joint ventures	**–**	18.8
Financial derivative assets	**0.7**	–
Financial liabilities		
Trade and other payables	**(196.7)**	(204.8)
Bank overdrafts	**(7.6)**	–
Bank loans	**(205.5)**	(118.5)
Financial derivative liabilities	**(0.4)**	(1.6)
Contingent liability	**(3.9)**	–
Amounts owed to joint ventures	**–**	(7.3)

i) Financial Liabilities

	2015 £m	2014 £m
Overdrafts due within one year	**7.6**	–
Bank loans due within one year	**205.5**	15.0
Bank loans due between two and five years	**–**	103.5
	213.1	118.5

At year end the Group's central loan facilities consisted of an amortising £15m term loan and a £194m revolving credit facility with a syndicate of leading international banks. As at 31 May 2015 £205.5m was drawn (2014: £118.5m). The Group also had a £35m bilateral facility for trade finance purposes which is renewable annually.

At 31 May 2015, the available Group-wide un-drawn facilities totalled £128.2m (2014: £95.8m)

Subsequent to the year end the Group has refinanced its committed borrowing facilities in the UK. The new facility provided by a syndicate of three banks is composed of a £240m multi-currency revolving credit facility with a final termination date of February 2020.

The new facility reflects current market commercial terms and pricing for a loan of this nature for a credit of PZ Cussons' standing. Drawn amounts under the facility attract a variable margin over LIBOR based on the Group's Net Debt/EBITDA ratio. The initial margin under the new facility is lower than the margin under the Group's previous facility. Undrawn amounts attract a commitment fee. The facility is unsecured but the lenders benefit from a guarantee from the principal operating subsidiaries of the Group.

The Group expects to pay circa £1.7m of arrangement and participation fees and associated costs, which will be charged to the income statement over the life of the new facility. As a result of entering into this new deal, the Group will incur circa £0.3 million of one-off non-cash costs in the year to 31 May 2016 arising from the accelerated amortisation of the fees related to the replaced deal.

	2015 £m	2015 Interest rate (%)	2014 £m	2014 Interest rate (%)
Borrowing	213.1	2.0	118.5	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	110.7	(62.9)	47.8

(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 difference between book and fair value is immaterial at year-end.

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

	2015 £m	2014 £m
Assets		
Foreign currency forward contracts	0.7	0.3
Liabilities		
Foreign currency forward contracts	0.4	1.9

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 2015 was £52.1m (2014: £49.9m).

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 2015 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.

(d) Contingent consideration

Contingent consideration has arisen on the acquisition of five:am and is payable subject to performance of the business in the current year. This is fair valued as level 3 financial instrument.

	2015 £m	2014 £m
Opening balance	–	–
Arising on acquisitions	3.9	–
Closing balance	3.9	–

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

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

(e) 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 2020.

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

	2015 £m	2014 £m
AA	20.7	16.0
A	13.8	22.5
B	11.9	26.5
C	1.4	5.0
	47.8	70.0

The short-term deposit with joint ventures (which does not form part of cash and cash equivalents) of nil (2014: £18.8m) is a repayable on-demand balance, split between Nutricima Limited nil (2014: £5.2m) and PZ Wilmar Limited nil (2014: £13.6m), both joint venture companies. The balance earns interest at a rate of nil (2014: 13 per cent).

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 to manage these exposures.

The below sensitivity analysis was conducted by modelling a 10 per cent 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.

	2015		2014	
	Equity £m	Income statement £m	Equity £m	Income statement £m
Nigerian Naira	**36.6**	**2.4**	28.0	2.3
Euro	**4.0**	**0.1**	4.4	–
Indonesian Rupiah	**2.8**	**0.3**	2.6	0.4
Australian Dollar	**1.6**	**0.2**	1.4	0.5
Polish Zloty	**1.2**	**(1.2)**	2.8	(0.3)

A 10 per cent 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 £11.3m as at 31 May 2015. The contracted undiscounted cashflows of the amortising term loan total £11.3m as at 31 May 2015 (2014: £26.75m).

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 positions as at 31 May 2015 and 31 May 2014 respectively, as shown below:

	2015 £m	2014 £m
Cash at bank and in hand (see note 17)	**45.2**	48.1
Short-term deposits (see note 17)	**10.2**	21.9
Bank overdrafts (see note 17)	**(7.6)**	–
Cash and cash equivalents	**47.8**	70.0
Current asset investments	**0.3**	19.1
Loans due within one year	**(205.5)**	(15.0)
Loans greater than one year	**–**	(103.5)
Net debt	**(157.4)**	(29.4)

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.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

19. Trade and other payables

	2015 £m	2014 £m
Trade payables	**104.3**	111.0
Amounts owed to joint ventures	**–**	7.3
Other taxation and social security	**8.7**	8.7
Other payables	**7.5**	6.8
Financial derivative liabilities (note 18)	**0.4**	1.6
Accruals and deferred income	**84.9**	87.0
	205.8	222.4

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider the carrying amount of trade and other payables approximates their fair value due to short term nature.

