PZ CUSSONS PLC

24 July 2018

FINAL RESULTS
FOR THE YEAR ENDED 31 MAY 2018

PZ Cussons Plc, a leading international consumer products group, announces its final results for the year ended 31 May 2018.

Adjusted results (before exceptional items[1])	**Year ended 31 May 2018**	***(Restated)**** **Year ended 31 May 2017**	Reported % change	Constant currency % change[3]	Like for like % change[4]
Revenue[2]	**£762.6m**	**£809.2m**	(5.8%)	(2.3%)	(2.3%)
Adjusted operating profit	**£85.7m**	**£104.8m**	(18.2%)	(15.9%)	(15.9%)
Adjusted profit before tax	**£80.1m**	**£102.0m**	(21.5%)	(19.0%)	(19.0%)
Adjusted basic earnings per share	**13.39p**	**16.42p**	(18.5%)		
Statutory results (after exceptional items[1])					
Revenue[2]	**£762.6m**	**£809.2m**			
Operating profit	**£72.2m**	**£89.3m**			
Profit before tax	**£66.6m**	**£86.5m**			
Basic earnings per share	**11.41p**	**14.91p**			
Total dividend per share	**8.28p**	**8.28p**			
Net debt[5]	**(£165.4m)**	**(£143.8m)**			

**Restated to reflect a change in accounting policy in relation to recognition of pension surpluses as further described on page 5.*

HIGHLIGHTS

Group

- Adjusted profit before tax lower than the prior year largely due to poor performance in Nigeria as a result of the macro economic situation
- Brand shares maintained or growing in most of the Group's major markets and categories
- Group wide initiatives underway to strengthen brand portfolios and reduce cost base
- Strong balance sheet with net debt at 1.5 x EBITDA[6]
- Dividend maintained at prior year level

Africa

- Significantly lower profits in Nigeria due to market contraction as a result of lack of liquidity in the trade and reduced consumer disposable income
- Market shares remain strong in all categories of Personal Care, Home Care, Food & Nutrition and Electricals

Asia

- Continued improvement in profitability in Australia across all categories of Personal Care, Home Care and Food & Nutrition
- Good mix improvement in Indonesia driven by successful new product launches across Cussons Baby, Cussons Kids and Imperial Leather

Europe

- UK Washing and Bathing performance lower than the previous year due to tighter UK retail landscape
- Good performance in Beauty division across all brands and in both UK and US markets

[1] Exceptional items before tax (2018: costs £13.5m; 2017: costs £15.5m), relate to various items which are detailed in note 2.
[2] Revenue has been stated excluding joint ventures revenue of £141.6m (2017: £156.9m).
[3] Constant currency comparison (2017 results retranslated at 2018 exchange rates).
[4] Like for like comparison after adjusting 2017 for constant currency. There were no acquisitions or disposals in the current or prior year.
[5] Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings (refer to note 8).
[6] EBITDA (as used in this ratio calculation and referenced hereafter) is defined as adjusted operating profit before charges for depreciation and amortisation for the 12 months to the reporting date, in this case the 12 months to 31 May 2018.

Commenting today, Caroline Silver (Chair) said:

"Whilst the Group has delivered good profit growth in Asia and a creditable result in Europe, macro-conditions in Nigeria have resulted in a sharp decline in Africa profits for the year and hence a disappointing result for the Group as a whole.

Within Africa, and in particular Nigeria, it is important to note that there has been no structural change in the landscape of the categories in which we operate. We remain proud of our brand portfolios across Personal Care, Home Care, Electricals and Food & Nutrition and of our extensive manufacturing and logistics capability, and many of our brands have strengthened their No.1 or No.2 positions during the last year. However, a sustained lack of liquidity at both consumer and trade level has resulted in a significant contraction in the size of the market, resulting in lower volumes, prices and margins. In the absence of an indication as to when liquidity in Nigeria may improve ahead of the February 2019 general elections, we are taking steps to optimise further our overall product portfolio and to reduce our cost base.

Within Asia, our businesses in Australia and Indonesia have made sound progress in the year, setting good foundations for growth in the years to come.

In Europe, good growth in the Group's Beauty division has helped to partially offset the more challenging trading conditions faced in the UK Washing and Bathing division.

Furthermore, for all markets, we remain focused on innovation but with a sharpened lens on fewer, bigger, higher margin product launches which will differentiate further our brands, as well as a reduction in overheads through optimising our operating model.

The Group's balance sheet remains strong and we will continue to evaluate growth opportunities utilising the Group's brand portfolio and distribution capability.

Whilst we expect another challenging year ahead, the business is well placed to return to growth and consequently the Board has maintained the full year dividend."

Press Enquiries

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

On 24, 25 and 26 July c/o Instinctif on 020 7457 2020

After 26 July to Brandon Leigh on 0161 435 1236

Analyst / Investor conference call

Management will be hosting a conference call for investors and analysts at 8:30am (UK Time) today. Please call Guy Scarborough at Instinctif Partners for dial-in details on 020 7457 2047 or email Guy.Scarborough@instinctif.com

The presentation slides to accompany the conference call will be available to download from the Company's website from 8:00am at http://www.pzcussons.com/en_int/investor

FINAL RESULTS
FOR THE YEAR ENDED 31 MAY 2018

Basis of Presentation

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

The Directors believe that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a more meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each of the half year and full year results.

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

Where relevant, comparative IFRS measures have also been presented.

