PZ CUSSONS PLC

29 January 2019

INTERIM ANNOUNCEMENT OF RESULTS FOR THE HALF YEAR TO 30 NOVEMBER 2018

PZ Cussons Plc, a leading consumer products group, announces its unaudited interim results for the six months ended 30 November 2018.

Adjusted results (before exceptional items[1])	**Half year to 30 November 2018**	(Restated)* Half year to 30 November 2017	Reported % change	Constant currency % change[3]	Like for like % change[4]
Revenue[2]	**£335.1m**	£373.9m	(10.4%)	(4.6%)	(4.6%)
Adjusted operating profit	**£35.4m**	£36.8m	(3.8%)	(1.1%)	(1.1%)
Adjusted profit before tax	**£32.8m**	£33.3m	(1.5%)	1.5%	1.5%
Adjusted basic earnings per share	**5.67p**	5.62p	0.9%		
Statutory results (after exceptional items[1])					
Revenue[2]	**£335.1m**	£373.9m	(10.4%)		
Operating profit	**£29.3m**	£37.0m	(20.8%)		
Profit before tax	**£26.7m**	£33.5m	(20.3%)		
Basic earnings per share	**4.57p**	4.90p	(6.7%)		
Interim dividend per share	**2.67p**	2.67p	-		
Net debt[5]	**(£177.2m)**	(£191.2m)			

*The results for the half year to 30 November 2017 have been restated to reflect a change in accounting policy and application of IFRS 15. Further details are set out in note 2.

HIGHLIGHTS

<u>Group</u>
- Adjusted profit before tax slightly lower than the prior period on a reported basis with good performance in Europe and Asia offset by extremely challenging conditions in Nigeria
- Higher levels of innovation, brand support and distribution expansion delivering improved performance in Europe and Asia
- Focus in Nigeria on maintaining market shares and minimising downside risk until growth returns to the country
- Balance sheet remains strong with good cash flow management and net debt lower than the prior period
- Interim dividend maintained at 2.67p per share

<u>Outlook and Initiatives</u>
- Adjusted profit before tax for the full year now expected to be towards £70 million driven by conditions in Nigeria, including an estimated £5.5 million impact as a result of significant port disruption
- Specific strategic initiatives approved to streamline the Group's portfolio of activities allowing more focused investment behind key brands across Europe and Asia and limiting the exposure to Nigeria volatility

<u>Africa</u>
- Weak consumer environment, higher supply chain costs and lower exchange rate contributing to lower prices, volumes and margins in Nigeria
- Nigerian portfolio under continuous review to ensure best placed for when growth returns to the market

<u>Asia</u>
- Good growth in profitability in Australia across all categories of Personal Care, Home Care and Food & Nutrition
- In Indonesia improved profitability driven by new product launches across Cussons Baby, Cussons Kids and Imperial Leather

<u>Europe</u>
- Good overall performance for Europe despite macro uncertainty in the UK
- Significant step up in new product launches driving good revenue growth in UK washing and bathing division
- Strong revenue growth achieved in Beauty division driven by both innovation and distribution expansion

[1] Exceptional items before tax (2018: cost £6.1m; 2017: income £0.2m) are detailed in note 4.
[2] Excludes joint ventures revenue of £57.0m (2017: £74.7m at reported rate, £65.4m at constant currency rate).
[3] Constant currency comparison (2017 results retranslated at 2018 exchange rates). See page 2 for values of currency impact.
[4] Like for like comparison after adjusting 2017 for constant currency and 2018 for the impact of acquisitions and disposals. There were no such acquisitions or disposals in either period.
[5] Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings (refer to note 11).

PZ CUSSONS PLC

Commenting today, Caroline Silver (Chair) said:

"The Group continues to make pleasing progress in Europe and Asia, with new product development and increased support across our key brands delivering positive momentum. Disappointingly, however, the macroeconomic conditions in Nigeria remain extremely challenging and continue to have a significant negative impact on overall Group performance. Reflecting this, we now expect Group adjusted profit before tax for the year to be towards £70 million.

Balance sheet strength will remain a priority for the business. The Group's balance sheet remains strong, with net debt lower than the prior period. The Board has maintained the interim dividend at 2.67p per share.