20. Other non-current liabilities

	2015 £m	2014 £m
Other payables	**0.6**	0.7
	0.6	0.7

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 2013	(12.8)	(1.7)	(12.1)	11.9	(33.2)	1.3	(46.6)
(Charge)/credit 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)
(Charge)/credit to income	–	(1.6)	0.5	(6.5)	–	(0.2)	(7.8)
Credit/(charge) to equity	–	1.3	–	(0.5)	–	(0.2)	0.6
Acquisition	–	–	–	2.1	(4.6)	–	(2.5)
Other	–	–	–	1.8	–	–	1.8
Currency translation	1.4	–	1.7	(1.2)	–	–	1.9
At 31 May 2015	**(10.5)**	**(2.8)**	**(8.0)**	**6.6**	**(33.4)**	**0.3**	**(47.8)**

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:

	2015 £m	2014 £m
Deferred tax assets	**7.1**	11.6
Deferred tax liabilities	**(54.9)**	(53.4)
	(47.8)	(41.8)

Deferred income tax assets are recognised for tax losses forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At the balance sheet date, the Group recognised £0.6m in respect of unused tax losses (2014: £4.9m) 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 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
Charged to the income statement	11.0
Currency retranslation	(0.4)
Used during year	(10.3)
At 31 May 2015	**13.4**

Provisions as at 31 May 2015 relate to restructuring costs in connection with the supply chain optimisation project, Polish Home Care brand and manufacturing site divestment and Group structure and systems project (£12.2m), and warranty costs in relation to the Africa Electricals division (2015: £1.2m, 2014: £1.1m). The majority of provisions are expected to be utilised in the next 12 months.

23. Retirement benefits

The Group operates retirement benefit schemes for most of its UK and overseas subsidiaries. The defined benefit scheme associated obligations have all been measured in accordance with IAS 19 (revised).

Summary of Group retirement schemes

UK retirement benefits

The UK operates a defined contribution scheme for current employees. The UK's defined benefit schemes were closed to future accrual on 31 May 2008. The following four defined benefit schemes are the UKs main schemes:

- Main staff plan – for all historically eligible UK based staff, excluding PZ Cussons Plc Executive Directors;
- Directors plan – for PZ Cussons Plc Executive Directors;
- Expatriate plan – for all eligible expatriate staff based outside the UK; and
- Unfunded plan – unfunded unapproved retirement scheme.

Current and past employees within these schemes are provided with defined benefits based on service and final salary. The assets of the schemes are administered by trustees and are held in trust funds independent of the Group. In relation to the unfunded plan, the Group made payments during the year to former Directors of £163,292 (2014: £158,465).

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

	2015			2014		
	Surplus £m	**Deficit £m**	**Total £m**	Surplus £m	Deficit £m	Total £m
Expatriate plan	**42.2**	**–**	**42.2**	37.2	–	37.2
Directors plan	**1.2**	**–**	**1.2**	1.1	–	1.1
Main staff plan	**–**	**(14.1)**	**(14.1)**	–	(11.6)	(11.6)
Unfunded plan	**–**	**(5.4)**	**(5.4)**	–	(4.6)	(4.6)
Other overseas units	**–**	**(7.6)**	**(7.6)**	–	(7.0)	(7.0)
	43.4	**(27.1)**	**16.3**	38.3	(23.2)	15.1

FINANCIAL STATEMENTS

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 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 gains/(losses)	1.2	(2.7)	(1.5)
At 31 May 2014	(7.0)	22.1	15.1
Currency retranslation	0.3	–	0.3
Interest (expense)/income	(0.6)	0.5	(0.1)
Contributions paid	–	7.7	7.7
Utilised in the year	–	–	–
Remeasurement losses	(0.3)	(6.4)	(6.7)
At 31 May 2015	**(7.6)**	**23.9**	**16.3**

Overseas retirement benefits and similar obligations measurement and assumptions used

The most significant overseas scheme as at 31 May 2015 is the Indonesian post-retirement benefit scheme. The obligations have been measured in accordance with IAS 19 (revised) and a discount rate of 8.0 per cent (2014: 8.3 per cent) and salary inflation rate of 8.0 per cent (2014: 8.0 per cent) have been used. The scheme is unfunded and provision for future obligations included in the above table is £6.2m (2014: £5.3m).

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 2015. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures.

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

	2015	2014
Rate of increase in retirement benefits in payment	**3.00%**	3.15%
Discount rate	**3.45%**	4.35%
Inflation assumption	**3.05%**	3.25%

The mortality assumptions used were as follows:

	2015 Years	2014 Years
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations		
– Member age 65 (current life expectancy)	**22.6**	22.5
– Member age 40 (life expectancy at age 65)	**25.3**	25.1

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

	2015 £m	2014 £m	2013 £m
Equities	**92.6**	108.2	112.1
Bonds	**237.3**	186.2	125.7
Property	**5.7**	4.5	50.0
Cash and other	**10.3**	6.3	15.1
Total fair value of scheme assets	**345.9**	305.2	302.9
Present value of scheme liabilities	**(322.0)**	(283.1)	(286.3)
Surplus in the schemes	**23.9**	22.1	16.6
Related deferred tax liability	**(4.8)**	(4.4)	(3.8)
Net retirement benefit surplus	**19.1**	17.7	12.8

Equities and bond assets are quoted with all other assets being unquoted.