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 basis. The constant currency impact was derived by retranslating the 2017 result using 2018 foreign currency exchange rates. The adverse translational impact on revenue and operating profit was £28.3m and £2.9m respectively. As there were no acquisitions or disposals in the current or prior period, the like for like impact is equal to the constant currency impact.

Business Review

Group Overview

Group revenue was 5.8% lower on a reported basis and 2.3% lower on a constant currency basis. Very tough trading conditions in Nigeria accounted for the majority of the reduction in adjusted operating profit, which was 18.2% lower on a reported basis and 15.9% lower on a constant currency basis. After higher interest charges for the year, adjusted profit before tax was £80.1m versus a prior year result of £102.0m. Statutory operating profit and profit before tax, after exceptional items as detailed in note 2, were £72.2m and £66.6m respectively.

Whilst Asia contributed good profit growth and Europe delivered a creditable result given the challenging trading conditions in the UK, the sharp decline in Africa profits resulted in a disappointing outcome for the Group as a whole.

The markets in which the Group operates in Nigeria contracted sharply as a result of a lack of liquidity at both consumer and trade level. Nevertheless, the Group's No.1 and No.2 brand shares remain healthy and well placed for when growth returns to the market.

As macro conditions remain challenging in most of the markets in which the Group operates, further margin improvement initiatives are being implemented across all aspects of the supply chain. In addition, a further optimisation of the Group's operating model is underway to reduce the overhead base as well as to improve the speed at which new products are brought to market.

Financial Position Overview

The Group's balance sheet remains strong with net debt at 1.5 x EBITDA at the year end. The key elements that affect the Group's net debt position are working capital movements and capital expenditure. During the year, there was an overall working capital outflow of £24.5 million (2017: £10.1 million inflow), an improvement from the outflow of £44.8 million reported at the half year to 30 November 2017. This outflow is mainly driven by a significant reduction in trade creditors which were higher than usual at the end of 2017 due to the implementation of SAP. Capital expenditure was £22.2 million, £6.8 million of which reflects the final costs of the SAP project which went live on 1 June 2017, the balance reflecting non-SAP related capital spend.

Regional reviews

Performance by region

Revenue[1] (£m)	**2018**	2017	Reported % change	Constant currency % change[2]	Like for like % change[3]
Africa	**275.6**	305.6	(9.8%)	(2.0%)	(2.0%)
Asia	**212.0**	222.7	(4.8%)	(1.8%)	(1.8%)
Europe	**275.0**	280.9	(2.1%)	(3.0%)	(3.0%)
	762.6	809.2	(5.8%)	(2.3%)	(2.3%)

Adjusted operating profit (before exceptional items[4])(£m)	**2018**	*(Restated)** 2017	Reported % change	Constant currency % change[2]	Like for like % change[3]
Africa	**6.3**	28.3	(77.7%)	(76.1%)	(76.1%)
Asia	**18.6**	15.9	17.0%	21.6%	21.6%
Europe	**60.8**	60.6	0.3%	0.4%	0.4%
	85.7	104.8	(18.2%)	(15.9%)	(15.9%)

* *Restated to reflect a change in accounting policy in relation to recognition of pension surpluses as further described on page 5.*

1 Revenue has been stated excluding joint venture revenue of £141.6m (2017: £156.9m).
2 Constant currency comparison (2017 results retranslated at 2018 exchange rates).
3 Like for like comparison after adjusting 2017 for constant currency. There were no acquisitions or disposals in the current or prior year.
4 Exceptional items before tax (2018: costs £13.5m; 2017: costs £15.5m) relate to various items which are detailed in note 2. The segmental impact of exceptional items before tax is detailed in note 1.

Regional Overview

Africa's results showed a decline in reported revenue of 9.8% and on a constant currency basis of 2.0%. Adjusted operating profit was 77.7% lower on a reported basis and 76.1% lower on a constant currency basis. The sharp decline in adjusted operating profit was caused by a significant market contraction in Nigeria resulting in competitive trading conditions and lower volumes, prices and margins. Whilst the Nutricima milk business was hardest hit by these conditions, resulting in an operating loss for the year, profits were also lower across the rest of the portfolio.

Asia's revenue was 4.8% lower on a reported basis and 1.8% lower on a constant currency basis. Adjusted operating profit was 17.0% higher on a reported basis and 21.6% higher on a constant currency basis. The significant growth in profitability was driven by margin improvement across all categories in Australia as well as by mix improvement from new product launches across the Indonesian portfolio.

Europe's revenue was 2.1% lower on a reported basis and 3.0% lower on a constant currency basis with adjusted operating profit 0.3% higher on a reported basis and 0.4% higher on a constant currency basis. A good performance by the Beauty division both in the UK and in the US partially offset lower revenue and profit in the UK Washing and Bathing division which was noticeably affected by the tight UK retail landscape.

Africa

In **Nigeria**, whilst higher oil prices have contributed to increased foreign exchange reserves for the country and a relatively stable exchange rate regime, liquidity has not flowed down into the economy. In addition, wage inflation has continued to remain well behind the significant cost inflation of recent years, resulting in consumer discretionary income under pressure with subdued buying levels.

This produced extremely challenging trading conditions throughout the year with volumes, prices and margins being impacted across most areas of the Nigerian portfolio. The Nutricima milk business was hardest hit by these conditions resulting in an operating loss for the year.

There has been no structural change in the landscape of the categories in which we operate with No.1 and No.2 brand shares remaining strong.