We anticipate that consumer demand in all our key markets will remain subdued. Whilst these conditions prevail, we will maintain our strong market shares in key product categories in Nigeria until growth returns to the market. In Personal Care and Beauty across Europe and Asia, identified as sources of growth for the Group, we will continue to prioritise higher investment levels behind carefully targeted key brand and market opportunities. Furthermore, the Board has approved specific strategic initiatives which will streamline our portfolio of activities and limit exposure to volatility in Nigeria, with more information to be provided in due course."

Press Enquiries

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

On 29,30,31 January c/o Instinctif on 020 7457 2020

After 31 January to Brandon Leigh on 0161 435 1236

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

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

Basis of Preparation

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

Adjusted results are presented before exceptional items which in the current period include certain restructuring costs and past service costs in relation to a recent UK High Court ruling that trustees of UK defined benefit pension schemes must equalise guaranteed minimum pensions (GMPs).

The reported results for the current period are presented with variances to reported prior period results and also as variances between the current and prior period on a constant currency basis. The constant currency impact has been derived by retranslating the 2017 result using 2018 foreign currency exchange rates. The adverse translational impact on revenue, adjusted operating profit and adjusted profit before tax was £22.7 million, £1.0 million and £1.0 million respectively. As there were no acquisitions or disposals in the current or prior period, the like for like impact equals the constant currency impact.

Business Review

Group Overview
Group revenue was 10.4% lower on a reported basis and 4.6% lower on a constant currency basis with adjusted operating profit 3.8% lower on a reported basis and 1.1% lower on a constant currency basis. The majority of the decline in both revenue and adjusted operating profit was driven by the extremely tough trading conditions in Nigeria. After lower interest charges for the period, adjusted profit before tax was £32.8 million versus a prior period result of £33.3 million. Statutory operating profit and profit before tax, after exceptional items as detailed in note 4, were £29.3 million and £26.7 million respectively.

Financial Position

Net debt at 30 November 2018 was lower than the prior period at £177.2 million (2017: £191.2 million). The key elements that affect the Group's net debt position are operating cash flows, working capital movements and capital expenditure, with net debt typically peaking around the middle of the financial year due to seasonal factors.

During the period, the working capital outflow of £5.9 million was lower than the prior period (2017: outflow of £44.1 million) due to improved flows on both trade receivables and payables, whilst capital expenditure was also lower at £7.1 million (2017: £15.5 million) due to reduced levels of capital projects currently being undertaken. Overall, the Group's balance sheet remains strong with net debt at 1.6 x EBITDA^.

The Group's main borrowing facility was successfully renewed during the period. Further details have been provided in note 11.

^EBITDA as used in this ratio calculation 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 30 November 2018.

Regional Reviews

Performance by region

Revenue[1] (£m)	2018	(Restated)* 2017	Reported % change	Constant currency % change[2]	Like for like % change[3]
Africa	**111.3**	144.6	(23.0%)	(13.3%)	(13.3%)
Asia	**95.6**	102.6	(6.8%)	(0.7%)	(0.7%)
Europe	**128.2**	126.7	1.2%	1.4%	1.4%
	335.1	373.9	(10.4%)	(4.6%)	(4.6%)

Adjusted operating profit before exceptional items[4] (£m)	2018	(Restated)* 2017	Reported % change	Constant currency % change[2]	Like for like % change[3]
Africa	**1.2**	4.1	(70.7%)	(67.7%)	(67.7%)
Asia	**9.6**	8.5	12.9%	20.1%	20.1%
Europe	**24.6**	24.2	1.7%	1.6%	1.6%
	35.4	36.8	(3.8%)	(1.1%)	(1.1%)

* The results for the half year to 30 November 2017 have been restated to reflect a change in accounting policy and application of IFRS 15. Further details are set out in note 2.

[1] Excludes joint ventures revenue of £57.0m (2017: £74.7m at reported rate, £65.4m at constant currency rate).
[2] Constant currency comparison (2017 results retranslated at 2018 exchange rates).
[3] Like for like comparison after adjusting 2017 for constant currency and 2018 for the impact of acquisitions and disposals. There were no such acquisitions or disposals in either period.
[4] Exceptional items before tax (2018: cost £6.1m; 2017: income £0.2m) are detailed in note 4.