The net retirement benefit income before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	2015 £m	2014 £m
Interest on net defined benefit surplus	**1.1**	0.9
Administration expenses paid by the scheme	**(0.6)**	(0.4)
Net retirement benefit income before taxation	**0.5**	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:

	2015 £m	2014 £m
Surplus at beginning of year	**22.1**	16.6
Net interest income	**1.1**	0.9
Administration expenses paid by the scheme	**(0.6)**	(0.4)
Employer contributions	**7.7**	7.7
Re-measurement gain due to scheme experience	**0.2**	1.1
Re-measurement loss due to changes in demographic assumptions	**–**	(4.6)
Re-measurement (loss)/gain due to changes in financial assumptions	**(37.4)**	8.4
Return of plan assets (excluding interest income)	**30.8**	(7.6)
Net surplus at end of year	**23.9**	22.1
Analysed between:		
Retirement benefit surplus	**43.4**	38.3
Retirement benefit obligation	**(19.5)**	(16.2)
	23.9	22.1

Remeasurement gains and losses are recognised directly in the statement of comprehensive income. At 31 May 2015, cumulative pre-tax remeasurement losses of £45.4m (2014: £39.0m) were recorded directly in the statement of comprehensive income.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

23. Retirement benefits *continued*

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

	Assets 2015 £m	Assets 2014 £m
1 June	**305.2**	302.9
Interest income	**13.2**	13.1
Return of plan assets (excluding interest income)	**30.8**	(7.6)
Employer contribution	**7.7**	7.7
Administrative expenses	**(0.6)**	(0.4)
Benefits paid	**(10.4)**	(10.5)
31 May	**345.9**	305.2

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

	Obligations 2015 £m	Obligations 2014 £m
1 June	**(283.1)**	(286.3)
Interest expense	**(12.1)**	(12.2)
Re-measurement gain due to scheme experience	**0.2**	1.1
Re-measurement loss due to changes in demographic assumptions	**–**	(4.6)
Re-measurement (loss)/gain due to changes in financial assumptions	**(37.4)**	8.4
Benefits paid	**10.4**	10.5
31 May	**(322.0)**	(283.1)
Plans that are wholly or partly funded	**(316.6)**	(278.5)
Plans that are wholly unfunded	**(5.4)**	(4.6)
	(322.0)	(283.1)

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 3.2%
Rate of inflation	Increase of 0.25%	Increase of 3.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase of 3.0%

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 2016 the Group expects to make cash contributions of £7.7m (2015: £7.7m) to funded defined benefit plans. A further £1.6m (2015: £1.6m) 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 £2.7m (2014: £3.2m).

24. Share capital

	2015		2014	
	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. At 31 May 2015, the trust held 9,262,811 (2014: 7,208,985) Ordinary Shares with a book value of £37.2m (2014: £29.4m). The market value of these shares as at 31 May 2015 was £33.2m (2014: £25.4m). During the year the ESOT purchased 2,053,826 shares of the Company at a cost of £8.5m (2014: 3,851,549 at a cost of £16.1m) representing 0.5 per cent of issued share capital. The trust has waived any entitlement to dividends in respect of all the shares it holds.

The cost of buying own shares is charged to the profit and loss reserve.

26. Reconciliation of profit before tax to cash generated from operations

	2015 £m	2014 £m
Profit before tax	**84.0**	123.7
Adjustment for net finance costs	**5.6**	1.4
Operating profit	**89.6**	125.1
Depreciation	**19.8**	19.9
Impairment loss of tangible fixed assets	**4.3**	9.1
Profit on sale of Polish Home Care brands	**–**	(30.6)
Loss/(profit) on sale of tangible fixed assets	**0.3**	(0.1)
Pension scheme contributions paid	**(7.7)**	(7.7)
Net pension income for the year	**0.1**	0.6
Share of results from joint ventures	**(4.3)**	(1.5)
Share-based payments (credit)/charge	**(0.9)**	0.7
Operating cash flows before movements in working capital	**101.2**	115.5
Movements in working capital:		
Inventories	**(3.6)**	(14.1)
Trade and other receivables	**(15.6)**	(5.9)
Trade and other payables	**(19.4)**	0.2
Provisions	**(1.0)**	1.2
Cash generated from operations	**61.6**	96.9

27. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases over certain of its properties, which fall due as follows:

	2015 £m	2014 £m
Within one year	**2.6**	2.7
In the second to fifth years inclusive	**8.0**	8.6
Over five years	**0.7**	1.3

The Group leases a number of premises. These are subject to review on dates ranging from 2015 to 2023.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

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 credit in the year relating to the three schemes was £0.9m (2014: charge £0.7m).

