Welcome to the PZ Cussons Strategic Report 2015

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

Creating sustainable value for all

About us

Mission
Enhancing the lives of consumers through sustainable, quality and innovative brands.

Vision
To be a leading consumer brand of choice in our operating markets, delivering innovative, sustainable products created by exceptional people in a unique CAN DO culture that embraces integrity, diversity and drives the passion to succeed.

Values
Our CAN DO values are inspired by the spirit of our founders.

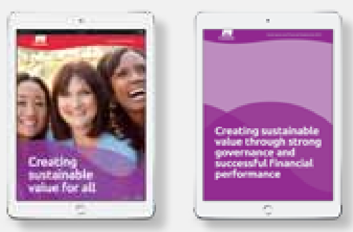
Read more on pages 22-23

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 provides 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

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.

Imperial Leather known across the globe as an iconic brand and firm family favourite.

Read more at
www.imperialleather.com

FINANCIAL HIGHLIGHTS

Another year of progress

Group highlights

- The Group delivered solid performance with revenue and operating profit growth of 2.3% and 2.7% respectively on a like for like basis
- Reported results reflect the negative exchange impact from weakening currencies and the net impact of acquisitions and disposals
- Strong balance sheet with net debt at 1.2x EBITDA following acquisitions
- Dividend increased 3.1% marking 42nd consecutive year of year on year increases

Financial highlights

Reported results (before exceptional items[1])	**Year ended 31 May 2015**	Year ended 31 May 2014	% change	Constant currency % change[3]	Like for like % change[4]
Revenue[2]	**£819.1m**	£861.4m	(4.9%)	0.7%	2.3%
Operating profit	**£114.4m**	£116.4m	(1.7%)	1.8%	2.7%
Profit before tax	**£108.8m**	£115.0m	(5.4%)	(1.9%)	(1.0%)
Adjusted basic earnings per share	**17.94p**	17.96p	(0.1%)	3.5%	4.5%

Statutory results (after exceptional items[1])			
Operating profit	**£89.6m**	£125.1m	(28.4%)
Profit before tax	**£84.0m**	£123.7m	(32.1%)
Basic earnings per share	**12.45p**	21.52p	(42.1%)
Total dividend per share	**8.00p**	7.76p	3.1%
Net debt[5]	**(£157.4m)**	(£29.4m)	

[1] Exceptional items before tax (2015: costs £24.8m; 2014: profit of £8.7m), relate primarily to restructuring and acquisition costs.
[2] Excludes joint ventures revenue of £281m (2014: £260m).
[3] Constant currency comparison (2014 results retranslated at 2015 exchange rates).
[4] Like for like comparison after adjusting 2014 for constant currency and 2015 for acquisitions and disposals in current and prior year. Also referred to as underlying.
[5] Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings.

CHAIRMAN'S STATEMENT

Successful execution of strategy in a tough trading environment

Strategy and performance

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

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

As part of our long-term growth strategy to focus the Group's portfolio on higher growth, value add businesses, a number of strategic initiatives were successfully completed in the year. To develop our Food & Nutrition category further and to create a broader portfolio for expansion into South East Asia, we acquired the Australian food brand five:am early in the financial year. This follows the acquisition last year of the Rafferty's Garden brand. In addition we now own 100% of our Nigerian beverage business after completing the buy out of Nutricima from our joint venture partner.

Balance sheet and dividend

The Group's balance sheet remains strong with 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.

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.

G4B

The way we do business

The Group's CAN DO values continue to be at the heart of the way we do business, from the boardroom to the factory floor. It is important to us that the Company acts according to its values, both when recruiting staff and as we operate on a day-to-day basis. These values are further epitomised through our principles of Good 4 Business and many examples of these in action are included in this Strategic Report.

Read more on pages 22-25 and 40-47

The Board and diversity

The Board governs the Company through our Board, the Remuneration, Audit, Group Risk, Nomination and CSR committees. The composition of our Board demonstrates the importance we place on diversity in the boardroom.

Being close to the business is a central ethos for both our Non-Executive and Executive teams. Together with all Non-Executive Directors, I attend the Group's annual leadership event and we also visit both UK and overseas operations at regular intervals. During the 2015 financial year, we held our annual strategic review in Indonesia visiting factory operations and meeting with staff and managers.

Our people

On behalf of the Board, I would like to take this opportunity to thank all our employees for the great contribution they make daily to the business, and for continuing to make us all proud of our CAN DO culture.

Sustainable future

This year we delivered another year of underlying growth despite trading conditions remaining challenging in most markets. Whilst the outlook remains challenging, the Group's focus on its values, its robust long-term strategy, our innovative pipeline and the strategic steps we have taken provide a strong and exciting platform for future sustainable growth. Performance since the year end has been in line with expectations.

Richard Harvey
Chairman
21 July 2015

CHIEF EXECUTIVE OFFICER'S REVIEW

Solid underlying performance whilst evolving our portfolio and organisation

2015 performance

The Group delivered a solid performance in the year to 31 May 2015, with underlying revenue and operating profit growth of 2.3% and 2.7% respectively.

This has been achieved despite tough trading conditions in most markets with the global economy still fragile. Exchange rate volatility has, in particular, been very challenging and we highlight the effect of this in the Financial Review.

Within Africa, and our largest market Nigeria, disruption in the north, the ebola outbreak, presidential elections and a significant currency devaluation have all contributed to a very difficult operating environment. Notwithstanding this, we have delivered local growth across our consolidated and joint venture businesses, and are well positioned with leading market shares to capitalise on Nigeria's future growth.

In Asia, whilst profitability in our Australian HPC (Home and Personal Care) business has been significantly affected by the challenging retail environment, our newly acquired food brands have performed extremely well. And in Indonesia, we have delivered another year of increased revenue well ahead of country GDP growth.

In Europe, our results reflect the first full year of trading following the strategic disposal of our Polish Home Care business last year. The performance of our UK Washing and Bathing and Beauty businesses has been strong, delivering profitable growth through excellent product innovation and channel diversification. In Greece, whilst revenue was lower year on year, good profit growth was delivered.

Our balance sheet remains strong with net debt at 1.2x EBITDA at the year end. Cash outflow in the year relates primarily to the acquisition of Australian food brand five:am, the buy out of our Nutricima joint venture partner, and higher working capital levels, mainly in Nigeria, held as a natural hedge against currency devaluation.

Evolving our portfolio

2015 has been a year of excellent progress in evolving the Group's portfolio, following last year's successful divestment of our Polish Home Care business.

This financial year's acquisition of five:am, together with the Rafferty's Garden brand acquired last year, has provided the Group with a broader Food and Nutrition portfolio for expansion both within Australia and also other South East Asian markets.

Securing 100% of Nutricima gives us greater control and synergy to drive the future growth of this important part of our portfolio.

And within existing portfolios, our brand innovation is ensuring we drive growth in our higher margin value add brands, ensuring a stronger mix of business as the Group evolves.

A stronger organisation

2015 was the second year of a three year programme to evolve the Group's organisational structure towards a new operating model. The organisation is being structured around three core functions of category, commercial and supply chain with roles and responsibilities being realigned.

The benefits of these changes are already being seen with category and regional leadership teams delivering faster and more consistent new product development to both existing and new markets. An excellent example of this has been the successful roll out of the Original Source brand to our existing market of Indonesia and expansion into the German market.

Let our business fly!

Eagle is the project name for our new SAP-enabled IT system being implemented over a three year period across the whole of the Group. Alongside our new operating model, it provides the opportunity to realign all our Group's processes to work in the most efficient and effective way.

five:am

proving a strong, profitable acquisition for the Group

This major business change project has been designed to facilitate our new way of working to provide world-class processes that will benefit all aspects of the business; from faster new product delivery to more efficient working capital management.

We have already seen good progress with teams from across the Group working alongside an external systems integrator to complete the design phase to enable a predominantly vanilla SAP implementation. The roll-out phase has now begun with SAP planned to go live in some of our Asian businesses later this calendar year. The overall project is on time and within budget.

CAN DO people

As a culture-led organisation, living our CAN DO values is integral to the Group's continued success.

I am very conscious of the demands that we place on our employees when trading conditions are difficult, and especially during periods of significant organisational and system change within the Group. I would like to thank all our employees for their continued hard work and achievements. I feel honoured while working in our diverse geographies when I see on a daily basis the great dedication and passion our employees give to our business.

The future of the Group is brighter and stronger with every change we make and these changes, combined with our CAN DO values, help to bind our organisation together through this challenging but exciting time.

Read more on pages 22-23

Sustainable value

All the actions taken in the year are consistent with our long term strategy of delivering sustainable value and being Good 4 Business in everything we do for all our stakeholders.

Whilst external factors in 2015 have resulted in a challenging year both in terms of the trading environment and the impact of exchange rates on the Group's sterling results, the measures we have taken to improve our brand portfolios and organisation provide a very sound platform for the future.

The outlook for the financial year is positive with a focus on delivering sustainable value, revenue and operating profit growth in all markets.

Alex Kanellis
Chief Executive Officer
21 July 2015

CHIEF EXECUTIVE OFFICER'S REVIEW *continued*

Our management structure

Our flat management structure and small leadership team are unconstrained by big company bureaucracy and enable us to react rapidly and make quick management decisions.

Many of our Board and Executive Committee members have a long career history with PZ Cussons and extensive knowledge of our businesses. The Board and Executive Committee work closely with our skilled Senior Leadership Team, which brings a wealth of experience from other blue chip companies. Together, we deliver a strong and flexible management structure that achieves results.

Plc Board
Years of combined PZC Plc Board service: **50**
Years of combined PZC service: **82**

Executive Committee
Years of combined PZC Executive Committee service: **101**

Plc Board

Alex Kanellis[1]
Chief Executive Officer
Year appointed to the Board: 2003
22 years with PZ Cussons

Brandon Leigh[1]
Chief Financial Officer
Year appointed to the Board: 2006
18 years with PZ Cussons

Chris Davis[1]
Chief Operating Officer
Year appointed to Board: 2006
22 years with PZ Cussons

Richard Harvey
Non-executive Chairman
Appointed to the Board: 2010
5 years with PZ Cussons

Professor John Arnold
Non-executive Director
Appointed to the Board: 2007
8 years with PZ Cussons

Ngozi Edozien
Non-executive Director
Appointed to Board: 2012
3 years with PZ Cussons

Helen Owers
Non-executive Director
Appointed to the Board: 2012
3 years with PZ Cussons

Caroline Silver
Non-executive Director
Appointed to the Board: 2014
1 year with PZ Cussons

[1] Also member of Executive Committee.