Regional Overview

Africa's results showed a decline in reported revenue of 23.0% and on a constant currency basis of 13.3%. Adjusted operating profit was 70.7% lower on a reported basis and 67.7% lower on a constant currency basis. Revenue and adjusted operating profit were lower as a result of higher supply chain costs, the subdued consumer environment and weaker exchange rates. The negative currency impact was caused by both the move to use the NIFEX exchange rate rather than the CBN rate to translate Nigerian results from 1 June 2018 (as indicated in the Group's full year results to 31 May 2018), as well as an underlying weakening of the Naira during the period.

Asia's results showed a decline in reported revenue of 6.8% and on a constant currency basis of 0.7%. Adjusted operating profit was 12.9% higher on a reported basis and 20.1% higher on a constant currency basis. The constant currency results reflect an overall improvement in the shape of the portfolio in Asia with a focus behind the key brands and a resultant improvement in profitability, largely due to mix. Reported results reflect the weakening of both the Australian Dollar and Indonesian Rupiah during the period.

Europe's results showed an increase in reported revenue of 1.2% and on a constant currency basis of 1.4%. Adjusted operating profit was 1.7% higher on a reported basis and 1.6% higher on a constant currency basis. The results reflect good top line growth in both the UK washing and bathing division and the Beauty division, with margin improvement invested back into the business through higher levels of brand support resulting in a broadly flat profit outturn for Europe for the period.

Africa

In **Nigeria**, consumer disposable income has remained weak ahead of the general election which is scheduled for February 2019. There are ongoing cost challenges due to significant disruption being faced in clearing goods at the port and a further 10% weakening of the Naira against the US Dollar in the period. These factors have combined to deliver a materially lower first half adjusted operating profit versus the comparative period. The impact of the port disruption on adjusted profit before tax is estimated to be £5.5 million for the full year.

Given the challenging macroeconomic backdrop, additional focus has been placed on optimising all areas of the Nigerian business including streamlining product portfolios, depot rationalisation and maximising the efficiency of the factories.

With prices, volumes and margins continuing to remain under pressure, the Personal Care, Home Care and Nutricima businesses have been optimising price points and pack sizes across the key brands in order to maintain or grow market share. Losses being incurred in the Nutricima business have significantly reduced versus the prior period.

The Electricals business has maintained its overall market leadership position with the Haier Thermocool brand and remains the only consumer brand delivering significant energy reduction to the consumer following the investment in and launch of a differentiated energy saving range in the previous financial year. Whilst both the consumer environment and particularly the port situation have frustrated sales in the first half, the business remains well placed for when the market environment improves.

The PZ Wilmar joint venture has continued to focus on sales of consumer edible oil packs under both the Mamador and Devon Kings brands and during the period has launched spreads and seasoning cubes under both brands to enhance the portfolio offering to the consumer.

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

Asia

In **Australia**, performance was solid across all categories of Personal Care, Home Care and Food & Nutrition, with new product launches across all areas of the portfolio. Good growth in particular was achieved in the Australian Beauty portfolio with both St. Tropez and Fudge.

In **Indonesia**, whilst the overall market environment is tighter with pressure on both the retail trade and the consumer, Cussons Baby has continued to strengthen its number one position with launches to further expand the range. Cussons Kids and Imperial Leather have also made good progress.

As part of the broader South East Asia expansion, led by a regional team based in Singapore, the Rafferty's Garden brand expanded its distribution in China and also launched into the Vietnamese market during the period, securing ranging in approximately 500 premium stores in each country.

Europe

In the **UK** washing and bathing division, a significant number of new product launches have taken place in the period, supported by innovative marketing campaigns. This has driven good growth across the key brands of Imperial Leather, Carex and Original Source, with increasing focus on trend-led products such as Imperial Leather 'No Drama Llama' Foamburst and Carex 'Unicorn' hand wash.

In the **Beauty** division, new product launches and further expansion of on and off-line distribution channels, have driven growth across the portfolio of Sanctuary, St. Tropez, Charles Worthington and Fudge. Particularly pleasing has been the strong growth of St. Tropez in the United States, which now accounts for approximately 15% of the Beauty division's revenue.

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

Exceptional items

The Group has incurred net exceptional costs of £6.1 million in the period relating to costs associated with the previously announced Group structure and systems project (£4.1 million) and GMP equalisation (£2.0 million).

Taxation

The effective tax rate before exceptional items was 26.8% (2017: 27.9%) and the effective tax rate post-exceptional items was 28.1% (2017: 37.3%).

Related parties

Related party disclosures are given in note 14.