In Personal Care and Home Care, pack resizing and new product launches have taken place across the portfolio of brands which in Personal Care include Premier, Joy and Imperial Leather in soaps, Cussons Baby in babycare, Robb in medicaments and Stella and Venus in skincare and haircare. In Home Care, these include Canoe, Zip and Tempo in laundry and Morning Fresh in dish care.

In Nutricima, aggressive competitor discounting throughout most of the financial year resulted in significantly lower revenue and the business moving from an operating profit to an operating loss. A full reassessment of the business model has taken place with greater focus now being placed on consumer pack innovation.

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

Revenue and profitability in the PZ Wilmar joint venture were slightly lower than the previous year mainly due to continued restrictions on the import of palm oil into the country. The business is now diversifying its portfolio into adjacent product categories with a range of consumer spread products launched in the new financial year.

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

Asia

In **Australia**, profitability has continued to improve with new product launches and margin improvement initiatives across the key categories of Personal Care, Home Care, Beauty and Food & Nutrition. Significant new product developments have been delivered across the portfolio including new ranges under the Rafferty's Garden brand and new packaging and flavours under the five:am brand.

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

Overall profitability in our smaller Asian markets of **Thailand** and **Middle East** was ahead of the prior year.

Europe

Revenue and profitability in the **UK** washing and bathing division have been affected by the tightening UK retail landscape, with consumers shopping more cautiously as a result of economic uncertainty and inflation out-stripping wage growth. Whilst new product launches have been well received during the year, these were not sufficient to compensate for the wider volume and margin shortfall, with volumes remaining very sensitive to price points and discounting. Brand initiatives were accelerated in the second half of the year across Imperial Leather, Carex and Original Source with innovation increasingly important to secure distribution, deliver stand out on shelf and to attract and retain consumers. Initiatives included the launch of Original Source Foamburst, introduction of special edition Unicorn packs and partnerships with the Merlin Entertainment Group and Skinny Dip.

The **Beauty** division has performed well across all brands of St Tropez, Sanctuary, Charles Worthington and Fudge. New product launches have played a key role in demonstrating that all four brands have significant potential from portfolio expansion. In addition, expanding distribution both in store and online continues to play an important part in the growth strategy, both in the UK and in the US market.

Change in Accounting Policy

During the year, the Group revised its accounting policy for the recognition of surpluses in its defined benefit pension schemes: in particular, the policy for determining whether or not it has an unconditional right to a refund of surpluses in its employee pension funds. This change in accounting policy has resulted in the Group de-recognising the pension surplus in relation to the expatriate defined benefit scheme. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the amended policy has been applied retrospectively and prior year restated. See note 9 for further information.

Change in Accounting Estimate

Judgement is required in selecting the rate at which to translate US Dollar denominated balances held in the Group's Nigerian entities into Naira, and the results of the Nigerian businesses into Sterling for consolidation purposes. At 31 May 2017, the rate used by management was the Central Bank of Nigeria (CBN) rate.

After closely monitoring the profile of exchange rates accessed by the Group for settlement of transactions throughout the year, and observing a trend towards the majority of the Group's transactions being settled at NIFEX rates that is anticipated to continue, the Group has concluded that NIFEX is the most appropriate rate to translate US Dollar denominated balances in Nigeria as at 31 May 2018. Results for the new financial year beginning 1 June 2018 will be translated at the average NIFEX rate for the relevant reporting period.

This change in accounting estimate under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' has resulted in an exceptional cost of £6.3m as noted below.

Exceptional items

A net exceptional charge of £13.5m before tax was recorded during the year (2017: charge of £15.5m), relating to previously announced items, being the current year cost of the Group Structure and Systems project (£11.6m), costs relating to the impairment of a non-operational European fixed asset (£3.7m), income relating to the sale of land relating to a redundant manufacturing site in Australia (£8.1m) and foreign exchange losses resulting from a change in the exchange rate used to translate the Nigerian Naira (£6.3m).

All of the above have been tax affected. Please see note 2 for further detail.

Taxation

The effective tax rate before exceptional items was 27.6% (2017 restated: 27.5%).

Dividend

The Group aims to pay an attractive, sustainable and growing dividend. The Board is recommending a final dividend of 5.61p (2017: 5.61p) per share making a total of 8.28p (2017: 8.28p) per share for the year.

The overall dividend remains approximately 1.6 times covered by adjusted earnings per share. Subject to approval at the AGM, the final dividend will be paid on 4 October 2018 to shareholders on the register at the close of business on 10 August 2018.

Initiatives

There are a number of initiatives underway to improve the efficiency of the business given the challenging macro environment. These include a further optimisation of the Group's operating model, a review of the Group's product portfolio to focus on fewer, bigger projects and a review of product costs across all areas of the business. The cash cost of the further changes to the Group's operating model is expected to be c. £10 million over the next two financial years, offset by lower capital expenditure requirements.

Outlook

We expect macro conditions to remain challenging in most of the markets in which we operate with general elections in Nigeria and Indonesia falling in the second half of the new financial year. Commodity costs and exchange rates are expected to remain volatile.

We have a strong brand portfolio and innovation pipeline, an extensive logistics and distribution capability, and a strong balance sheet which, together with the initiatives outlined above, will ensure the Group is well placed to take advantage of any improvement in the economic climate.