Executive Committee

Cathy Doyle-Heffernan
Group HR Director
2 years with PZ Cussons

Jola Gillespie
Chief Information Officer
2 years with PZ Cussons

George Kostianis
Group Supply Chain Director and Area Director for Africa Food & Nutrition and Electricals
25 years with PZ Cussons

Tim Perman
Group Category & Brand Director
5 years with PZ Cussons

Sam Plant
Corporate Services Director
Company Secretary
7 years with PZ Cussons

Nigel Simonsz
CEO PZC Australia/NZ
10 years with PZ Cussons

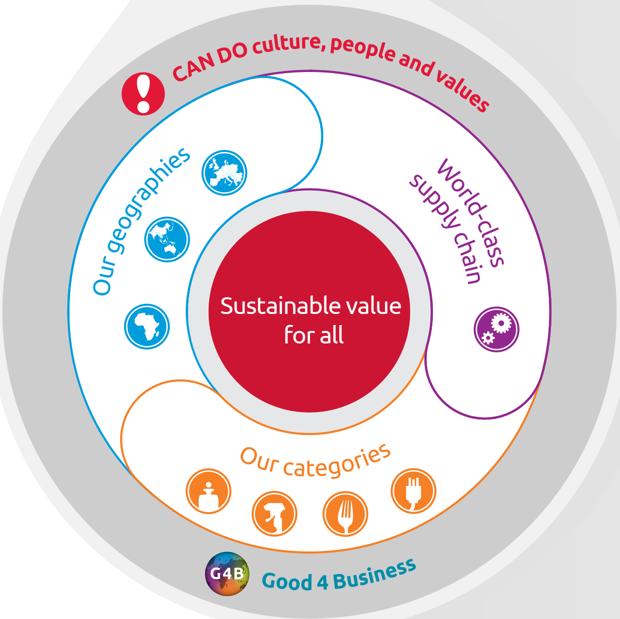
Read more about our Directors on pages 02-03 of the Governance and Financial Statements

CHIEF EXECUTIVE OFFICER'S REVIEW *continued*

Explaining our business model and strategy

Our mission

Enhancing the lives of consumers through sustainable, quality and innovative brands



Our business model

Our geographies

Delivering growth and expansion across all our geographies

- **Africa** Nigeria, Ghana, Kenya
- **Asia** Indonesia, Australia, New Zealand, Thailand, Middle East
- **Europe** UK, Poland, Greece

Our categories

Leveraging our market leading brands across all our categories

- Personal Care
- Home Care
- Food & Nutrition
- Electricals (Africa only)

World-class supply chain

Creating a world-class supply chain to optimise business and operational efficiency

- Modern factory footprint
- Excellent distribution network

CAN DO culture, people and values

Living our values

- Courage
- Accountability
- Networking
- Drive
- Oneness

Good 4 Business

Further integration of sustainability throughout our business

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

Read more on pages 10-25 and 40-47

Key strategic focus	Risks
• Maintain balance of developed and emerging markets • Expand into neighbouring geographies	• Political and economic instability • Exchange rate fluctuations • Tax law compliance
• Protect No1 & No2 brand positions in category and geography • Achieve value add higher margin categories and products • Develop faster and more relevant innovation than competitors	• Demand risks • Product safety and quality • Business transformation
• Maintain UK and Nigerian factory footprints as key strategic assets • Build on the strategic capability of our Nigerian distribution network	• Materials price fluctuations • Health & Safety • Supply chain disruptions • Business transformation
• Recruit, retain and reward based on our values • Enhance and maintain our unique PZ culture as a key differentiator	• Staff recruitment and talent selection • Staff retention
• Integrate Good 4 Business principles into our global operations • Minimise our impact on communities and environment through positive initiatives	• Sustainability and integrity of raw materials • Climate change mitigation and adaptation • Reputational risks

Read more on pages 36-39

Our vision

To be a leading consumer brand of choice in our operating markets, delivering innovative, sustainable products created by exceptional people in a unique CAN DO culture that embraces integrity, diversity and drives the passion to succeed.

Delivering long term growth in earnings and dividend per share.

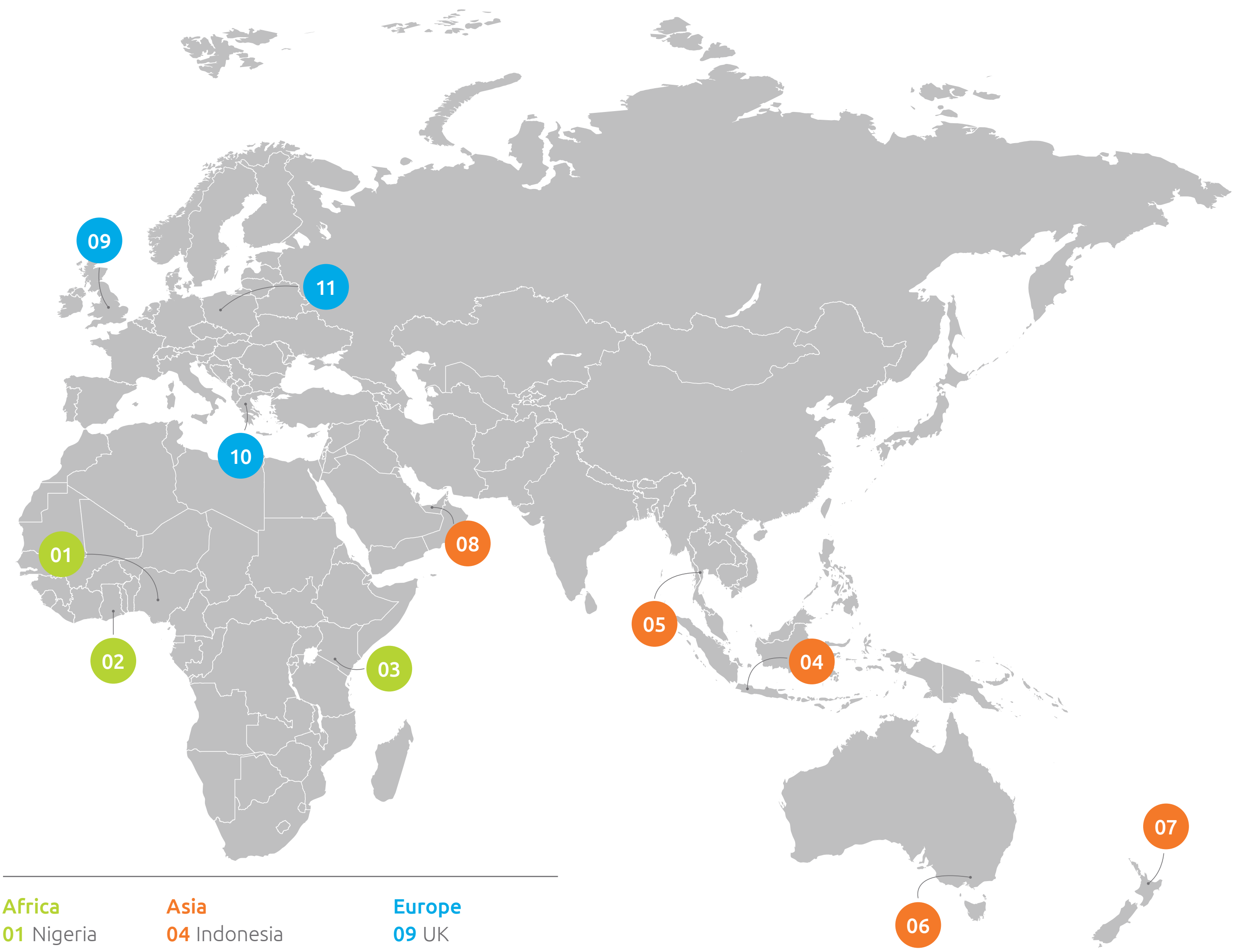
Sustainable value for all

Our business model explained

GROWTH IN OUR GEOGRAPHIES

1. Delivering growth and expansion…

We operate in selected geographies in Africa, Asia and Europe, with our largest markets being Nigeria, the UK, Indonesia and Australia.



Africa
01 Nigeria
02 Ghana
03 Kenya

Asia
04 Indonesia
05 Thailand
06 Australia
07 New Zealand
08 Middle East

Europe
09 UK
10 Greece
11 Poland

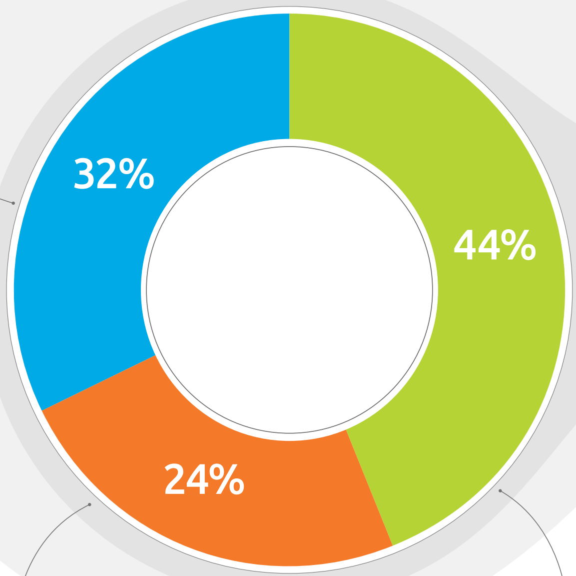
Europe

Revenue

£263.2m

2014: £315.7m

Read more on pages 34-35



Asia

Revenue

£199.1m

2014: £184.4m

Read more on pages 32-33

Africa

Revenue

£356.8m

2014: £361.3m

Read more on pages 30-31

Our history

The reason why we trade in the geographies that we do largely relates to our history. The early part of the Group's 131 year trading history was focused solely on Africa, and particularly West Africa, and hence our presence there is deeply entrenched and also broadest in terms of our category participation.

The acquisition of Cussons by PZ in 1975 brought the new markets of UK, Australia and Kenya into the Group. Further geographic expansion in the 1980s and 1990s into markets such as Poland, Thailand and Indonesia completes our picture today.

Our geographies

As a result of our history, we now have significant businesses in the developed world, in particular in the UK and Australia, which we have grown through acquisition in recent years. We also have exposure to two of the world's largest growing emerging economies: Nigeria with over 175m people and Indonesia with over 250m people.

This mix of developed and emerging economies provides a balanced risk profile with the consistency of profit and cash flow from developed markets balancing short term volatility in emerging markets, which offer greater growth in the medium to long term.

Geographic expansion

We are currently focused on growing in our current geographies rather than expanding into new ones, as we believe the geographies where we operate today offer significant growth potential.

At the same time, our brands are sold into neighbouring geographies, for example within South East Asian markets, where we sell through distributors rather than establishing a significant on the ground presence. In the case of our Beauty division, our brands are now establishing positions in certain channels within the US market.

Our business model explained

GROWTH IN OUR GEOGRAPHIES

...across all our geographies

We operate in a mixture of developed and emerging geographies. We have years of experience in these markets and our diverse mix of geographies helps us to balance our risk and gives us the greatest growth prospects in the medium to long term.

Africa

Buy out of Nutricima

This year we achieved 100% ownership and full control of Nutricima, buying out Glanbia's 50% stake and ending our joint venture. This gives greater control and synergy to drive the future growth of this important part of our portfolio. Our Nutricima market-leading brands include Nunu, Olympic and Coast.

Asia

Expansion into new geographies

Our entrance into the Australian baby food market, following the acquisition of leading Australian baby food brand Rafferty's Garden in 2013, has given us an opportunity to strengthen our position within the Asia baby segment and to expand Rafferty's Garden into new geographies. Earlier this year we launched Rafferty's Garden into New Zealand and China, with further Asian market expansion planned for the new financial year.

Europe

Existing and new market expansion

Our Original Source brand's unique consumer positioning of 'intense natural experience' resonates strongly with our international consumers, giving us significant potential for overseas expansion.