Principal risks and uncertainties facing the Group

Our principal risks and uncertainties are explained in more detail in note 16 and remain as stated on pages 35 to 39 of our 2018 Strategic Report which is available on our website at www.pzcussons.com.

The impact of Brexit continues to be considered as part of the risk management process. Whilst uncertainty in relation to the outcome of the Brexit process is affecting consumer confidence, and we continue to monitor the potential impact on our supply chain, at the present time any Brexit impact is expected to be manageable.

Outlook

We expect the consumer to remain under pressure in all of the markets in which we operate. The overall outturn for this year will in particular be affected by the macro environment in Nigeria during the seasonally-important second half of the year.

Based on current and expected trading conditions in Nigeria, including an estimated impact of £5.5 million as a result of the port situation, we now expect Group adjusted profit before tax for the year to be towards £70 million.

The Group's balance sheet remains strong, with net debt expected to reduce in the second half of the year.

The Board has approved specific strategic initiatives with the aim of streamlining the Group's portfolio of activities, allowing the Group to focus on and invest behind the key growth initiatives in Personal Care and Beauty across Europe and Asia and with the objective of limiting the exposure to Nigeria volatility. Further details of these initiatives will be communicated in due course.

We have a strong pipeline of innovation for our key brands, supported by additional brand investment. Together with further expansion of our distribution in our key existing and target markets, we expect this to underpin continued sound performance in Europe, including Beauty, and Asia.

PZ CUSSONS PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Half year to 30 November 2018** Before exceptional items			(Restated)* Unaudited Half year to 30 November 2017 Before exceptional items			(Restated)* Audited Year to 31 May 2018 Before exceptional items		
		Before exceptional items	**Exceptional items (note 4)**	**Total**	Before exceptional items	Exceptional items (note 4)	Total	Before exceptional items	Exceptional items (note 4)	Total
		£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Continuing operations										
Revenue	3	**335.1**	**-**	**335.1**	373.9	-	373.9	739.8	-	739.8
Cost of sales		**(212.8)**	**-**	**(212.8)**	(245.0)	-	(245.0)	(477.5)	-	(477.5)
Gross profit		**122.3**	**-**	**122.3**	128.9	-	128.9	262.3	-	262.3
Selling and distribution costs		**(49.9)**	**-**	**(49.9)**	(54.6)	-	(54.6)	(101.1)	-	(101.1)
Administrative expenses		**(37.6)**	**(6.1)**	**(43.7)**	(39.4)	0.2	(39.2)	(76.9)	(13.8)	(90.7)
Share of results of joint ventures		**0.6**	**-**	**0.6**	1.9	-	1.9	1.4	0.3	1.7
Operating profit		**35.4**	**(6.1)**	**29.3**	36.8	0.2	37.0	85.7	(13.5)	72.2
Finance income		**0.4**	**-**	**0.4**	0.1	-	0.1	0.9	-	0.9
Finance costs		**(3.0)**	**-**	**(3.0)**	(3.6)	-	(3.6)	(6.5)	-	(6.5)
Net finance costs	5	**(2.6)**	**-**	**(2.6)**	(3.5)	-	(3.5)	(5.6)	-	(5.6)
Profit before tax		**32.8**	**(6.1)**	**26.7**	33.3	0.2	33.5	80.1	(13.5)	66.6
Tax	7	**(8.8)**	**1.3**	**(7.5)**	(9.3)	(3.2)	(12.5)	(22.1)	4.3	(17.8)
Profit for the period		**24.0**	**(4.8)**	**19.2**	24.0	(3.0)	21.0	58.0	(9.2)	48.8
Attributable to:										
Owners of the Parent		**23.7**	**(4.6)**	**19.1**	23.5	(3.0)	20.5	56.0	(8.3)	47.7
Non-controlling interests		**0.3**	**(0.2)**	**0.1**	0.5	-	0.5	2.0	(0.9)	1.1
		24.0	**(4.8)**	**19.2**	24.0	(3.0)	21.0	58.0	(9.2)	48.8
Basic EPS (p)	9	**5.67**	**(1.10)**	**4.57**	5.62	(0.72)	4.90	13.39	(1.98)	11.41
Diluted EPS (p)	9	**5.67**	**(1.10)**	**4.57**	5.62	(0.72)	4.90	13.39	(1.98)	11.41

*See note 2 for details of restatement

The notes on pages 11 to 21 are an integral part of these condensed consolidated interim financial statements.