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 23 September 2014, the Group made 1,221,052 awards under the PSP scheme (2014: total awards of 912,373). The number of shares exercised in the year was 19,062 (2014: 33,065) at a market value of £59,169 (2014: £131,331) based on the market price at the date of exercise. In addition the number of lapsed share options totalled 1,255,348 (2014: 1,024,079). The number of awards outstanding but not yet exercisable is 2,966,071 at 31 May 2015 (2014: 3,019,429). The total credit included in operating profit in relation to these awards was £0.9m (2014: charge £0.7m). The credit relates to the movement in the cumulative charge for the awards in issue based on expected vesting. The weighted average exercise price is nil (2014: 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. The total expense included within operating profit in respect of the share option scheme was nil (2014: 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 2013	1,331,726	1.5
Exercised	(857,229)	1.4
Outstanding at 31 May 2014	474,497	1.6
Exercisable at 31 May 2014	474,497	1.6
Lapsed	–	–
Exercised	(273,259)	1.6
Outstanding at 31 May 2015	**201,238**	**1.6**
Exercisable at 31 May 2015	**201,238**	**1.6**

	Price/share £	Weighted average exercise price £
Range of prices:		
31 May 2015	**0.7-1.7**	**1.6**
31 May 2014	0.7-1.7	1.6

	Number of share options	Weighted average contract term (years)
Weighted average contractual remaining life:		
31 May 2015	**201,238**	**1.0**
31 May 2014	474,497	2.0

There were no options outstanding at 31 May 2015 or 31 May 2014 that are outside of the scope of IFRS 2 'Share-based payments'.

29. Acquisitions

i) Acquisition of 2.25 per cent of share capital of PZ Cussons Nigeria Plc

Cost of acquisitions	£m
2.25% of share capital of PZ Cussons Nigeria Plc	9.9

Throughout the year to 31 May 2015, the Group has acquired additional share capital of its existing subsidiary PZ Cussons Nigeria Plc, increasing the Group's stake from 70.55 per cent to 72.8 per cent. The consideration for these additional shares was £9.9m, resulting in the acquisition of a non-controlling interest of £3.1m and an amount debited to retained earnings through the consolidated statement of changes in equity of £6.8m.

ii) Acquisition of the entire share capital of Five AM Life Pty Limited

On 8 August 2014, the Group acquired the entire share capital of Five AM Life Pty Limited, a company registered in Australia, whose principal activity is the manufacture and sale of organic yoghurt.

The net cash outflow on initial acquisition was £44.8m that comprised of cash outflows of £39.5m for consideration, £6.4m for debt repayment and cash inflows of £1.1m from acquired cash. Additional performance related consideration, that is currently fair valued at £3.9m but could reach a maximum of £7.7m, is payable subject to the performance of the business in its current financial year (to 30 June 2015).

Details of the acquisition are as follows:

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

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

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

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

	Book value £m	Fair value adjustment £m	Provisional fair value £m
Property, plant and equipment	3.5	–	3.5
Inventories	0.8	–	0.8
Trade and other receivables	2.7	–	2.7
Net debt	(5.3)	–	(5.3)
Trade and other payables	(2.9)	(0.5)	(3.4)
five:am brand	–	33.3	33.3
Net identifiable assets acquired	**(1.2)**	**32.8**	**31.6**
Goodwill			11.8
Consideration			**43.4**

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

29. Acquisitions *continued*

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

b) Goodwill

The goodwill of £11.8m can be attributable to the synergies expected from combining the operations of the acquired business and the Group. None of the recognised goodwill will be deductible for tax purposes.

c) Acquisition and integration costs

Acquisition and integration costs of £4.3m are included in the income statement and are treated as exceptional costs.

d) Revenue and profit contribution

The acquired business contributed revenues of £19.1m and pre-exceptional operating profit of £3.9m to the Group for the period from 8 August 2014 to 31 May 2015.

If the acquisition had occurred on 1 June 2014, Group consolidated revenue and consolidated operating profit before exceptional items for the year ended 31 May 2015 would have been £822.0m and £114.9m respectively.

iii) Acquisition of the entire share capital of Milk Ventures (UK) Limited

On 31 March 2015, the Group acquired the remaining 50 per cent share capital of Milk Ventures (UK) Limited, a company registered in the UK, whose principal activities are the manufacturing and marketing of evaporated and powdered milk products and nutritional drinks to West African markets, through its trading subsidiary Nutricima Ltd.

For the year ended 31 May 2014, and up until 31 March 2015, the Milk Ventures (UK) Limited group was accounted for as a joint venture in accordance with IFRS 11, reflecting the Group's 50 per cent shareholding amongst other factors considered in concluding on its treatment as a joint venture. The acquisition of the remaining 50 per cent of the share capital, from the Group's joint venture partner, resulted in the Group obtaining control of Milk Ventures (UK) Limited and its subsidiaries.

The acquisition of Milk Ventures (UK) Limited represented an acquisition achieved in stages and has been accounted for in accordance with IFRS 3 'Business Combinations'.