To build on this, we successfully launched into our existing markets of Thailand and Indonesia, as well as into selected retail outlets in Germany, strategically targeting these markets for their consumer and brand fit, and their sizeable growth potential.

Our business model explained

No1 & No2 IN OUR CATEGORIES

2. Leveraging our market leading brands…

Personal Care

The types of products we sell include bar soap, liquid hand wash, shower gel, skincare and haircare.

In this category, we operate in each of the geographies that we trade in through a portfolio of international, regional and local brands. For example:

- International – Imperial Leather and Carex
- Regional – Premier and Robb (in Africa)
- Local – Luksja (in Poland)

Where possible we roll out our brands across as many geographies as we can, although some are only relevant to consumer needs in particular regions or geographies. Whether the brand is international, regional or local, we maximise efficiencies through group sourcing and where possible through common formulations, packaging and fragrances.

The Group's Beauty division is included within this category with brands such as St.Tropez and Sanctuary Spa.

Home Care

We sell brands in two segments; fabric care and dish care.

Fabric care

The majority of the Group's fabric care brands are sold in our emerging markets and in particular in Nigeria. Here we sell products such as laundry soap and branded bulk and packaged washing powder. Examples of our brands are Canoe, Jet, Zip and Elephant.

Following the sale of our Polish Home Care business in 2014, the only developed market where we sell fabric care is in Australia, where we have two brands: Radiant and Duo.

Dish care

The Group's dish care brand is Morning Fresh and this is sold in most of our operating geographies. It is also an example of where we utilise liquid production synergies across Personal Care and dish care.

We operate in selected categories where our brands have a strategic advantage and occupy No1 or No2 market share positions.

Our four selected categories are:

- Personal Care
- Home Care
- Food & Nutrition
- Electricals (Africa only)

Food & Nutrition

Our focus in this category is on value add nutritional products, where nutrition is defined relevant to the market in which we operate. We have brands in three segments: cooking ingredients, dairy products and baby food.

Cooking ingredients

Our largest cooking ingredient business is in Nigeria through our joint venture with Wilmar. Here we sell cooking oil under two brands, Mamador and Devon Kings.

We also have a food business in Greece that sells oils as well as spreads, vinegars and cheeses, all under the Minerva brand.

Dairy products

Our largest dairy business is also in Nigeria through Nutricima which, since April 2015, is fully owned by the Group. It sells powdered, evaporated and UHT dairy based products under brands such as Nunu and Olympic.

Our other dairy business is based in Australia under the five:am brand which was acquired in 2014. The core product range is organic yoghurt although the portfolio is being extended to other products, such as granolas.

Baby food

Australia is also the base for our baby food business, Rafferty's Garden, which was acquired in 2013. Products are made from natural ingredients and sold in pouch format. The brand has also begun to be rolled out into other selected geographies in South East Asia.

Electricals

Our participation in this category is as a result of the history of our operations in West Africa and the creation of Nigeria's No1 white goods brand Thermocool.

Now partnered with Haier, one of the world's largest producers of white goods, products are sold under the brand name Haier Thermocool. Products include refrigerators, freezers and air conditioners, many designed specifically for the African market.

The business also operates a small chain of retail outlets in Nigeria and Ghana, primarily as a way of enhancing the brand image, and account for about 5% of total sales.

Read more on pages 30-35

Our business model explained

No1 & No2 IN OUR CATEGORIES

….across all our categories

We win through understanding local consumer needs and being focused on fewer markets than our larger competitors. We are also unconstrained by big company bureaucracy and our continuous and faster innovation ensures our brands occupy leading positions in our categories.

Personal Care

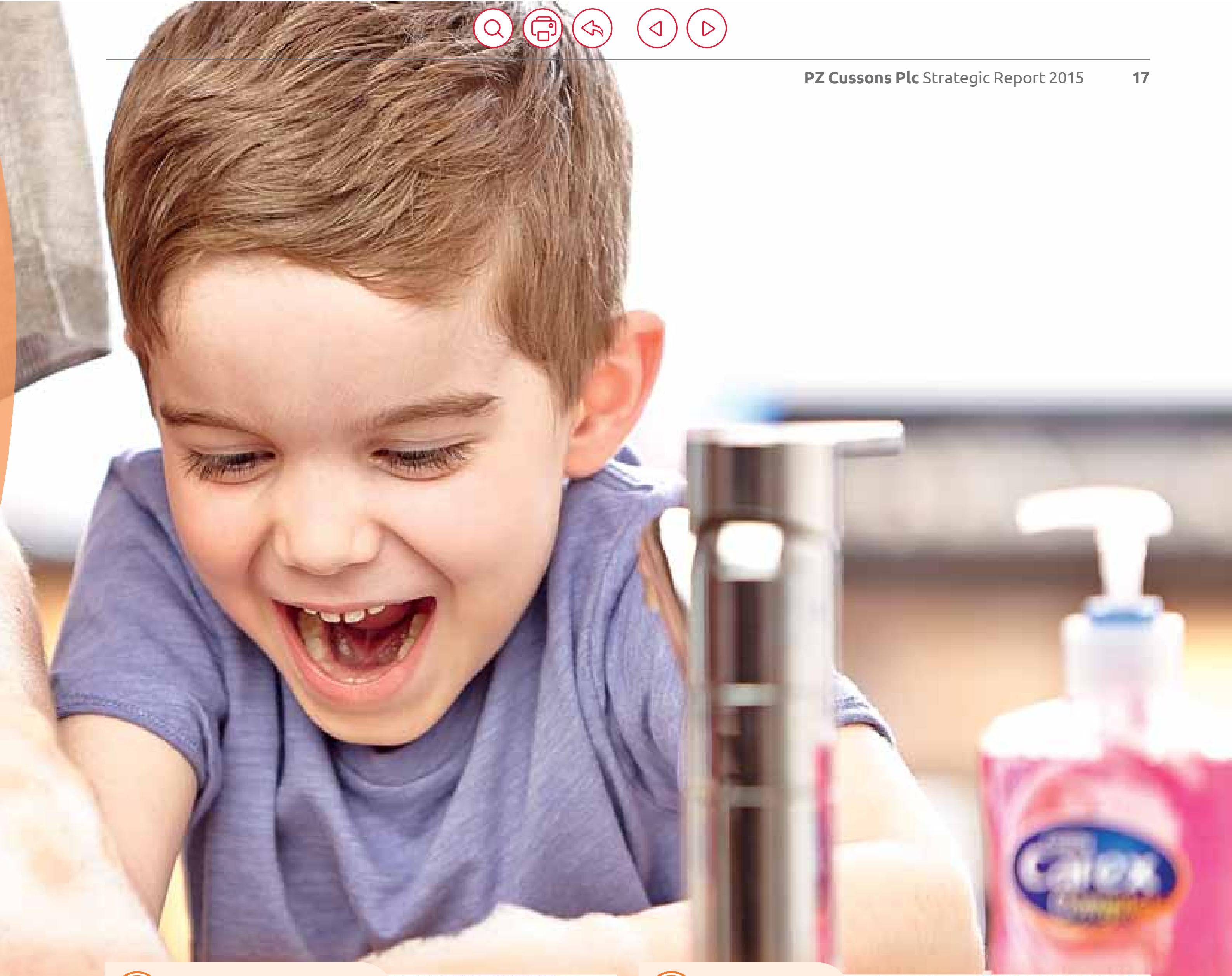
Sales boost for St.Tropez

In May 2015, St.Tropez launched its fastest selling product ever. The Gradual Tan In-Shower Lotion entered the UK market online and in Boots stores, selling at a rate of 10 bottles per minute. Our new product development team developed this first-to-market tanning product, which uses water to promote a gradual streak-free tan.

Home Care

Anti-bacterial solutions for the developing world

Morning Fresh's entrance into Nigeria's anti-bacterial household cleaning product market is enabling our Home Care category to provide long-lasting, protective products that make a real contribution to improving the health of consumers in the developing world. The new washing up liquid and cleaning products use tried and tested technology and are a great example of how we can work with technology partners to introduce high performance products.



Food & Nutrition

Popular Mamador increases market share

Over the past 12 months, Mamador's product quality has proved a popular choice with consumers, having grown its market share within the branded vegetable oil category in Nigeria and growing an estimated 14% year on year in volume sales. During the year, Mamador's distribution footprint extended within Nigeria and is now sold across the south, the middle belt and northern Nigeria.

Electricals

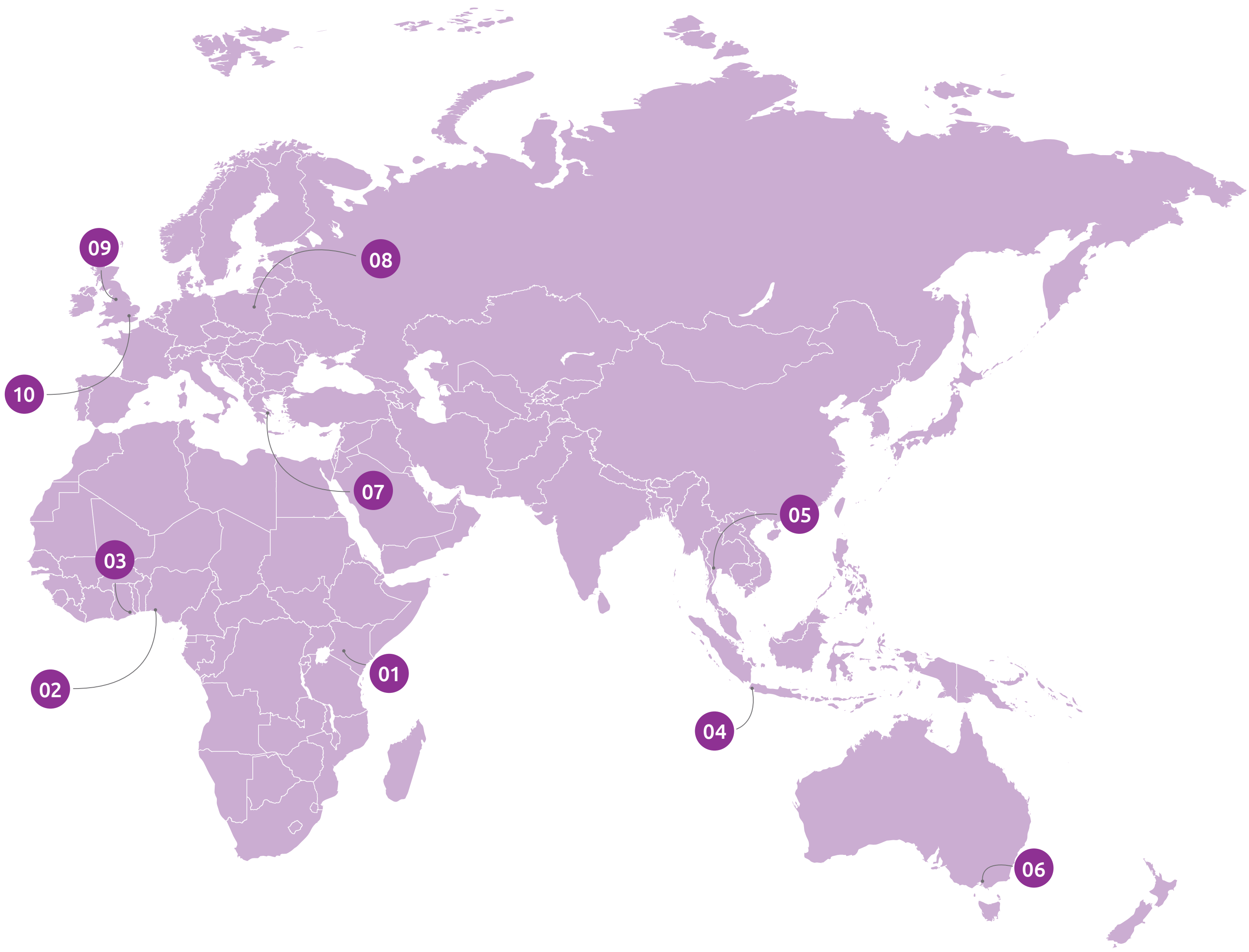
Haier Thermocool's new product launches

Haier Thermocool continues to dominate and innovate in the Nigerian electricals market as the number one brand for white goods. This year we delivered impressive top line growth launching innovative product ranges across our refrigerator, freezer, air conditioning, washing machine and generators categories, with new products contributing to 24% of the business's revenue. We occupy market-leading positions within this geography being No1 in freezers, refrigerators and washing machines and No2 in air conditioning.