PZ CUSSONS PLC

Consolidated income statement for the year ended 31 May 2018

	Notes	Year ended 31 May 2018 Before exceptional items £m	Year ended 31 May 2018 Exceptional items (note 2) £m	Year ended 31 May 2018 Total £m	Year ended 31 May 2017 (Restated)* Before exceptional items £m	Year ended 31 May 2017 Exceptional items (note 2) £m	Year ended 31 May 2017 (Restated)* Total £m
Continuing operations							
Revenue	1	**762.6**	**-**	**762.6**	809.2	-	809.2
Cost of sales		**(477.5)**	**-**	**(477.5)**	(497.4)	-	(497.4)
Gross profit		**285.1**	**-**	**285.1**	311.8	-	311.8
Selling and distribution costs		**(123.9)**	**-**	**(123.9)**	(130.9)	-	(130.9)
Administrative expenses		**(76.9)**	**(13.8)**	**(90.7)**	(79.0)	(15.5)	(94.5)
Share of results of joint ventures		**1.4**	**0.3**	**1.7**	2.9	-	2.9
Operating profit/(loss)	1	**85.7**	**(13.5)**	**72.2**	104.8	(15.5)	89.3
Finance income		**0.9**	**-**	**0.9**	2.7	-	2.7
Finance costs		**(6.5)**	**-**	**(6.5)**	(5.5)	-	(5.5)
Net finance costs	3	**(5.6)**	**-**	**(5.6)**	(2.8)	-	(2.8)
Profit/(loss) before taxation		**80.1**	**(13.5)**	**66.6**	102.0	(15.5)	86.5
Taxation	4	**(22.1)**	**4.3**	**(17.8)**	(28.1)	6.7	(21.4)
Profit/(loss) for the year		**58.0**	**(9.2)**	**48.8**	73.9	(8.8)	65.1
Attributable to:							
Owners of the Parent		**56.0**	**(8.3)**	**47.7**	68.7	(6.3)	62.4
Non-controlling interests		**2.0**	**(0.9)**	**1.1**	5.2	(2.5)	2.7
		58.0	**(9.2)**	**48.8**	73.9	(8.8)	65.1
Basic EPS (p)	6			**11.41**			14.91
Diluted EPS (p)	6			**11.41**			14.91
Adjusted basic EPS (p)	6			**13.39**			16.42
Adjusted diluted EPS (p)	6			**13.39**			16.42

**See note 9 for details*

PZ CUSSONS PLC

Consolidated statement of comprehensive income for the year ended 31 May 2018

	2018 £m	*(Restated)** 2017 £m
Profit for the year	**48.8**	65.1
Other comprehensive income / (expense)		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligations	**26.7**	(5.0)
Deferred tax (loss) / gain on remeasurement of post-employment benefit obligations	**(4.5)**	1.1
Tax on items that will not be subsequently reclassified to profit or loss	**0.2**	0.4
Total items that will not be reclassified to profit or loss	**22.4**	(3.5)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(25.8)**	(53.4)
Cash flow hedges – fair value (loss)/gain in year	**(1.8)**	0.6
Tax on items that may be subsequently reclassified to profit or loss	**-**	0.7
Total items that may be subsequently reclassified to profit or loss	**(27.6)**	(52.1)
Other comprehensive expense for the year net of taxation	**(5.2)**	(55.6)
Total comprehensive income for the year	**43.6**	9.5
Attributable to:		
Owners of the Parent	**47.1**	20.7
Non-controlling interests	**(3.5)**	(11.2)

** See note 9 for details*

PZ CUSSONS PLC

Consolidated balance sheet as at 31 May 2018

	Notes	31 May 2018 £m	*(Restated)** 31 May 2017 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	7	**406.1**	403.4
Property, plant and equipment		**156.6**	177.0
Other investments		**0.3**	0.3
Net investment in joint ventures		**22.9**	23.1
Trade and other receivables		**0.4**	1.6
Retirement benefit surplus		**33.3**	4.1
		619.6	609.5
Current assets			
Inventories		**132.6**	163.3
Trade and other receivables		**163.9**	190.3
Current asset investments		**0.3**	0.3
Derivative financial assets		**-**	1.5
Cash and short term deposits		**102.7**	150.6
		399.5	506.0
Assets classified as held for sale		**-**	2.2
Total current assets		**399.5**	508.2
Total assets		**1,019.1**	1,117.7
Equity			
Share capital		**4.3**	4.3
Capital redemption reserve		**0.7**	0.7
Hedging reserve		**0.6**	2.4
Currency translation reserve		**(79.8)**	(58.6)
Retained earnings		**536.4**	501.3
Attributable to owners of the Parent		**462.2**	450.1
Non-controlling interests		**29.0**	33.8
Total equity		**491.2**	483.9
Liabilities			
Non-current liabilities			
Trade and other payables		**1.0**	0.6
Deferred taxation liabilities		**44.2**	39.4
Retirement benefit obligations		**12.0**	17.9
		57.2	57.9
Current liabilities			
Borrowings		**268.4**	294.7
Trade and other payables		**174.4**	248.9
Derivative financial liabilities		**1.1**	-
Current taxation payable		**25.6**	28.4
Provisions		**1.2**	3.9
		470.7	575.9
Total liabilities		**527.9**	633.8
Total equity and liabilities		**1,019.1**	1,117.7