The net cash outflow associated with gaining control was £21.0m and represented additional loans issued to Milk Ventures (UK) Limited which were subsequently used to settle outstanding loans to the joint venture partner. The consideration paid for the equity stake in Milk Ventures (UK) Limited was £1. As at 31 March 2015, prior to acquisition, the Group's net investment in the Milk Ventures (UK) Limited joint venture totalled £39.7m and represented an investment of £4.4m, long terms loans to the joint venture of £40.4m (after taking account of the additional loans of £21.0m extended to fund the repayment of the joint venture partner loans) and the Group share of losses in the joint venture of £5.1m.

As required by IFRS 3, at the date of acquisition the Group has re-assessed the fair value of its existing interest in the joint venture to determine the fair value of consideration paid for 100 per cent of the business. In considering the fair value the Directors considered the fair value of the Group's investment in the joint venture, with reference to the consideration paid for the 50 per cent equity stake of £1, as well as considering the fair value of long terms loans issued to the joint venture. Having performed this assessment the Directors concluded that the investment in the joint venture should be impaired by £4.4m, with the fair value of long term loans being uplifted by £5.1m to take account of the Group not being liable for the share of losses previously recognised. The net impact of the fair value assessment was a £0.7m gain that was included in the income statement and treated as an exceptional item.

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

	£m
Fair value of existing interest in the joint venture	40.4
Total purchase consideration	**40.4**

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

	Book value £m	Fair value adjustment £m	Provisional fair value £m
Property, plant and equipment	22.4	(7.4)	15.0
Inventories	15.3	(0.7)	14.6
Trade and other receivables	13.2	(5.6)	7.6
Cash and cash equivalents	0.6	–	0.6
Trade and other payables	(12.9)	–	(12.9)
Nutricima brand	–	15.5	15.5
Deferred tax	–	(4.6)	(4.6)
Net identifiable assets acquired	**38.6**	**(2.8)**	**35.8**
Goodwill			4.6
Consideration			**40.4**

The fair value adjustments relate to; the recognition of the Nutricima brands, the recognition of a provision against a Nigerian government receivable, the fair valuation of fixed assets using Group accounting policies, the recognition of a deferred tax liability on the recognition of the Nutricima brand and the recognition of goodwill arising from the acquisition attributable to the synergies expected from combining the operations of the acquired business and the Group. None of the recognised goodwill will be deductible for tax purposes.

b) Acquisition related costs

Acquisition related costs of £0.1m are included in the income statement and treated as exceptional costs.

c) Revenue and profit contribution

The acquired business contributed revenues of £13.4m and operating profit of £2.7m to the Group for the period from 31 March 2015 to 31 May 2015.

If the acquisition had occurred on 1 June 2014, Group consolidated revenue and consolidated operating profit before exceptional items for the year ended 31 May 2015 would have been £875.1m and £115.5m respectively.

iv) Acquisition of Greek vinegar brand and assets

On 18 December 2014 Minerva SA, the Group's subsidiary in Greece, acquired the vinegar brand TOP trademark and other assets including plant and machinery, for consideration of £5.4m. The brand was fair valued at £4.6m. The acquisition incurred £0.7m of deal related costs that were included in the income statement and treated as exceptional costs.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements *continued*

30. Related party transactions

Milk Ventures (UK) Limited and Nutricima Limited (prior to acquisition)

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.

The Group received interest from Milk Ventures (UK) Limited of £0.1m (2014: £0.1m).

The Group sourced and then sold fixed assets, power and raw materials to Nutricima Limited to the value of £42.8m (2014: £48.2m). In addition the Group received distribution fee income of £3.9m (2014: £4.8m) from Nutricima Limited.

There were no charges to the income statement in respect of doubtful related party receivables (2014: 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 2015 the outstanding balance receivable from PZ Wilmar Limited was £21.0m (2014: £21.0m) and from PZ Wilmar Food Limited was £6.4m (2014: £6.4m).

The Group sourced and then sold certain raw materials to PZ Wilmar Limited to the value of £2.4m (2014: £4.3m). At 31 May 2015 the amount outstanding from PZ Wilmar Limited was £0.8m (2014: £1.9m) and from PZ Wilmar Food Limited was nil (2014: £0.1m). The amount outstanding from the Group to PZ Wilmar Limited was nil (2014: nil) and from PZ Wilmar Food Limited at 31 May 2015 was nil (2014: £6.1m).

The Group had advanced a short-term deposit to Wilmar Limited which was repaid during the year. As at 31 May 2015 the outstanding balance was nil (2014: £13.6m).

All trading balances will be settled in cash.

There were no provisions for doubtful related party receivables at 31 May 2015 (2014: nil) and no charges to the income statement in respect of doubtful related party receivables (2014: nil).

Wilmar PZ International Pte Limited

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

At 31 May 2015 the amount outstanding from Wilmar PZ International Pte Limited was £1.9m (2014: £1.2m). The amount outstanding from the Group at 31 May 2015 was nil (2014: nil).