Our business model explained

IMPROVING EFFICIENCY THROUGHOUT OUR SUPPLY CHAIN

3. Creating a world-class flexible supply chain…



Africa
01 Nairobi
02 Lagos
03 Tema

Asia
04 Jakarta
05 Bangkok
06 Melbourne

Europe
07 Athens
08 Warsaw
09 Manchester
10 London

Internationally, we operate a flexible supply chain network underpinned by a modern factory footprint, offices and supported by excellent distribution networks.

How we manufacture our products

Our products are sourced through a combination of own-factory supply, as well as outsourcing production to selected third party manufacturers. Our factory footprint has been significantly rationalised over the past decade and new investment injected into factories to secure efficiencies and production output to meet our future short to medium term needs.

Our modern factory footprint spans Africa, Asia and Europe.

Africa

We see our Nigerian factory operations as a significant Group asset. We have three large factory sites where all products sold in West Africa are made.

Our largest site is at Ikorodu just outside Lagos. Here all our Personal Care and Home Care products are manufactured, with the exception of laundry and toilet soaps, which are manufactured at our bar soap facility at Aba in East Nigeria. Also at Ikorodu are our Food & Nutrition factories. Our third facility, which is sited alongside our Nigeria headquarters in Lagos, contains our white goods production plant.

In this geography we have taken steps to mitigate the challenge of raw material supply and power disruptions. For raw material supply such as bottles and tins, we have introduced an element of vertical integration throughout these sites, with on-site packaging manufacture to ensure continuity of production. To counter national power supply disruptions we run on-site electricity generators.

In Kenya our production facility focuses on Personal Care products for the East Africa region.

Asia

Our Thailand factory concentrates its manufacturing activities on bar soap production for Europe and Asia.

In Indonesia our factory produces liquid products for all our Asian markets.

Europe

Within the UK our state-of-the-art liquid manufacturing facility operates on an efficient 'just-in-time basis' and supplies liquid hand wash, shower gel and dish wash products mainly to our UK and Polish markets.

On the same UK site is our in-house perfumery, Seven Scent, which is responsible for manufacturing fragrances and fragrance innovation for most of the products that we sell across the Group. Our personal wash innovation centre is also housed here, making it a truly integrated centre of excellence for personal wash innovation and manufacture.

In Greece we have modern food production facilities producing edible oils, vinegars, spreads and cheeses.

How we distribute our products

The way we distribute our products varies according to the region in which we trade.

In the developed markets of Europe and Asia, we mainly distribute our products to consumers through supermarkets and other retail chains, utilising third party logistics providers to ship products from our factories to retailers.

In the emerging markets of Nigeria, Ghana and Kenya, the retail and distribution model is quite different. This is where the Group's supply chain footprint and local regional know-how are some of our greatest assets, and we operate a tailored-market logistics model.

In Nigeria, there are very few supermarket chains so consumers' main shopping experience is via a mix of open 'wet' markets, individual traders and small stores. To combat the region's vast geography and to proactively respond to the needs of consumers and market traders, over the years we have developed a comprehensive distribution system. Our depots either ship direct from our warehouses or from our factories to a network of distributors, who then supply locally to markets and smaller retailers.

Our business model explained

IMPROVING EFFICIENCY THROUGHOUT OUR SUPPLY CHAIN

…to optimise business and operational efficiency

We are building a bigger, better supply chain. We are increasing our business flexibility, agility and our distribution network – supported by new technology and processes.

Business transformation

Business transformation – Eagle

Project Eagle, part of our exciting transformation journey, aims to drive simplification and standardisation to deliver the optimum processes and systems to support our future business growth. Working with leading implementation partner IBM, we are aligning business processes globally and implementing SAP. Our first transition to the new system and processes will be in our Asia businesses towards the end of 2015.

Europe factory

Manufacturing

Asia factory

Africa factory

Safety, Quality, Delivery, Motivation and Cost

Over the past 12 months we have embarked on a three-year journey to improve our operational management processes. This will allow our business to apply a more standardised approach, ultimately aligning ways of working at our manufacturing units through five core areas: Safety, Quality, Delivery, Motivation and Cost (SQDMC). Led by the Group Supply Chain Optimisation Team, the emphasis is on developing sustainable manufacturing systems and delivering sustained continuous improvement.

Our largest manufacturing plant based in Ikorodu, Nigeria has been piloting the approach, which involves multi-level teams, from directors to line teams, to embed processes and drive consistency. We are already seeing improvements from the new processes in the areas of materials management, Global Manufacturing Processes compliance, product compliance and improved efficiencies with reductions in plant downtime. We engaged external consultants to help us to structure this capability upskilling process and the approach will now be rolled out to our Indonesian operation.

Our business model explained

OUR CAN DO VALUES

Living our values

CAN DO!

Courage, Accountability, Networking, Drive and Oneness. That's CAN DO. And it's much more than just a phrase on a poster or a logo on a mug – it's the spirit that binds us and makes a PZ Cussons team recognisable and distinct from any other organisation.

Our people, our future

One of our biggest differentiators, contributing to our continued success is our employees. Within the business we have over 5,000 like-minded, talented people working as a global family, living our CAN DO values and operating within the framework of our global behavioural competencies. These competencies drive the way we live our values and manage our talent, from recruitment to development and performance management.

Our unique culture enables employees to grow and move within the organisation, helping them to expand their experience and to fine tune their talents while sharing knowledge and successes.

What we value

Courage

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

Accountability

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

Networking

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

Drive

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

Oneness

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

Our business model explained

CREATING VALUE BY BEING GOOD 4 BUSINESS

Sustainable value at the heart of our business strategy

See pages 40-47 for examples of how we are already using Good 4 Business.

As part of our wider programme of business transformation, we have evolved our approach to Corporate Social Responsibility (CSR). In June 2015 we launched Good 4 Business which explicitly links CSR to business success and elevates our commitments beyond Doing Good Business to Creating Sustainable Value (CSV).

We have chosen four broad areas of focus to help us ensure Good 4 Business becomes an integral part of all day-to-day decision-making:

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

As we roll Good 4 Business out across the business, it will provide a clear framework for managing risk and creating sustainable value.

Palm oil

Progress on palm oil

Working with The Forest Trust (TFT), we have now mapped 88% of our palm oil supply back to refinery level and traced 75% back to mill. In the next 12 months, we aim to map 100% to the mill and conduct field assessments with key supplier high priority mills.

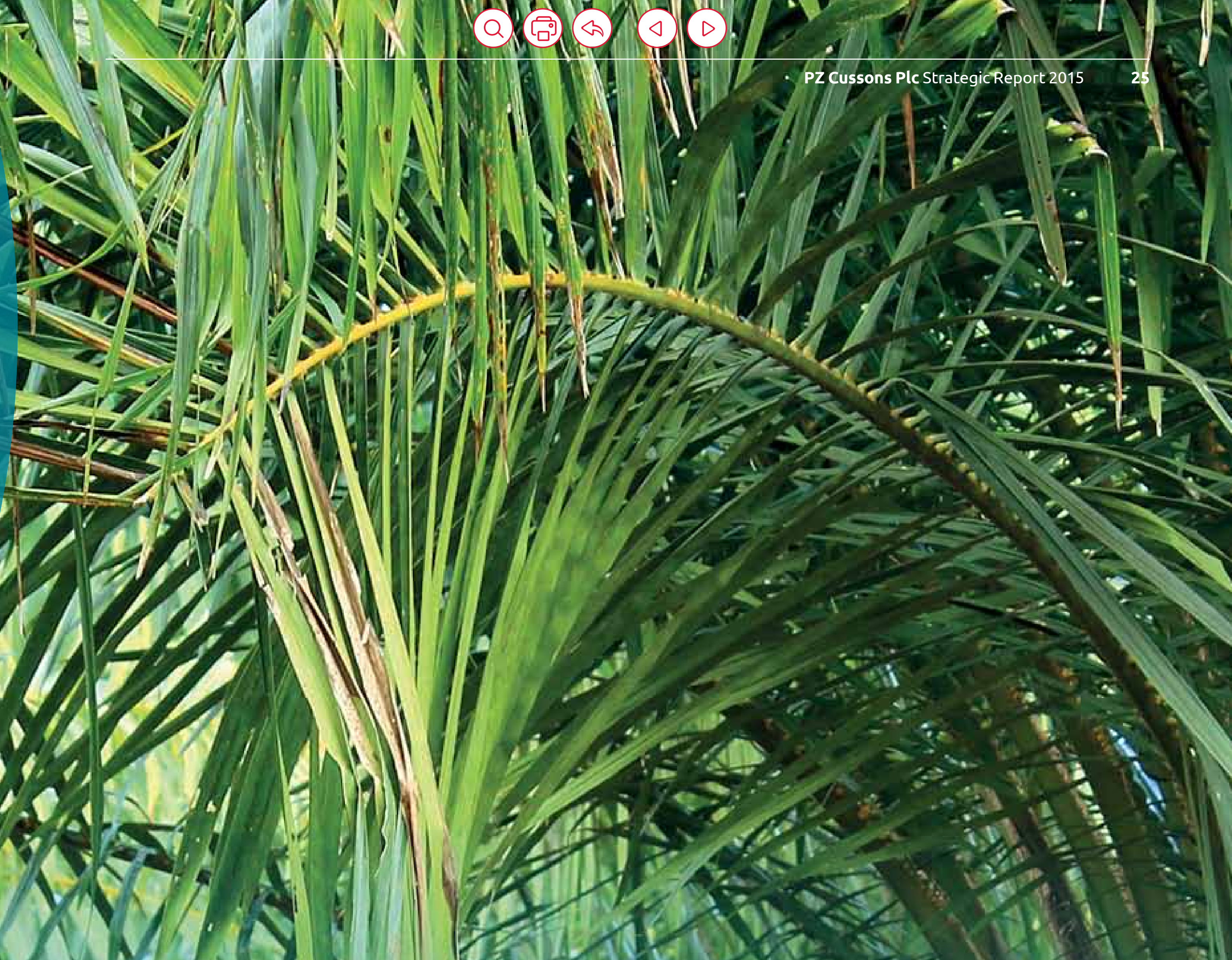
Read more on page 42

Teach First

Three-year Teach First partnership

Education is firmly at the top of our UK Community & Charity agenda through our work with education charity Teach First. Our support will improve the education of 15,000 young people from low-income backgrounds in the Greater Manchester area (UK). The three-year partnership will enable teachers to be recruited, trained, placed and supported across Teach First's two-year Leadership Development Programme. Since 2002, Teach First has brought inspirational teaching to over 1 million children from deprived backgrounds and placed over 600 teachers in the North West of England.