** See note 9 for details*

PZ CUSSONS PLC

Consolidated statement of changes in equity for the year ended 31 May 2018

	Attributable to owners of the Parent						
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Non-controlling interests £m	**Total £m**
At 1 June 2016 (as previously reported)	4.3	(19.1)	0.7	515.7	1.8	46.5	**549.9**
Effect of change in accounting policy	–	–	–	(38.3)	–	-	**(38.3)**
At 1 June 2016 (restated)*	**4.3**	**(19.1)**	**0.7**	**477.4**	**1.8**	**46.5**	**511.6**
Profit for the year*	–	–	–	62.4	–	2.7	**65.1**
Other comprehensive income/(expense)							
Re-measurement of post-employment obligations*	–	–	–	(5.0)	–	–	**(5.0)**
Exchange differences on translation of foreign operations	–	(39.5)	–	–	–	(13.9)	**(53.4)**
Cash flow hedges – fair value gains in year	–	–	–	–	0.6	–	**0.6**
Deferred tax on re-measurement of post-employment obligations*	–	–	–	1.1	–	–	**1.1**
Deferred tax on other equity related items	–	–	–	1.1	–	–	**1.1**
Total comprehensive (expense)/income for the year*	**–**	**(39.5)**	**–**	**59.6**	**0.6**	**(11.2)**	**9.5**
Transactions with owners:							
Ordinary dividends	–	–	–	(34.2)	–	–	**(34.2)**
Acquisition of shares by ESOT	–	–	–	(1.2)	–	–	**(1.2)**
Acquisition of non-controlling interest	–	–	–	(0.3)	–	(0.1)	**(0.4)**
Non-controlling interests dividend paid	–	–	–	–	–	(1.4)	**(1.4)**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**(35.7)**	**–**	**(1.5)**	**(37.2)**
At 31 May 2017 (restated)*	**4.3**	**(58.6)**	**0.7**	**501.3**	**2.4**	**33.8**	**483.9**
At 1 June 2017 (as previously reported)	4.3	(58.6)	0.7	543.9	2.4	33.8	**526.5**
Effect of change in accounting policy	–	–	–	(42.6)	–	-	**(42.6)**
At 1 June 2017 (restated)*	**4.3**	**(58.6)**	**0.7**	**501.3**	**2.4**	**33.8**	**483.9**
Profit for the year	**–**	**-**	**-**	**47.7**	**-**	**1.1**	**48.8**
Other comprehensive income/(expense)							
Re-measurement of post-employment obligations	**–**	**-**	**-**	**26.7**	**-**	**-**	**26.7**
Exchange differences on translation of foreign operations	**–**	**(21.2)**	**-**	**-**	**-**	**(4.6)**	**(25.8)**
Cash flow hedges – fair value gains in year	**–**	**-**	**-**	**-**	**(1.8)**	**-**	**(1.8)**
Deferred tax on re-measurement of post-employment obligations	**–**	**-**	**-**	**(4.5)**	**-**	**-**	**(4.5)**
Deferred tax on other equity related items	**–**	**-**	**-**	**0.2**	**-**	**-**	**0.2**
Total comprehensive (expense)/income for the year	**–**	**(21.2)**	**-**	**70.1**	**(1.8)**	**(3.5)**	**43.6**
Transactions with owners:							
Ordinary dividends	**–**	**-**	**-**	**(34.6)**	**-**	**-**	**(34.6)**
Acquisition of shares by ESOT	**–**	**-**	**-**	**(0.4)**	**-**	**-**	**(0.4)**
Acquisition of non-controlling interest	**–**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests dividend paid	**–**	**-**	**-**	**-**	**-**	**(1.3)**	**(1.3)**
Total transactions with owners recognised directly in equity	**–**	**-**	**-**	**(35.0)**	**-**	**(1.3)**	**(36.3)**
At 31 May 2018	**4.3**	**(79.8)**	**0.7**	**536.4**	**0.6**	**29.0**	**491.2**

** See note 9 for details*

Consolidated cash flow statement for the year ended 31 May 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations		**59.1**	110.9
Taxation paid		**(18.0)**	(14.3)
Interest paid		**(6.5)**	(5.5)
Net cash generated from operating activities		**34.6**	91.1
Cash flows from investing activities			
Interest income		**0.9**	2.7
Purchase of property, plant and equipment and software		**(22.2)**	(40.6)
Proceeds from sale of property, plant and equipment		**10.6**	0.9
Net cash used in investing activities		**(10.7)**	(37.0)
Financing activities			
Dividends paid to non-controlling interests		**(1.3)**	(1.4)
Purchase of shares for ESOT		**(0.4)**	(1.2)
Dividends paid to Company shareholders		**(34.6)**	(34.2)
Acquisition of non-controlling interests		**-**	(0.4)
(Decrease) / increase in borrowings		**(7.9)**	6.3
Net cash used in financing activities		**(44.2)**	(30.9)
Net (decrease) / increase in cash and cash equivalents		**(20.3)**	23.2
Cash and cash equivalents at the beginning of the year		**116.1**	104.6
Effect of foreign exchange rates		**(9.6)**	(11.7)
Cash and cash equivalents at the end of the year	8	**86.2**	116.1

PZ CUSSONS PLC

Reconciliation of profit before tax to cash generated from operations for the year ended 31 May 2018

	2018 **£m**	*(Restated)** 2017 £m
Profit before tax	**66.6**	86.5
Adjustment for net finance costs	**5.6**	2.8
Operating profit	**72.2**	89.3
Depreciation	**18.1**	19.0
Amortisation	**6.4**	0.9
Impairment loss on tangible fixed assets	**2.8**	–
(Profit) / loss on sale of tangible fixed assets	**(7.7)**	0.2
Difference between pension charge and cash contributions	**(6.5)**	(5.7)
Share of results from joint ventures	**(1.7)**	(2.9)
Operating cash flows before movements in working capital	**83.6**	100.8
Movements in working capital:		
Inventories	**16.2**	(27.9)
Trade and other receivables	**20.9**	(8.6)
Trade and other payables	**(59.0)**	47.1
Provisions	**(2.6)**	(0.5)
Cash generated from operations	**59.1**	110.9