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

Details of the Company's principal subsidiaries at 31 May 2015 are as follows:

Subsidiary company	Operation	Incorporated in	Parent Company's interest	Proportion of voting interest
PZ Cussons Australia 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%
The Sanctuary Spa Holdings Limited	Holding company	England	†100%	†100%
Milk Ventures UK Limited	Holding company	England	†100%	†100%
PZ Cussons Ghana Limited	Distribution	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	†55%	†55%
PZ Cussons Nigeria Plc	Manufacturing	Nigeria	†73%	†73%
Harefield Industrial Nigeria Limited	Distribution	Nigeria	†100%	†100%
PZ Power Company Limited	Power generation	Nigeria	†73%	†73%
Nutricima Limited	Manufacturing	Nigeria	†100%	†100%
PZ Tower Limited	Manufacturing	Nigeria	†73%	†73%
PZ Cussons Polska SA	Distribution	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 company	Operation	Incorporated in	Parent Company's interest
PZ Wilmar Food Limited	Manufacturing	Nigeria	†51%
PZ Wilmar Limited	Manufacturing	Nigeria	†49%
Wilmar PZ International Pte Limited	Sourcing	Singapore	†50%

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

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

PZ Cussons (Holdings) Limited has a 100 per cent 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 per cent 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.

See pages 99 to 100 for a full list of the Company's subsidiaries and joint ventures.

FINANCIAL STATEMENTS

Independent auditors' report
to the members of PZ Cussons Plc

Report on the Company financial statements

Our opinion

In our opinion, PZ Cussons Plc's company financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 May 2015;
- 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.

What we have audited

PZ Cussons Plc's financial statements comprise:

- the Company Balance Sheet as at 31 May 2015; 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('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
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Other matter

We have reported separately on the Group financial statements of PZ Cussons Plc for the year ended 31 May 2015.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
21 July 2015

FINANCIAL STATEMENTS

Company balance sheet

At 31 May 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investment	4	**123.2**	123.2
		123.2	123.2
Current assets			
Debtors	5	**277.8**	247.7
Investments	6	**0.3**	0.3
Cash at bank and in hand		**4.5**	–
		282.6	248.0
Creditors – amounts falling due within one year	7	**(363.4)**	(207.6)
Net current liabilities		**(80.8)**	40.4
Total assets less current liabilities		**42.4**	163.6
Creditors – amounts falling due after more than one year	7	**(6.2)**	(109.7)
Net assets		**36.2**	53.9
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	**31.2**	48.9
Total Shareholders' funds		**36.2**	53.9

The financial statements from pages 90 to 96 were approved by the Board of Directors and authorised for issue. They were signed on its behalf by:

R J Harvey **G A Kanellis**
21 July 2015

PZ Cussons PLC
Registered number 00019457

FINANCIAL STATEMENTS

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 £24.7m (2014: £43.8m).

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 (2014: £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.

FINANCIAL STATEMENTS

Notes to the Company financial statements *continued*

1. Accounting policies *continued*

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.

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

	2015 £m	2014 £m
Aggregate amount of Directors' Emoluments	**3.4**	3.2
Emoluments of the highest paid Director	**1.5**	1.1

For the year ended 31 May 2015 the highest paid Director received Company pension contributions of £0.1m (2014: £0.1m).

3. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to Ordinary Shareholders in the year comprise:		
Final dividend for the year ended 31 May 2014 of 5.23p (2013: 5.04p) per Ordinary Share	**22.0**	21.4
Interim dividend for the year ended 31 May 2015 of 2.61p (2014: 2.53p) per Ordinary Share	**11.0**	10.8
	33.0	32.2
Proposed final dividend for the year ended 31 May 2015 of 5.39p (2014: 5.23p) per Ordinary Share	**23.1**	22.4

The proposed final dividends for the years ended 31 May 2014 and 31 May 2015 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 2014 and 31 May 2015 respectively.

4. Investments in subsidiaries

	Shares £m	Loans £m	Total £m
Cost at 1 June 2014 and 31 May 2015	124.8	3.0	127.8
Provisions at 1 June 2014 and 31 May 2015	(4.6)	–	(4.6)
Net book value at 1 June 2014 and 31 May 2015	**120.2**	**3.0**	**123.2**

Details of the Company's direct subsidiaries at 31 May 2015 are as follows:

Subsidiary company	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%

FINANCIAL STATEMENTS

Notes to the Company financial statements *continued*

5. Debtors

	2015 £m	2014 £m
Amounts owed by Group companies	**276.8**	246.5
Deferred taxation	**1.0**	1.2
	277.8	247.7

£12.2m (2014: £12.2m) of amounts owed by Group companies are interest bearing and are based on market rates of interest. £264.6m (2014: £234.3m) 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

	2015 £m	2014 £m
Unlisted	**0.3**	0.3

7. Creditors

	2015 £m	2014 £m
Due within one year		
Bank loans and overdrafts	**201.5**	39.5
Amounts owed to Group companies	**155.6**	162.0
United Kingdom corporation taxation payable	**5.6**	5.6
Accruals and deferred income	**0.7**	0.5
	363.4	207.6

	2015 £m	2014 £m
Due after more than one year		
Bank loans	**–**	103.5
Amounts owed to Group companies	**6.2**	6.2
	6.2	109.7

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 2015 and 31 May 2014, 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.