Image courtesy of Teach First



G4B B Corp

five:am achieves B Corp certification

Our leading Australian organic food brand five:am has now launched as a B Corp. five:am's certification publicly recognises its positive impact on environment and society and it is now considered the largest B Corp Lab certified company in Australia. The B Corp concept recognises a new type of organisation that occupies a distinct sector within Australia. The company uses its 'B Impact Assessment' to audit and certify businesses, covering areas such as Business Governance, Community and Environment.

G4B Targets

Improvement Plan targets success

Since 2012 we have been working on a three-year Improvement Plan to reduce the business's carbon, water, waste and packaging usage. Three years on and we have not only met our targets, but in all cases exceeded them. We have reduced absolute carbon by 25%, absolute water by 24% and absolute waste by 29%. Reductions and changes were also made to our packaging through our 'right by design' philosophy where we focused on light-weighting, optimising structural and material design and eliminating any unnecessary packaging.

Read more on pages 44-45

CHIEF EXECUTIVE OFFICER'S Q&A

Q&A

Alex Kanellis shares his thoughts and views on the business he has helped to build for over 20 years.

Q. How are you feeling about the business's performance?

A. It's been a generally tough year, but I'm pleased with the progress we have made. Our clear business strategy has played a pivotal role in delivering a solid performance. Our results reflect the macro economic challenges we've experienced during the year, especially in Africa, where the local elections and a depreciating currency have meant market volatility. Our diverse business interests and joint ventures, however, have meant that we have still seen like for like Group operating profit growth of 2.7%.

Q. How important are the CAN DO values to the business?

A. Our business is defined by, and our people live by our CAN DO values. I was personally involved in their development and believe they are even more relevant now than in the past. It's when the business needs to meet tough challenges that the way we do business becomes a real differentiator. Within the business we encourage unity and collaboration on a global platform. Our CAN DO values and behaviours really bind us together as an organisation and help give us the edge we need to compete within a highly competitive, global arena.

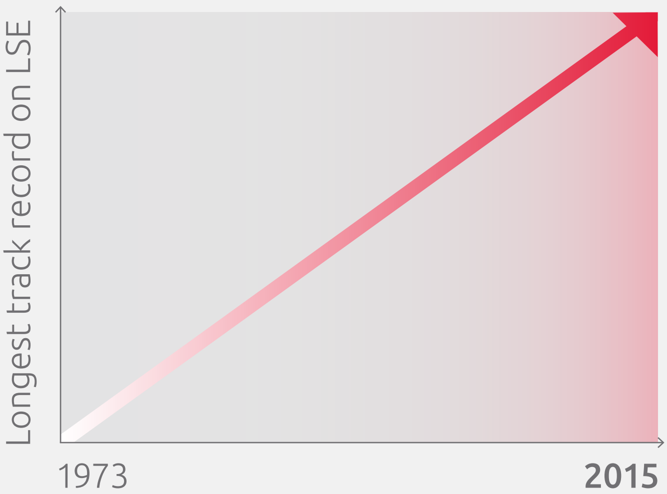
Q. How do you see the business evolving?

A. We never stop evolving our business. I've been with the business over 20 years and during that time I've seen our brands develop and our business grow. In the past 12 months we have been driving both growth and innovation in all regions. For example, our innovation and renovation programme in Europe has reformulated over 70% of our products, incorporating ideas to keep our brands fresh and relevant. This gives us the flexibility we need to meet the challenges of our operating markets and facilitates our move from commodity to more value add.

Q. How important is organic growth compared to acquisitions?

A. We are in a good position to grow our business organically through the strong portfolio of global, regional and local brands which we have. We are very selective when it comes to acquisitions and will only acquire brands that are highly differentiated, broaden our portfolio and have good growth potential.

We are therefore focused on ensuring that any new acquisitions are the right fit and shape to meet our long term business ambitions and to create sustainable value.



42 years
of consecutive dividend growth

"Our balance sheet remains strong, giving us flexibility to seize investment opportunities"

Q. How important is it to the business to have a strong balance sheet?

A. This year we have delivered another year of dividend growth for our Shareholders, marking 42 years of consecutive growth, which I believe is the longest track record on the London Stock Exchange. Our strong business strategy and balance sheet put us in a good position to deliver this sustained value year after year – something I am extremely proud of.

Q. Why have you decided to make Good 4 Business part of your business model?

A. We've put 'creating sustainable value for all' at the heart of our business model to demonstrate our commitment to delivering value in every part of the business. We've recently evolved how we look at sustainability, moving from 'the Big 6' and becoming 'Good 4 Business'. We have integrated sustainability into all areas from our policies, to how we source raw materials, use energy and how we work within local communities to provide 'enhancing lives, securing futures' initiatives.

Q. You operate a flat management structure, how does that work for the business?

A. Our flat management structure gives us the agility our business needs to move quickly to seize opportunities and make good decisions. My Executive team has high visibility within the business and spends time working to understand our markets, our consumers and their needs. We don't operate within layers of unnecessary bureaucracy which means we can respond rapidly to changing market trends or issues and remain one step ahead.

FINANCIAL OVERVIEW – BRANDON LEIGH, CFO

Delivering a strong financial platform for growth

Revenue and operating profit growth of 2.3% and 2.7% respectively on a like for like basis, driven by extensive brand renovation and innovation.

Financial highlights

Reported results (before exceptional items[1])	**Year ended 31 May 2015**	Year ended 31 May 2014	% change	Constant currency % change[3]	Like for like % change[4]
Revenue[2]	**£819.1m**	£861.4m	(4.9%)	0.7%	2.3%
Operating profit	**£114.4m**	£116.4m	(1.7%)	1.8%	2.7%
Profit before tax	**£108.8m**	£115.0m	(5.4%)	(1.9%)	(1.0%)
Adjusted basic earnings per share	**17.94p**	17.96p	(0.1%)	3.5%	4.5%
Statutory results (after exceptional items[1])					
Operating profit	**£89.6m**	£125.1m	(28.4%)		
Profit before tax	**£84.0m**	£123.7m	(32.1%)		
Basic earnings per share	**12.45p**	21.52p	(42.1%)		
Total dividend per share	**8.00p**	7.76p	3.1%		
Net debt[5]	**(£157.4m)**	(£29.4m)			

Basis of presentation

In our financial statements we use performance metrics that are not recognised under IFRS. These performance metrics are used to help the readers of our accounts understand underlying business performance.

Reported results, also termed adjusted, are presented before exceptional items which include, acquisition and disposal related costs and income, and restructuring costs.

The reported results for the current year are presented with variances to reported prior year results and also as variances between the current and prior year on a constant currency and like for like basis.

The constant currency impact was derived by retranslating the 2014 result using 2015 foreign currency rates. The adverse translational impact on revenue and operating profit was £48.3m and £4.0m respectively. The like for like impact, or underlying growth/decline, was derived at constant currency and by also excluding the impact of acquisitions and disposals in the current and prior year.

The acquisitions of five:am and 100% of the Nutricima joint venture increased revenue in the current year by £19.1m and £13.4m respectively and operating profit by £3.9m and £1.4m respectively. The disposal of the Polish Home Care brands and Beauty Spa business negatively impacted revenue and operating profit in the current year by £45.4m and £6.3m respectively.

This year's highlights

Operating profit before exceptional items[1]

Africa
£39.6m
2014: £40.2m
% change (1.5%)

Asia
£16.9m
2014: £19.3m
% change (12.4%)

Europe
£57.9m
2014: £56.9m
% change 1.8%

Regional reviews
Performance by region

Revenue[2] (£m)	**2015**	2014	% change	Constant currency % change[3]	Like for like % change[4]
Africa	**356.8**	361.3	(1.2%)	7.5%	3.5%
Asia	**199.1**	184.4	8.0%	14.0%	3.1%
Europe	**263.2**	315.7	(16.6%)	(14.2%)	0.6%
	819.1	861.4	(4.9%)	0.7%	2.3%

Operating profit before exceptional items[1] (£m)	**2015**	2014	% change	Constant currency % change[3]	Like for like % change[4]
Africa	**39.6**	40.2	(1.5%)	5.2%	1.6%
Asia	**16.9**	19.3	(12.4%)	(6.7%)	(28.2%)
Europe	**57.9**	56.9	1.8%	2.2%	13.4%
	114.4	116.4	(1.7%)	1.8%	2.7%

Regional overview
Within Africa and our largest market Nigeria, disruption in the north, the ebola outbreak, presidential elections and a significant currency devaluation have all contributed to a very difficult operating environment. Notwithstanding this, we have delivered local growth across our consolidated and joint venture businesses and are well positioned with leading market shares to capitalise on Nigeria's future growth.

In Asia, whilst profitability in our Australian HPC (Home and Personal Care) business has been significantly affected by the challenging retail environment, our newly acquired food brands have performed extremely well. In Indonesia, we have delivered another year of increased revenue well ahead of country GDP growth.

In Europe, our results reflect the first full year of trading following the strategic disposal of our Polish Home Care business last year. The performance of our UK Washing and Bathing and Beauty businesses has been strong, delivering profitable growth through excellent product innovation and channel diversification. In Greece, whilst revenue was lower year on year, good profit growth was delivered.

Financial position overview
The Group's balance sheet remains strong with net debt of 1.2x EBITDA at the year-end. Cash outflow in the year relates primarily to the acquisition of five:am, the buy out of our Nutricima JV partner and the higher working capital levels, principally in Nigeria, held as a natural hedge against currency devaluation.

[1] Exceptional items before tax (2015: costs £24.8m; 2014: profit of £8.7m), relate primarily to restructuring and acquisition costs.
[2] Excludes joint ventures revenue of £281m (2014: £260m).
[3] Constant currency comparison (2014 results retranslated at 2015 exchange rates).
[4] Like for like comparison after adjusting 2014 for constant currency and 2015 for acquisitions and disposals in current and prior year. Also referred to as underlying.
[5] Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings.

FINANCIAL REVIEW

Africa

Regional highlights

- Underlying growth in revenue and operating profit in Nigeria despite tough trading conditions during the year
- Good progress in developing PZ Wilmar joint venture with growth in revenue from £194m to £225m

Buy out of Nutricima, costing

£21m

31 March 2015

In Nigeria, following a tough year from disruption in the north, the ebola outbreak and a significant currency devaluation, April's presidential elections passed smoothly with only a short period of lost trading days. Whilst the naira exchange rate has recently been stable following a 25% devaluation in the second half of the financial year, low oil prices continue to impact the economy and there remains a risk of further currency devaluation. The market has begun to adjust relative pricing across all categories and consumer spending power is being impacted by imported inflation.