**See note 9 for details*

1 Segmental analysis

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

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

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

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

2018	**Africa £m**	**Asia £m**	**Europe £m**	**Eliminations £m**	**Total £m**
Gross segment revenue	**275.6**	**225.5**	**396.6**	**(135.1)**	**762.6**
Inter segment revenue	**-**	**(13.5)**	**(121.6)**	**135.1**	**-**
Revenue	**275.6**	**212.0**	**275.0**	**-**	**762.6**
Segmental operating profit before exceptional items and share of results of joint ventures	**4.9**	**18.6**	**60.8**	**-**	**84.3**
Share of results of joint ventures	**1.4**	**-**	**-**	**-**	**1.4**
Segmental operating profit before exceptional items	**6.3**	**18.6**	**60.8**	**-**	**85.7**
Exceptional items	**(4.7)**	**3.8**	**(12.6)**	**-**	**(13.5)**
Segmental operating profit	**1.6**	**22.4**	**48.2**	**-**	**72.2**
Finance income					**0.9**
Finance cost					**(6.5)**
Profit before taxation					**66.6**
Depreciation and amortisation	**7.9**	**3.9**	**12.7**	**-**	**24.5**
Impairment of tangible fixed assets	**-**	**-**	**2.8**	**-**	**2.8**

2017	Africa £m	Asia £m	*(Restated)** Europe £m	Eliminations £m	*(Restated)** Total £m
Gross segment revenue	307.2	235.0	417.0	(150.0)	809.2
Inter segment revenue	(1.6)	(12.3)	(136.1)	150.0	-
Revenue	305.6	222.7	280.9	-	809.2
Segmental operating profit before exceptional items and share of results of joint ventures	25.4	15.9	60.6	-	101.9
Share of results of joint ventures	2.9	-	-	-	2.9
Segmental operating profit before exceptional items	28.3	15.9	60.6	-	104.8
Exceptional items	(12.3)	(2.9)	(0.3)	-	(15.5)
Segmental operating profit	16.0	13.0	60.3	-	89.3
Finance income					2.7
Finance cost					(5.5)
Profit before taxation					86.5
Depreciation and amortisation	7.7	4.6	7.6	-	19.9

** See note 9 for details*

The Group analyses its net revenue by the following categories:

	2018 £m	2017 £m
Personal Care	**435.8**	431.0
Home Care	**118.7**	127.6
Food & Nutrition	**130.1**	156.5
Electricals	**72.2**	87.9
Other	**5.8**	6.2
	762.6	809.2

2 Exceptional items

The Group adopts a columnar income statement format to highlight significant items within the Group's results for the year. Such items are considered by the Directors to be exceptional in nature rather than being representative of the underlying trading of the Group, and may include, but are not limited to, items such as certain foreign exchange losses, restructuring costs, acquisition related costs, material impairments of non-current assets, or, for example receivables, material profits and losses on disposal of property, plant, equipment and brands, material pension settlements and amendments and profit or loss on disposal or termination of operations. The Directors apply judgement in assessing the particular items, which by virtue of their magnitude and nature should be disclosed in a separate column of the income statement and notes to the financial statements as 'Exceptional items'. The Directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Year to 31 May 2018	**Exceptional items before taxation**	**Taxation**	**Exceptional items after taxation**
Exceptional cost / (income) included within operating profit:	**£m**	**£m**	**£m**
Group structure and systems project	**11.6**	**(2.3)**	**9.3**
Impairment of non-operational European fixed asset	**3.7**	**-**	**3.7**
Sale of land relating to redundant manufacturing site in Australia	**(8.1)**	**2.1**	**(6.0)**
Change in Naira exchange rate for translation purposes	**6.3**	**(1.8)**	**4.5**
Sale of Australian brand	**-**	**(2.3)**	**(2.3)**
	13.5	**(4.3)**	**9.2**

Year to 31 May 2017	**Exceptional items before taxation**	**Taxation**	**Exceptional items after taxation**
Exceptional cost / (income) included within operating profit:	**£m**	**£m**	**£m**
Group structure and systems project	6.6	(1.7)	4.9
Partial recovery of trade receivable in Europe provided for in prior year	(3.1)	1.9	(1.2)
Foreign currency devaluation in Nigeria	12.0	(3.6)	8.4
Deferred tax benefit of reduction in UK Corporation tax rate relating to acquired brands	-	(3.3)	(3.3)
	15.5	(6.7)	8.8

Explanation of exceptional items

Year to May 2018

Group structure and systems project
The Group incurred exceptional costs of £11.6 million relating to the project to realign the organisation design to create a more effective operating model. These represent a continuation of the same project on which exceptional costs were recognised in previous years and mainly consist of restructuring, advisory and IT system related costs.

Impairment of a non-operational European fixed asset
A decision was made to impair a non-operational European fixed asset to its latest market value, resulting in a £3.7 million impairment loss being recognised.

Sale of land relating to redundant manufacturing site in Australia
In November 2017, the Group sold land relating to a redundant manufacturing site in Australia. Net proceeds of £10.3 million were received against a net book value of £2.2 million resulting in exceptional income of £8.1 million.