8. Called up share capital

	2015		2014	
	Number 000	Amount £m	Number 000	Amount £m
Allotted, called up and fully paid:				
Ordinary Shares:				
Ordinary Shares of 1p each	428,725	4.3	428,725	4.3
Total called up share capital	428,725	4.3	428,725	4.3

9. 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 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
At 1 June 2014	4.3	0.7	48.9	53.9
Profit for the financial year	–	–	24.7	24.7
Acquisition of shares for ESOT	–	–	(8.5)	(8.5)
Share-based payments	–	–	(0.9)	(0.9)
Dividends paid	–	–	(33.0)	(33.0)
At 31 May 2015	**4.3**	**0.7**	**31.2**	**36.2**

FINANCIAL STATEMENTS

Notes to the Company financial statements *continued*

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. At 31 May 2015, the trust held 9,262,811 (2014: 7,208,985) Ordinary Shares with a book value of £37.2m (2014: £29.4m). The market value of these shares as at 31 May 2015 was £33.2m (2014: £25.4m). During the year the ESOT purchased 2,053,826 shares of the Company at a cost of £8.5m (2014: 3,851,549 at a cost of £16.1m) representing 0.5 per cent of issued share capital. The trust has waived any entitlement to dividends in respect of all the shares it holds.

The cost of buying own shares is charged to the profit and loss reserve.

11. Share-based payments

Share-based payments are made to senior executives and other selected key individuals throughout the Company. These are the Performance Share Plan; Deferred Annual Share Bonus Scheme; and the Executive Share Option Scheme. The total credit in the year relating to the three schemes was £0.9m (2014: charge £0.7m).

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 Company'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 23 September 2014, the Company made 1,221,052 awards under the PSP scheme (2014: total awards of 912,373). The number of shares exercised in the year was 19,062 (2014: 33,065) at a market value of £59,169 (2014: £131,331) based on the market price at the date of exercise. In addition the number of lapsed share options totalled 1,255,348 (2014: 1,024,079). The number of awards outstanding but not yet exercisable is 2,966,071 at 31 May 2015 (2014: 3,019,429). The total credit included in operating profit in relation to these awards was £0.9m (2014: charge £0.7m). The credit relates to the movement in the cumulative charge for the awards in issue based on expected vesting. The weighted average exercise price is nil (2014: nil).

12. Contingent liabilities and guarantees

The Company is the original borrower and one of a number of guarantee entities to a borrowing facility provided to the UK Group. The amount borrowed under this agreement at 31 May 2015 was £201.5m (2014: £118.5m).

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 2015 was £5.0m (2014: £5.0m).

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 2015 comprises this page and the information contained in the Report of the Directors on pages 4 to 7.

Registered office
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Registered number
Company registered number – 00019457

Registrars
Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Company Secretary
S P Plant

FINANCIAL STATEMENTS

Five year financial record (unaudited)

Year to 31 May	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Operating profit before exceptional items	**114.4**	116.4	108.4	93.4	108.1
Net finance (expense)/income	**(5.6)**	(1.4)	(0.9)	(1.1)	0.8
Profit before taxation and exceptional items	**108.8**	115.0	107.5	92.3	108.9
Exceptional items	**(24.8)**	8.7	(12.7)	(43.8)	(0.8)
Profit before taxation	**84.0**	123.7	94.8	48.5	108.1
Taxation	**(26.1)**	(25.0)	(23.8)	(10.5)	(28.2)
Profit for the year	**57.9**	98.7	71.0	38.0	79.9
Attributable to:					
Equity holders of the parent	**52.4**	91.4	63.1	34.4	70.4
Non-controlling interests	**5.5**	7.3	7.9	3.6	9.5
Net assets attributable to equity owners of the Parent Company	**453.2**	484.0	480.7	458.3	474.0
Net (debt)/funds	**(157.4)**	(29.4)	3.4	(17.9)	51.8
Per Ordinary Share:					
Basic earnings	**12.45p**	21.52p	14.75p	8.03p	16.48p
Adjusted basic earnings	**17.94p**	17.96p	16.62p	14.74p	16.20p
Dividend (interim and final declared post year-end)	**8.00p**	7.76p	7.39p	6.717p	6.61p
Times cover – after exceptional items	**1.6**	2.8	2.0	1.2	2.5
Times cover – before exceptional items	**2.2**	2.3	2.2	2.2	2.5
Net assets	**105.71p**	112.90p	112.13p	106.90p	110.56p

Subsidiaries and joint ventures

A full list of the Company's subsidiaries and joint ventures are as follows:

Subsidiary company	Incorporated in	Parent Company's interest
Five AM Life Pty Limited	Australia	†100%
PZ Cussons (Holdings) Pty Limited	Australia	†100%
PZ Cussons Australia Pty Limited	Australia	†100%
PZ Cussons Beauty Australia (Holdings) Pty Limited	Australia	†100%
PZ Cussons Beauty Australia Pty Limited	Australia	†100%
Rafferty's Garden Pty Limited	Australia	†100%
United Laboratories Limited	Australia	†100%
PZ Cussons (Hong Kong) Limited	China	†100%
PZ Cussons Middle East and South Asia FZE	Dubai	†100%
Beauty Source Limited	England	†100%
Beauty Source Spray Booths Limited	England	†100%
Bronson (UK) Limited	England	†100%
Charles Worthington (USA) Limited	England	†100%
Charles Worthington Hair Accessories Limited	England	†100%
Charles Worthington Hair and Beauty Company Limited	England	*100%
Milk Ventures (UK) Limited	England	†100%
Parnon (Hong Kong) Limited	England	†100%
Parnon Limited	England	*100%
PZ Cussons (Finance) Limited	England	*100%
PZ Cussons (Holdings) Limited	England	*100%
PZ Cussons (International Finance) Limited	England	†100%
PZ Cussons (International) Limited	England	†100%
PZ Cussons Investments China Limited	England	†100%
PZ Cussons (UK) Limited	England	†100%
Seven Scent Limited	England	†100%
St.Tropez Acquisition Co. Limited	England	†100%
St.Tropez Associates Limited	England	†100%
St.Tropez Holdings Limited	England	†100%
The Sanctuary at Covent Garden Limited	England	†100%
The Sanctuary City Spas Limited	England	†100%
The Sanctuary Connections Limited	England	†100%
The Sanctuary Gym Limited	England	†100%
The Sanctuary Licencing Limited	England	†100%
The Sanctuary Limited	England	†100%
The Sanctuary Marketing Limited	England	†100%
Sanctuary Products Limited	England	†100%
The Sanctuary Spa Group Limited	England	†100%
The Sanctuary Spa Holdings Limited	England	†100%
The Sanctuary Spas Limited	England	†100%
Thermocool Engineering Company Limited	England	†100%
PZ Cussons Ghana Limited	Ghana	†90%
Minerva SA	Greece	*100%
PZ Cussons India PVT Limited	India	†100%
PT PZ Cussons Indonesia	Indonesia	†100%
Cussons and Company Limited	Kenya	†100%
PZ Cussons East Africa Limited	Kenya	†100%

FINANCIAL STATEMENTS

Subsidiaries and joint ventures *continued*

Subsidiary company	Incorporated in	Parent Company's interest
PZ Cussons (New Zealand) Limited	New Zealand	†100%
Rafferty's Garden NZ Limited	New Zealand	†100%
Biase Plantations Limited	Nigeria	†20%
PZ Coolworld Limited	Nigeria	†100%
Food for Life International Limited	Nigeria	†100%
Harefield Industrial Consultants and Contractors Limited	Nigeria	†100%
Harefield Industrial Nigeria Limited	Nigeria	†100%
HPZ Limited	Nigeria	†55%
Nutricima Limited	Nigeria	†100%
PZ Cussons Nigeria PLC	Nigeria	†73%
PZ Power Company Limited	Nigeria	†73%
PZ Tower Limited	Nigeria	†73%
Roberts Laboratories Limited	Nigeria	†100%
Roberts Pharmaceuticals Limited	Nigeria	†73%
PZ Cussons Polska SA	Poland	†100%
Bronson Investments Spolka z.o.o.	Poland	†100%
Bronson Polska Brand Spolka z.o.o.	Poland	†100%
Food for Life Singapore Pte Limited	Singapore	†100%
PZ Cussons Singapore Private Limited	Singapore	†100%
Guardian Holdings Company Limited	Thailand	†100%
PZ Cussons (Thailand) Limited	Thailand	†100%
St.Tropez Inc	USA	†100%

Joint venture company	Incorporated in	Parent Company's interest
PZ Wilmar Food Limited	Nigeria	†51%
PZ Wilmar Limited	Nigeria	†49%
Wilmar PZ International PTE Limited	Singapore	†50%

† Shares held by a subsidiary.
* Shares held by the Parent Company.
PZ Cussons (Holdings) Limited has a 100% interest in PZ Cussons Beauty LLP as the corporate member.

Shareholder information and contacts

Annual General Meeting

The Annual General Meeting will be held
at 10.30am on Tuesday 22 September 2015 at:
PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Financial calendar

The key dates for PZ Cussons' financial calendar
are available on our website **www.pzcussons.com**

Registered office

Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG
Tel: 0161 435 1000
www.pzcussons.com

Registered number

Company registration number – 00019457

Registrars

Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AE
www.computershare.com

Company Secretary

S P Plant

This report has been printed in the UK. Our printers are accredited with ISO14001 and hold full FSC chain of custody, they are also carbon neutral. All inks used are vegetable-based. The paper is fully recyclable and biodegradeable and is an FSC mixed-sources accredited material, using an Elemental Chlorine Free process and partially bleached using a Totally Chlorine Free process.

If you have finished reading this report and no longer wish to retain it, please pass it on to other interested readers, or recycle it. Thank you.

This Governance and Financial Statements 2015 report is available at **www.pzcussons.com**

Designed and produced by Instinctif Partners www.instinctif.com

MIX
Paper from responsible sources
FSC® C022913

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG
Tel: 0161 435 1000

www.pzcussons.com