During the year, the Group increased its holding in its Nigerian listed subsidiary from 70.55% to 72.8% at a cost of £9.9m.

In Personal Care and Home Care, whilst revenue was at a similar level to the prior year despite the challenging macro environment, margins were lower having been impacted by commodity products, such as bulk detergents and laundry soaps having to trade in an extremely competitive market.

Pleasingly, good growth has been achieved in the value add part of the portfolio driven by a significant renovation programme across brands such as Premier, Zip, Robb, Carex, Morning Fresh and Cussons Baby. A good example of product innovation is Premier, Nigeria's No1 bar soap, which launched into the small but growing shower gel category.

Regional update

Manchester City FC expands African footprint

This year, our Nigerian business entered into a high profile partnership with one of the best known names in world football, and became Manchester City Football Club's Official Partner. Starting in September and running for the next three years, Manchester City FC aims to grow its Nigerian fan-base and we will be driving sales for our local brands: Premier, Olympic and Robb with on pack promotions and exclusive VIP match day competitions.

Revenue

£356.8m

2014: £361.3m

Value add growth

Good growth has been achieved in the value add part of the portfolio driven by a significant renovation programme across brands such as Premier, Zip, Robb, Carex, Morning Fresh and Cussons Baby.

In the Electricals division, a further year of good revenue and profit growth was achieved with Haier Thermocool continuing to hold clear No1 market share positions in refrigerators, freezers and washing machines. New product launches continue to be a key driver of growth with approximately 25% of sales in the year accounted for by recent launches.

The brand continues to be premium priced with consumers recognising product quality and after sales service capability, which remain ahead of that offered by the competition. The HT Coolworld showrooms in Nigeria and Ghana remain important, both as sales outlets accounting for approximately 5% of total electrical sales, and as a showcase for the premium positioning of the brand.

Nutricima has seen strong double digit revenue and profit growth in the year driven in particular by the success of its two key brands NuNu and Olympic, with the image of both brands upgraded through a packaging relaunch, and distribution points being expanded across the country. The business is now fully owned and consolidated following PZ Cussons's buy out of the joint venture partner on 31 March 2015.

The palm oil joint venture with Wilmar has performed very well with revenue increasing from £194m to £225m and good profit growth being achieved for the year. Focus continues to be placed on growing the consumer brands of Mamador and Devon Kings, driven by distribution expansion and new product launches in multiple sizes in order to deliver excellent quality and value to the consumer at multiple price points.

Overall performance in the smaller markets of Ghana and Kenya was at a similar level to the previous year.

FINANCIAL REVIEW *continued*

Asia

Regional highlights

- Continued growth in Indonesia in both Baby Care and non-Baby Care portfolios
- Recent Food & Nutrition acquisitions in Australia performing well and mitigating tough trading conditions in Home and Personal Care

five:am acquisition

£44.8m

August 2014

Asia profitability is lower due principally to a reduction in margins in the Australian Home Care category as a result of difficult trading conditions as well as the impact of the weaker Australian dollar.

During the year the Group's business in Australia has been further diversified with the acquisition, in August 2014, of the five:am food brand for initial consideration of £44.8m in cash. Both Rafferty's Garden and five:am food brands have performed extremely well, partially offsetting the Home Care category and currency challenges.

Focus is now on restoring Home Care margins through innovation and renovation across the portfolio of Radiant, Duo and Morning Fresh. During the year, Rafferty's Garden was relaunched in exciting new packaging and the brand also expanded into new markets of New Zealand and China. The five:am brand range was extended with new yoghurt variants as well as new products such as granolas; further range extensions are planned for the coming year.

Regional update

five:am
five:am has proven a strong acquisition, growing the Group's Food & Nutrition category and launching new yoghurt variants and granolas.

Little Star
Cussons Baby Indonesia has delivered strong revenue growth and through 'Little Star' has successfully engaged consumers with over 1.5m Facebook followers.

Revenue

£199.1m

2014: £184.4m

Revenue growth

Good revenue growth has continued to be achieved in both the Baby Care and non-Baby Care portfolios.

In Indonesia, good revenue growth has continued to be achieved in both the Baby Care and non-Baby Care portfolios although profitability has been impacted by the weaker rupiah. During the year the Cussons Baby range was extended with a number of new product launches, and the popularity of the brand has grown further through a nationwide 'Little Star' promotion culminating in a live television final.

Imperial Leather, Carex and Cussons Kids have continued to perform well, as has the more recently launched Original Source brand, which is successfully expanding distribution as a result of its differentiated product offering.

Performance of the smaller businesses in Thailand and the Middle East were at a similar level to the previous year.

Rafferty's Garden

Rafferty's Garden has performed extremely well launching a new fortified calcium range called Calcifruit and expanding into new markets.

FINANCIAL REVIEW *continued*

Europe

Regional highlights

- UK Washing and Bathing division performing well driven by an exciting innovation pipeline
- Good performance in Beauty division particularly across St.Tropez and Sanctuary Spa brands

Renovation and innovation

70%

of products relaunched or refreshed

In the UK Washing and Bathing division, all brands have performed well with revenue and profit ahead of the prior year. This has been driven by a significant renovation and innovation programme with over 70% of products relaunched or refreshed in the year.

Imperial Leather has benefited from the relaunch of the entire range under Classic, Signature and Indulgence tiers, catering for multiple price points and distribution channels. Carex has performed particularly well with the range of Fun Edition hand wash products for children being extended into wipes and gels.

A brand new range of Carex bodywash products was launched just after the year end and is an exciting extension to the overall brand. The Original Source brand range was significantly extended in the year with extreme fragrance shower gels and new products such as moisturising body lotions and body butters.

In the Beauty division, all four brands of St.Tropez, Sanctuary Spa, Fudge and Charles Worthington have performed well, driving strong profitable growth versus the prior year, with a focus on the key markets of UK, US and Australia.

Regional update

Carex innovation
Carex has enjoyed a good year for innovation, extending its children's range of Fun Editions into wipes and gels.

Original Source
Original Source's offering has been significantly extended this year with a new range of moisturising body lotions and body butters.

An exciting first-to-market product for St.Tropez is a gradual tan in shower lotion which has seen very strong initial sales on launch just before the year end, further enhancing the brand's image as No1 in its category. Sanctuary Spa product sales have shown good year on year growth following the closure of the spa operations last year, and the portfolio has been extensively refreshed with new skincare and bodycare ranges.

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

In Greece, whilst revenue was lower year on year, good profit growth has been achieved across the portfolio of edible oils, cheeses and spreads despite the challenging macro environment. A small vinegar brand was acquired during the year for £5.4m in cash and became part of the overall Minerva brand portfolio. Revenue and profit in Greece were circa £50m and £3m respectively.

Revenue

£263.2m

2014: £315.7m

St.Tropez

No1 in self-tanning continues to innovate with its first-to-market in-shower gradual tan.

KEY FOCUS & RISKS

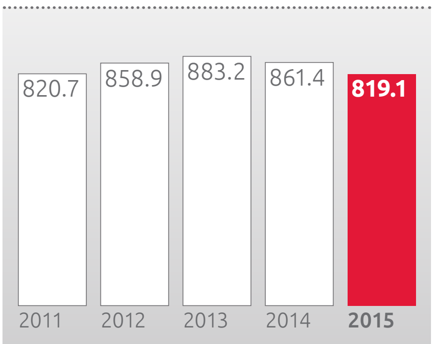
Group key focus

Our Group's key focus and our risks are aligned to enable the business to clearly understand how we can achieve our overall strategic goals.

Financial key focus

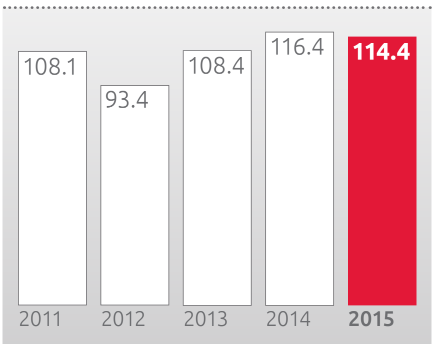
Revenue

£819.1m



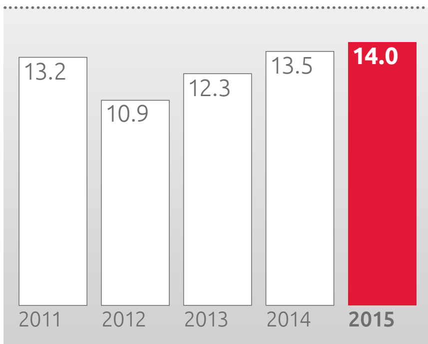
Operating profit before exceptional items

£114.4m



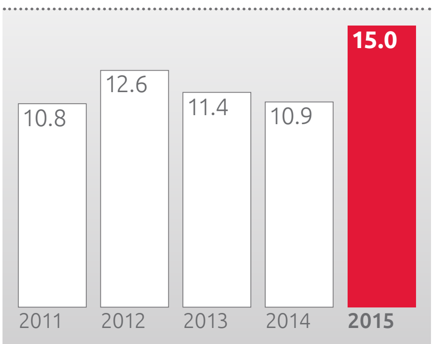
Operating profit %

14.0%



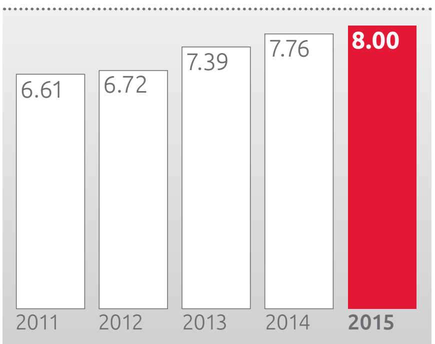
Net working capital

15.0%



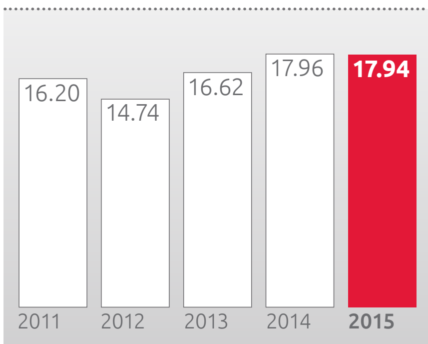
Dividend per share

8.00p



Adjusted basic EPS

17.94p



Principal risks and uncertainties

On behalf of, and in consultation with the Board of Directors, the Group Risk Committee takes an active role in identifying, assessing, prioritising and monitoring the key material risks facing the Group. This ensures that, where possible, appropriate action is taken to manage and mitigate those risks.

Our principal risks are reassessed each quarter, comprising an overarching review of new and emerging risks in addition to an in-depth review of performance and progress against the principal risks, which are outlined over the next few pages.