Change in Naira exchange rate for translation purposes
As a result of the evolution of the foreign exchange market in Nigeria, the Group has shifted over the course of the financial year to a position where it is now predominantly accessing US Dollars at the NIFEX rate, which is one of the three official rates of exchange in existence in Nigeria. As a result of this shift, in May 2018 the Directors reassessed the likely rate of settlement of the Group's Nigerian US Dollar monetary assets and liabilities and concluded that it is appropriate for the Group to move from translating both the Nigerian businesses' US Dollar denominated monetary assets and liabilities, and the balance sheets of its Nigerian operations, at the Central Bank of Nigeria (CBN) rate to the NIFEX exchange rate from May 2018 onwards. This change of accounting estimate resulted in an exceptional charge of £6.3 million as a result of translating the year end balances at the NIFEX rate rather than the CBN rate.

Sale of Australian brand
In May 2018, the Group sold a non-core Australian brand, resulting in an exceptional £2.3 million tax credit. The pre-tax profit on disposal was £nil.

Year to May 2017

Group structure and systems project
The Group incurred exceptional costs of £6.6 million relating to the project to realign the non-manufacturing organisation design to create a more effective Group operating model and to implement a new ERP system. These costs mainly consisted of restructuring, advisory and IT related costs.

Partial recovery of trade receivable in Europe provided for in prior year
A credit of £3.1 million was recognised relating to the partial recovery of a trade receivable in Europe, which was fully provided for in the year to 31 May 2016. This position has been finalised.

Foreign currency devaluation in Nigeria
During the first half of the year to 31 May 2017, transactional foreign exchange losses were recognised in Nigeria relating to long outstanding brought forward trade payables denominated in US Dollars that have been settled at higher exchange rates than originally recognised due to the introduction of the flexible exchange rate regime on 20 June 2016 that resulted in a devaluation of the Naira of greater than 50%. The Directors deemed this charge to be exceptional due to the nature and magnitude of this effective currency devaluation.

Deferred tax benefit of reduction in UK Corporation tax rate principally relating to brands
The UK corporation tax rate reduces to 17% from 1 April 2020. As a result of this change, the deferred tax balances relating to UK assets and liabilities were reduced to take account of the substantively enacted rate change. The largest single effect of the rate change was in relation to the deferred tax liabilities recognised when the Sanctuary, St Tropez and Charles Worthington brands were acquired.

3 Net finance costs

	2018 **£m**	2017 £m
Interest receivable on cash deposits	**0.9**	2.7
Interest income	**0.9**	2.7
Interest payable on bank loans and overdrafts	**(6.5)**	(5.5)
Net finance costs	**(5.6)**	(2.8)

4 Taxation

	2018 £m	(Restated)* 2017 £m
Current tax		
UK corporation tax charge for the year	**5.7**	5.3
Adjustments in respect of prior years	**0.1**	(1.1)
Double tax relief	**(2.1)**	(2.1)
	3.7	2.1
Overseas corporation tax charge for the year	**13.0**	17.7
Adjustments in respect of prior years	**-**	(2.8)
	13.0	14.9
Total current tax charge	**16.7**	17.0
Deferred tax		
Origination and reversal of temporary timing differences	**0.6**	5.9
Adjustments in respect of prior years	**(0.1)**	1.8
Effect of rate change adjustments	**0.6**	(3.3)
Total deferred tax charge	**1.1**	4.4
Total tax charge	**17.8**	21.4

**See note 9 for details*

UK corporation tax is calculated at 19.0% (2017: 19.83%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group has chosen to use a weighted average tax rate rather than the UK rate for the reconciliation of the charge for the year to the profit before taxation per the consolidated income statement. The Group operates in a number of overseas jurisdictions which have tax rates in excess of the UK rate. As such, a weighted average tax rate is believed to provide more meaningful information to users of the financial statements. The approximate tax rate for this comparison is 23.05% (2017: 25.11%).

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

	2018 £m	(Restated)* 2017 £m
Profit before tax	**66.6**	86.5
Tax at the weighted average tax rate of 23.05% (2017 restated: 25.11%)	**15.4**	21.7
Adjusted for:		
Tax effect of expenses / revenue that are not deductible / taxable	**(4.2)**	4.2
Effect of UK rate change on deferred taxation	**0.6**	(3.3)
Tax effect of share of results of joint ventures	**(0.5)**	(0.9)
Overseas withholding tax suffered on dividends	**1.8**	0.3
Adjustment to amount carried in respect of unresolved tax matters	**5.7**	2.3
Utilisation of deferred tax assets not recognised	**(0.8)**	-
Research and development relief	**(0.2)**	(0.8)
Adjustments in respect of prior periods	**-**	(2.1)
Tax charge for the year	**17.8**	21.4

**See note 9 for details*

Taxation on items taken directly to equity and other comprehensive income was a debit of £4.3 million (2017: £2.2 million credit) and relates to deferred tax on pensions and revalued land and buildings.

5 AGM and dividend

The Board is recommending a final dividend of 5.61p (2017: 5.61p) per share, making a total dividend for the year of 8.28p (2017: 8.28p) per share. The gross amount for the proposed final dividend is £23.5 million (2017: £23.5 million).

The date of the Annual General Meeting has been fixed for 26 September 2018. Subject to shareholder approval, dividend warrants in respect of the proposed final dividend will be posted on 4 October 2018 to members on the register at the close of business on 10 August 2018.