Risk	Description of risk	Measures to manage risk
Political and social instability	We have operations in a number of countries around the globe, each of which has its own local issues, pressures, and risks which can cause political, social or economic instability. Political regimes, elections, natural disasters and local economic policies, for example, may affect our business performance within a country or region.	The Group has a diverse geographic portfolio; however, in developing its corporate strategy, and in order to help mitigate the risk that could arise in any one particular territory, the Board seeks to maintain an appropriate balance both between developed and emerging markets and, within the developing world, between its operations in different territories. In addition, the Group has extensive and long established experience in all key markets and the Board continually monitors those markets to ensure that any specific risks (or opportunities) are identified and addressed as they arise.
Exchange rate fluctuations	The international nature of the Group's activities gives rise to both transactional exchange rate risk (with the main exposure relating to US dollar trade balances) and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into sterling.	The Group Treasury function is well established and a Group Treasury policy defines our non-speculative approach to management of foreign currencies and inter-denominational transactions. The Group does not currently hedge its translation exposures as these are of an accounting rather than a cash nature; however, the international spread of the Group's operations itself reduces dependence on individual currencies. Transactional currency exposures are managed within prescribed limits with short- to medium-term forward foreign exchange contracts taken where currency markets allow minimising our exposure to fluctuations. Our interest rate management approach aims to achieve an optimal balance between fixed and floating rate interest exposures on expected net debt.
Tax law compliance	Taxation of global corporations is a complex area where laws and their interpretation are changing regularly, leading to the risk of unexpected financial consequences.	A Group taxation policy is in place to underpin our transactional processes. Our in-house taxation expertise is complemented by the use of specialist tax consultants and advisors to ensure compliance with all local and international tax regulations and treaties.

KEY FOCUS & RISKS *continued*

Principal risks and uncertainties

Risk	Description of risk	Measures to manage risk
Demand risks	Demand for the Group's products may be adversely impacted by changes in consumer preferences. The increasingly competitive environment and continued growth of discounters could adversely impact the rate of sales growth and profit margins.	Extensive knowledge of the Group's selected markets is a core strategic pillar and the Group actively monitors the needs and aspirations of consumers on a regular and ongoing basis and is continuously developing new products to satisfy them. The Group will continue to invest in selected brands and selected markets in order to drive profitable sales growth. The Board believes that competition is healthy as it encourages and motivates the Group's operations across the world to do their best to serve the interests of consumers and our brands.
Product safety and quality	The quality and safety of our products are of paramount importance for our brands and our reputation. The risk that raw materials are accidentally or maliciously contaminated throughout the supply chain or that other product defects occur due to human error, equipment failure or other factors cannot be excluded.	Our manufacturing facilities meet or exceed local and international safety and quality standards. Our product quality processes and controls are comprehensive, from product design to customer shelf. The raw materials we use are fully traceable, and we monitor the quality of our finished products throughout the manufacturing and distribution process and have a dedicated consumer complaints hotline. Any incidents relating to the safety of our consumers or the quality of our products are actively managed to ensure timely and effective action.
Business transformation	Successful and timely delivery of the Group Structure and Systems project is key to delivering their intended business benefits	We recognise the importance of the success of the Group Structure and Systems project and have ensured that appropriate resources and support has been in place throughout the project. Working alongside consultants, we have defined a detailed target operating model to maximise our resources. A comprehensive action plan and timeline is in place and a phased approach is being used to ensure that changes are effectively managed. We have chosen the industry-leading SAP software as a system and have engaged IBM to assist with all phases of the project – from inception to post-implementation in addition to committing appropriately qualified and experienced PZ staff from around the Group. Appropriate project governance is in place, and the Group Board and Executive Committee Directors are actively involved in making key decisions and formally monitoring progress.
Materials price fluctuations	As with all manufacturing businesses, the cost of our raw materials directly affects our profitability and selling prices. The market prices for oils, fats, plastics and multiple other key materials can have positive or negative impacts on our ability to meet our financial targets and business objectives.	Our Group procurement team have specialist knowledge and understanding of key raw materials and commodities markets and use best practice procurement strategies to obtain value from the purchase of raw and packaging materials. Trends are monitored and modelled regularly and integrated into our forecasting process.

Risk	Description of risk	Measures to manage risk
Health & Safety	The Health & Safety of our employees, contractors and visitors is a fundamental business responsibility and we need to comply with laws and regulations governing occupational Health & Safety matters. Our manufacturing activities mean there is a risk of accidents or fatalities.	The Group is committed to developing and maintaining the highest standards of occupational Health & Safety. We do this through: • Regularly reviewing Health & Safety risk in the Group Risk Committee; • Gaining accredited facility status for our manufacturing sites (occupational Health & Safety management system OHSAS 18001); • Comprehensive internal safety management standards based on EU legislation that are above and beyond some local standards; • Induction and training programmes reinforce our Health & Safety policies; • Employment of Health & Safety specialists and operation of Health & Safety committees and medical facilities.
Supply chain disruptions	Some of our products are manufactured under contract by external third parties. We are therefore exposed to external supply related risks such as bankruptcy of a key supplier which could impact our ability to deliver orders to our customers.	We undertake a rigorous selection processes prior to engaging with new third-party suppliers and perform ongoing audits and performance monitoring to ensure that contracted standards are being maintained or exceeded. We use multiple suppliers where possible and have defined limits over the level of business we place with a single supplier or country to ensure our supply to market can be maintained in the event of a supplier failure.
Staff recruitment & retention	The Group recognises that in order to deliver sustained strong results it requires the right calibre of people at all levels of the business. In particular, the Group must compete to recruit and retain capable individuals within the business including training them in the skills and competencies which are required to deliver profitable growth.	The Board believes that there is an attractive employment proposition in place across the Group which will continue to attract capable recruits and that key management and personnel are sufficiently well recognised, incentivised and challenged in order to retain them as far as possible.
Group-wide IT system dependency	From controlling machinery to managing internal and external communication, our business relies heavily on secure and reliable IT systems. Disruption of our IT systems could adversely affect the smooth operation and profitability of our business. There is also a threat from unauthorised access and misuse of sensitive information which could potentially disrupt our business.	A robust IT framework is in place which encompasses network and data security, systems maintenance and performance monitoring, amongst many other areas of IT. This is monitored by an IT risk management committee which monitors and manages the risks we face.

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

By order of the Board

Alex Kanellis
Chief Executive Officer
21 July 2015

GOOD 4 BUSINESS – BUSINESS GOVERNANCE & ETHICS

Creating value via strong governance

Every day we aim to create sustainable value by being Good 4 Business. The four principles of the Good 4 Business approach are: Business Governance & Ethics, Sourcing, Environment and Community & Charity. The following pages outline our processes and actions in managing risk and resources to create sustainable value.

We believe that robust Business Governance & Ethics is an important enabler for Creating Sustainable Value (CSV) and is one of the four principles of our Good 4 Business approach.

Committees and governance

Our Corporate Social Responsibility (CSR) Committee is chaired by Non-executive Director Ngozi Edozien with a remit to develop and support the activities necessary to convert CSR policies into an effective plan for implementation across the Group. The Committee also agrees a programme of specific CSR activities and focus for each financial year, supported by appropriate targets and key performance indicators.

Following each CSR Committee meeting, the CSR Committee Chair reports to the Board on the CSR Committee's proceedings, relating to matters within the scope of its remit. The Committee also monitors compliance with CSR policies throughout the Group and reviews performance against agreed targets.

PZ Cussons has strong values at its core which drive our ambition to do responsible business. We have a solid record of embedding our ethical standards and we show respect and integrity in our dealings with all our stakeholders. We operate in a business environment we have carefully created to be open, honest and fair with our suppliers, customers, business partners and regulatory authorities.

Our code of ethics informs our business practices, such as the choice of materials and ingredients which go into our products, the way we work with suppliers and how we treat employees.

We recognise that we can still do more. In 2016 we plan to formalise our approach to Business Governance & Ethics to maximise opportunities to create sustainable value directly and indirectly through collaboration with our stakeholders.

Consumer safety – ensuring our products are safe and effective

The safety of our products is our absolute priority. PZ Cussons' brands earn the trust of millions of consumers daily around the world and safety is pivotal to that trust. We are aware that as an international organisation it is our responsibility to drive positive consumer experiences and to continue to meet the performance expectations of our discerning global consumers.

Plastic microbeads have been removed from all products and replaced with natural alternatives.

We source products, materials and components from many countries around the world and therefore a consistent, global approach to product standards and ingredient selection is critical to our consumer safety policy.

We fully comply with local legislation in all our operating markets, but also adopt a global approach to product safety. If a material is restricted or banned in one market we will adopt that standard across all our markets as swiftly as possible.

An example of this approach is Methylisothiazolinone (MIT) which was banned for use in leave-on cosmetics in Europe. We therefore took the decision to reformulate all our products, ensuring it was removed from all leave-on cosmetics across the PZ Cussons Group.

We continually monitor the best scientific evidence and work closely with regulatory bodies and industry associations to ensure we fully understand the consumer safety and environmental impact of the ingredients we use. It is our aim to act ahead of any legislation to remove or replace materials of concern.

Our Materials of Concern Committee considers scientific evidence, regulatory opinion and consumer concerns in the decision-making process for ingredient selection.

Consumer feedback and recognising consumers' concerns are important to us, so much so, we are proactively removing ingredients where consumers have concerns, even when we consider that the scientific evidence supports the continued safe use of some materials.

For example, we have removed plastic microbeads from exfoliating and scrub products owing to concerns regarding their accumulation on deep ocean beds and their impact on marine life. This work was completed in spring 2015 and products with alternative natural scrub particles are now reaching our markets.

Parabens are used widely as preservatives in the cosmetics and personal care industry. Consumer concerns have been raised that they may be endocrine disrupters. None of the extensive research carried out has indicated a potential risk of harm to human health and parabens remain amongst the safest of preservatives.

Our use of parabens is in decline, and where we do have products that contain them, they are present at concentrations within the EU and US regulatory limits. In response to consumer concerns, we have committed to avoiding them, when possible, in new product development and our work is almost complete to remove Parabens from our baby and maternity products.

Confirming our opposition to animal testing

In line with our focus on Creating Sustainable Value, we have restated our position against animal testing.

PZ Cussons is opposed to any form of animal testing in the development or marketing of all of our brands including cosmetic and household products. This means we do not test ingredients or finished products on animals, nor do we commission or request any of our suppliers, distributors or associates to test ingredients or products on animals.

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

Consumer safety remains our first priority and we recognise the need for validated non-animal testing methods. We are working with FRAME (Fund for the Replacement of Animals in Medical Experiments) and financially support research activities to advance the perfection of these methods.

In countries which, as part of the burden of proof for consumer safety, still demand testing on animals or use of ingredients which have been tested on animals, we will work with the regulatory authorities to find alternative solutions to avoid the need for animal testing.

G4B

GOOD 4 BUSINESS – SOURCING

Safeguarding the integrity of our supply chain

Palm oil update

Securing a long-term sustainable supply of palm oil for our global operations is a priority for PZ Cussons. In 2015 we worked towards meeting the commitments in our PZ Palm Oil Promise, published in August 2014.

Ultimately, our aim is to ensure that the palm oil used in our range of Personal and Home Care, Beauty and Food & Nutrition products is responsibly sourced, respects local and indigenous communities, protects animal habitats and does not contribute to deforestation.

Our first priority is to achieve transparency throughout our palm oil supply chain and in 2015, working with The Forest Trust (TFT), we mapped 88% of our supply back to refinery level and traced 75% back to the mill. Over the next 12 months, we aim to map 100% to mill and conduct field assessments with key supplier high priority mills.

This is not a journey we can make alone so we have begun a supplier engagement programme to share our goals and secure support. This last year we have engaged with our suppliers to communicate the commitments within the PZ Palm Oil Promise and to explain our expectations of suppliers.

To help explore the most effective ways PZ Cussons can support the responsible development of the palm oil supply chain, we established our PZ Palm Oil Advisory Panel which met for the first time in February 2015. The Panel currently comprises key internal stakeholders and TFT, but we plan to expand the Panel to include more external stakeholders in future.

Smallholder farmers already supply 40% of the world's palm oil and could supply much more but do not have the means to move to more efficient and responsible farming methods. We will be supporting a four year smallholder programme starting this coming year to help enable better outcomes for farmers, the supply chain and the environment.

SEDEX – Supplier Ethical Data Exchange

Sedex is a membership organisation helping businesses to drive improvements in responsible and ethical practices in global supply chains. The formation of our Global Technical Team has allowed us to commence a programme to standardise our approach to quality auditing and third party vendor management. As part of this programme we have developed training plans for our auditors, partnered with the Procurement team to create and deploy a strategy for the management of our third party manufacturers, and become members of SEDEX to give us greater insight into the CSR credentials of our suppliers. This is the first part of an on-going programme to ensure we have a technically capable vendor base to meet the immediate and future needs of PZ Cussons.

Health & Safety

We recognise that the success of our business is dependent upon the quality of our work environment and the wellbeing of our employees. We seek to ensure all our working environments are safe for all of our employees, contractors and visitors, and to ensure compliance with all relevant Health & Safety laws and regulations.

Our business operates across a diverse cultural network in several regions around the globe. This raises challenges in maintaining common Health & Safety standards. To ensure the business appropriately manages this, we have launched a programme which involves the implementation of ten core Health & Safety standards as part of our comprehensive internal safety management system. These standards are based on EU legislation and are currently being rolled out to all sites as a foundation for the development of local procedures, in line with the relevant local regulatory requirements. Our rigorous checks and processes will ensure a consistent standard, taking into consideration relevant local regulatory requirements across the entire business.

Health & Safety is reviewed regularly by the Group Risk Committee, which ensures that any related risks are properly identified, assessed and prioritised and that appropriate action is taken to mitigate and manage risk.

100%
Palm oil transparency target in our supply chain in the next 12 months.

Accredited facilities

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

Reporting performance in Health & Safety

Our business reports on four key Health & Safety performance indicators to provide a 360 degree picture of good Health & Safety performance that can quickly highlight any issues which may need escalating:

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

Summary statistics

	2011/12	2012/13	2013/14	**2014/15**	Change from 11/12 baseline	Change year on year
Fatalities	0	1	2	**0**	0	-2
LTI (absolute number)	33	26	24	**14**	-19	-10
LTI frequency rate	0.41	0.33	0.33	**0.17**	-0.24	-0.16
FAC (absolute number)	167	163	111	**140**	-27	29
FAC frequency rate	2.04	2.04	1.53	**1.69**	-0.35	0.16

GOOD 4 BUSINESS – ENVIRONMENT

Driving improvement in our operations

Our Good 4 Business ethos runs through all our business operations and processes. We recognise that the way modern businesses manufacture and need to bring products to market has an impact on the environment, as much as how consumers use them. Therefore, our aim is to minimise and reduce these impacts by identifying and implementing reduction strategies.

Three years ago we devised a three-year Environmental Improvement Plan and set ourselves stretching targets to reduce carbon, water, waste and packaging usage. Three years on, we are pleased to report that we have met our targets.

3 year

Environmental Improvement Plan targets exceeded in reducing energy, water and waste.

Carbon

Absolute reduction

(based on absolute carbon emissions versus 2011/12 baseline)

12%

An absolute carbon reduction of 12% has been achieved during the year which has resulted in a three-year reduction of 25% against our original target of 12%.

Some of the improvements we have made which have contributed to further reductions this year include installing LED lighting in Greece and Nigeria, reducing assembly line processes in Thailand, and making efficiency improvements in Thailand, Greece and the UK with the installation of modern variable speed control technology for high energy, large motors and air compressors.

Other efficiencies have been realised via introducing new technology for reducing liquid temperatures in our Indonesian factory and reducing gas consumption in Nigeria's steam boiler plant through greater heat recovery measures.

Water

Absolute reduction

(based on absolute water usage versus 2011/12 baseline)

9%

An absolute water reduction of 9% has been achieved during the year which has resulted in a three-year reduction of 24% against our original target of 10%.

We believe that water is a precious resource and should be treated as such. That's why we continue to find ways to reduce our usage. Reduction in absolute water usage over the year has been achieved through the implementation of a series of processes and new technologies. In Europe, our Greek and UK operations reduced water by reducing the load on the effluent treatment plants, whereas in Nigeria we introduced water

metering, automation and effluent treatment. Some of our more specific Asian market reductions were obtained through investing in a new effluent plant in Indonesia and by reusing effluent water for our Thai cooling plant.

Waste

Absolute reduction

(based waste versus 2011/12 baseline)

15%

An absolute waste reduction of 15% has been achieved during the year which has resulted in a three-year reduction of 29% against our original target of 15%.

Our responsible wastage policies and continuous monitoring of processes mean that we are always searching for ways to reduce waste at every stage of manufacturing through to how we bring products to market. Where there is unavoidable waste as a bi-product of manufacturing, we seek solutions. For example, in Greece we have been reducing the unavoidable product waste from the edible oils process by converting it into biodiesel fuel and by recycling the bottles.

Supply Chain Energy Reduction programme targets reductions

The Supply Chain Energy Reduction programme has been at the heart of our Environmental Improvement Plan over the last three years and, as our operations develop and grow, we will continue to make improvements. Our business's long term view on creating sustainable value is now a key driver in the next phase of our Environmental Improvement Plan. We will continue to report our total carbon emissions but in addition we will be aiming for a 3% year on year reduction in our consumption of energy and water, and a 3% reduction in the waste we generate.

Carbon Disclosure Project (CDP)

We have been working with the Carbon Disclosure Project since 2007 and are committed to reducing our carbon footprint. We currently report on Scope 1 and 2 emissions. The CDP is an internationally renowned not-for-profit organisation which provides an independent global system for companies and cities to measure, disclose, manage and share vital environmental information.

We continue to take positive steps to tackle issues and make a positive contribution to meeting global environmental challenges.

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

The Group's greenhouse gas emissions in tonnes of carbon dioxide from 1 June 2014 to 31 May 2015 are made up of:

Scope 1 – Combustion of fuel to operate our factories, facilities and offices: 75,078 tCO_2.

Scope 2 – Electricity purchased to operate our factories, facilities and offices: 19,514 tCO_2.

Total Scope 1 and Scope 2 emissions were 94,592 tCO_2.

The Group's intensity measurement for the same period was 0.1476 tCO_2e/tonne of production.

Responsible packaging

This last year we have continued our efforts to reduce the weight of our packaging. In addition we have also assessed the types of packaging we use. An example is the packaging created in the development and launch of Morning Fresh Eco for the Australian market, which uses 100% post-consumer waste recycled PET instead of virgin PET. This is equivalent to approximately 12 tonnes of recycled plastic per year.

We acknowledge that packaging design, use and disposal can have a major impact on the environment. Therefore, this year we will embark on creating a more efficient, competitive and environmentally friendly packaging portfolio and wherever possible reduce the impact of our packaging on the environment.

We will consider the sourcing, manufacture, distribution, use and recovery of packaging to appropriately minimise the quantity, complexity and cost whilst ensuring our packaging remains 'fit for purpose'.

We believe that this strategic approach will help us to ensure continuous improvement in our packaging resources.

G4B

GOOD 4 BUSINESS – COMMUNITY & CHARITY

Enhancing lives, securing futures

PZ Cussons is Good 4 Business. Our new Creating Sustainable Value (CSV) strategy delivers an even greater understanding of the value of community and charity. It demonstrates how we can enhance lives and secure futures, while contributing to our business's growth agenda.

Our Good 4 Business community and charity principle is about enhancing lives, securing futures for families, with a particular focus on education, wellbeing and hygiene. Our approach links our values and rich heritage to the needs of local communities and charities within the international geographies where we operate. This strategy enables us to make the biggest, most positive impact locally through creating a cohesive corporate programme that is Good 4 Business, yet unique to the needs of each region.

Across the entire business our regional operations, brands and passionate employees are involved in a mixture of global and local initiatives.

Investing in local communities

PZ Cussons has been a long-time partner of Seashell Trust, a charity based near our global head office in Manchester which is dedicated to providing a creative, happy and secure environment for children and adults with complex and severe learning disabilities which include little or no language abilities. This last year we have helped fund the development of new state-of-the-art housing which will provide residential accommodation for young adults, further supporting the charity's mission to deliver individually tailored care programmes that promote independence and help build confidence and self-esteem. Our Imperial Leather soap brand has also raised £100,000 to fund two new multi-sensory rooms that will be used to help children better understand the world around them using interactive lighting, music and fragrance.

We are dedicated to investing in our global head office's local community and this year we continued our support of the Manchester Hallé and the Manchester International Festival.

In the same way, our regional offices also support their local communities. In Nigeria the PZ Foundation, since its creation in 2007, has supported over 50 projects throughout the region to improve education, health, potable water and infrastructure.

In our Indonesian factory's local community we have an extensive programme of health and education projects which involve activities with hundreds of school children, such as the reading initiative 'Let's Read Together', and book and computer donations. Employees in the factory also support family health camps focusing on nursing mothers. This last year we also launched the 'Love Our Earth' programme that aims to educate 600 children about the '3Rs' (Reduce, Reuse, Recycle) and has seen the planting of over 600 trees. Our Australian business has continued, for a second year, its support of Sports Without Borders, a charity committed to using sport as a vehicle for social inclusion of commonly marginalised groups.

Carex power in action

We recognise the importance of educating others to the wider health benefits of good hand hygiene in preventing disease, and we use the power of the Carex brand to do this. Each year Carex supports Global Hand Washing Day and works with organisations and schools around the globe to increase awareness and understanding of the importance of washing hands – encouraging millions of people not just to wash their hands regularly, but properly. Our efforts take us into hundreds of schools and communities in Asia, Africa and Europe, demonstrating good handwashing practices through games, music and dance.

This last year we extended our campaign into Nigeria when the PZ Foundation partnered with Concern Universal to tackle the Safe Water and Improved Sanitation and Hygiene project (SWISH), helping to transform the health of 2.2m Nigerians. The project was given the celebrity support of Nigerian-born recording rap artists who helped to deliver hygiene and behavioural change messages to 500 students and YouTube audiences through song and dance. The students were awarded 'Hygiene Hero' status, acting as change agents for their schools, families and communities, which also benefited from new water and sanitation facilities.

Carex supports Global Hand Washing Day and works with organisations and schools around the globe to increase awareness and understanding of the importance of washing hands.

STRATEGIC REPORT

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
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Financial calendar

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

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Company Secretary

S P Plant

Disclaimer

The purpose of this document is to provide information to the members of PZ Cussons Plc. This document contains certain statements that are forward-looking statements. These statements appear in a number of places throughout this Strategic Report and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate.

By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

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.

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