6 Earnings per share

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

	2018	2017
Basic weighted average (000)	**418,313**	418,412
Diluted weighted average (000)	**418,313**	418,423

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

	2018	2017
Average number of Ordinary Shares in issue during the year (000)	**428,725**	428,725
Less weighted average number of Ordinary Shares held by the Employee Share Option Trust (000)	**(10,412)**	(10,313)
Basic weighted average Ordinary Shares in issue during the year (000)	**418,313**	418,412
Dilutive effect of share incentive plans (000)	**-**	11
Diluted weighted average Ordinary Shares in issue during the year (000)	**418,313**	418,423

The adjusted profit for the year is as follows:

	2018 £m	*(Restated)** 2017 £m
Profit attributable to owners of the Parent	**47.7**	62.4
Exceptional items	**8.3**	6.3
Adjusted profit after tax	**56.0**	68.7

	2018	*(Restated)** 2017
Basic earnings per share	**11.41p**	14.91p
Exceptional items	**1.98p**	1.51p
Adjusted basic earnings per share	**13.39p**	16.42p
Diluted earnings per share	**11.41p**	14.91p
Exceptional items	**1.98p**	1.51p
Adjusted diluted earnings per share	**13.39p**	16.42p

**See note 9 for details*

7 Goodwill and other intangible assets

	Goodwill	Software	Other intangible assets[2]	Total
	£m	£m	£m	£m
Net book value as at 31 May 2016	62.5	-	294.6	357.1
Transfers from property, plant and equipment[1]	-	45.7	0.3	46.0
Amortisation	-	(0.9)	-	(0.9)
Currency retranslation	0.6	-	0.6	1.2
Net book value as at 31 May 2017	**63.1**	**44.8**	**295.5**	**403.4**
Additions	**-**	**6.8**	**-**	**6.8**
Transfers from property, plant and equipment[1]	**-**	**2.6**	**-**	**2.6**
Amortisation	**-**	**(6.4)**	**-**	**(6.4)**
Currency retranslation	**-**	**(0.3)**	**-**	**(0.3)**
Net book value as at 31 May 2018	**63.1**	**47.5**	**295.5**	**406.1**

[1]Transfers from property, plant and equipment represent the capitalised element of the implementation of a new ERP system, amortised over ten years at the point which the asset comes into use.

[2]Other intangible assets include the Group's acquired brands which are deemed to have an indefinite life.

8 Net debt

	2018 £m	2017 £m
Cash at bank and in hand	**97.8**	134.5
Short-term deposits	**4.9**	16.1
Overdrafts	**(16.5)**	(34.5)
Cash and cash equivalents	**86.2**	116.1
Current asset investments	**0.3**	0.3
Loans due within one year	**(251.9)**	(260.2)
Net debt	**(165.4)**	(143.8)

Loans due within one year include the Group's main syndicated borrowing facility, provided by three lenders in the form of a £285 million multi-currency revolving credit facility committed until 29 February 2020. In addition, the Group has uncommitted working capital facilities amounting to £197.7 million (2017: £201.6 million) of which £16.5 million was drawn as at 31 May 2018 (2017: £34.5 million).

Overdrafts do not form part of the Group's main borrowing facility and arise as part of the Group's composite banking arrangements with key banking partners. Under the terms of this arrangement, cash and overdraft balances recognised by the Overdraft's Obligor Group are considered as one cash pool with the net position being monitored by the Directors and Lenders. These overdraft balances have been presented gross with a corresponding increase in cash at bank and in hand.

9 Accounting policies

Whilst the financial information in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Standards Reporting Interpretations Committee (IFRS IC).

The financial statements have been prepared on a historical cost basis, modified for fair values under IFRS.

Restatement

During the year, the Group revised its accounting policy for the recognition of surpluses in its defined benefit pension schemes: in particular, the policy for determining whether or not it has an unconditional right to a refund of surpluses in its employee pension funds. Where the Group has a right to a refund, this is not deemed unconditional if pension fund trustees are able unilaterally to wind up the scheme and distribute the surplus to members. The revised accounting policy, by taking account of the powers of pension trustees in assessing the economic benefit available as a refund, provides more relevant information about the effect on the Group's financial position of its defined benefit pension schemes.

This change in accounting policy has resulted in the Group de-recognising the pension surplus in relation to the expatriate defined benefit scheme. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the amended policy has been applied retrospectively and prior year restated. The quantification of the impact of the restatement is disclosed in the accounting policies section of the 2018 Annual Report and Accounts.

Not adopted by the Group

The Group has assessed the impact of the following new standards, amendments and interpretations that are not effective for the year ending 31 May 2018:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018, EU endorsed 22 November 2016)
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018, EU endorsed 22 September 2016)

The assessment of the impact of these new accounting standards is disclosed in the accounting policies section of the 2018 Annual Report and Accounts.

The Group is currently assessing the impact of the following new standard that is not yet effective and will provide a further assessment of the potential impact next year:

- IFRS 16, 'Leases' (effective 1 January 2019, not yet endorsed by EU)

10 Basis of financial statements

This announcement was approved by the Board of Directors on 24 July 2018. The financial information in this announcement does not constitute the Group's statutory accounts for the year ended 31 May 2018 or 31 May 2017 but it is derived from those accounts. Statutory accounts for 31 May 2017 have been delivered to the Registrar of Companies, and those for 31 May 2018 will be delivered after the Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention in accordance with IFRS (International Financial Reporting Standards), as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU and effective at the time of preparing these financial statements (July 2018).

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approving the financial statements. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements.

11 Statement of Directors' responsibilities

Each of the Directors confirms that, to the best of their knowledge:

- The financial statements within the full Annual Report and Accounts from which the financial information within this Final Results announcement has been extracted, have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The outlook, trading performance overview and regional reviews include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approved by the board of Directors on 24 July 2018.