PZ CUSSONS PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Half year to 30 November 2018	(Restated)* Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
	£m	£m	£m
Profit for the period / year	**19.2**	21.0	48.8
Other comprehensive (expense) / income			
Items that will not subsequently be reclassified to profit or loss			
Remeasurement of post-employment obligations (note 12)	**(7.6)**	8.3	26.7
Deferred tax on remeasurement of post-employment obligations	**-**	-	(4.5)
Tax on items that will not be subsequently reclassified to profit or loss	**-**	-	0.2
Total items that will not subsequently be reclassified to profit or loss	**(7.6)**	8.3	22.4
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	**(1.2)**	(14.4)	(25.8)
Cash flow hedges - fair value gain / (loss) in period / year	**0.7**	-	(1.8)
Total items that may subsequently be reclassified to profit or loss	**(0.5)**	(14.4)	(27.6)
Other comprehensive expense for the period / year net of taxation	**(8.1)**	(6.1)	(5.2)
Total comprehensive income for the period / year	**11.1**	14.9	43.6
Attributable to:			
Owners of the Parent	**11.5**	16.4	47.1
Non-controlling interests	**(0.4)**	(1.5)	(3.5)

*See note 2 for details of restatement

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CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30 November 2018 £m**	(Restated)* Unaudited 30 November 2017 £m	Audited 31 May 2018 £m
Assets				
Non-current assets				
Goodwill, software and other intangible assets	6	**403.9**	410.0	406.1
Property, plant and equipment	6	**153.1**	165.0	156.6
Other investments		**0.3**	0.3	0.3
Net investments in joint ventures		**29.2**	25.1	22.9
Trade and other receivables		**0.9**	1.6	0.4
Retirement benefit surplus	12	**26.8**	12.3	33.3
		614.2	614.3	619.6
Current assets				
Inventories		**150.7**	151.7	132.6
Trade and other receivables		**168.6**	212.2	163.9
Derivative financial asset	13	**0.5**	0.6	-
Current asset investments	11	**0.3**	0.3	0.3
Cash and short term deposits	11	**56.6**	125.0	102.7
		376.7	489.8	399.5
Total assets		**990.9**	1,104.1	1,019.1
Equity				
Share capital		**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Currency translation reserve		**(80.5)**	(71.0)	(79.8)
Hedging reserve		**1.3**	2.4	0.6
Retained earnings		**524.4**	506.2	536.4
Attributable to owners of the Parent		**450.2**	442.6	462.2
Non-controlling interests		**28.3**	31.0	29.0
Total equity		**478.5**	473.6	491.2
Liabilities				
Non-current liabilities				
Borrowings	11	**212.2**	-	-
Trade and other payables		**1.7**	0.3	1.0
Deferred taxation liabilities		**44.3**	40.5	44.2
Retirement benefit obligations	12	**11.5**	14.4	12.0
		269.7	55.2	57.2
Current liabilities				
Borrowings	11	**21.9**	316.5	268.4
Trade and other payables		**187.8**	221.2	174.4
Derivative financial liability	13	**0.3**	-	1.1
Current taxation payable		**28.7**	35.0	25.6
Provisions		**4.0**	2.6	1.2
		242.7	575.3	470.7
Total liabilities		**512.4**	630.5	527.9
Total equity and liabilities		**990.9**	1,104.1	1,019.1

*See note 2 for details of restatement

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent						
	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Non controlling interests £m	Total £m
At 1 June 2017	4.3	(58.6)	0.7	501.3	2.4	33.8	483.9
Profit for the period	-	-	-	20.5	-	0.5	21.0
Other comprehensive (expense)/income for the period*	-	(12.4)	-	8.3	-	(2.0)	(6.1)
Total comprehensive (expense)/income for the period	-	(12.4)	-	28.8	-	(1.5)	14.9
Transactions with owners:							
Ordinary dividends	-	-	-	(23.5)	-	-	(23.5)
Acquisition of shares by ESOT	-	-	-	(0.4)	-	-	(0.4)
Non-controlling interests dividend paid	-	-	-	-	-	(1.3)	(1.3)
Total transactions with owners recognised directly in equity	-	-	-	(23.9)	-	(1.3)	(25.2)
At 30 November 2017	4.3	(71.0)	0.7	506.2	2.4	31.0	473.6
At 1 June 2017	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 (expense)/income for the year	-	(21.2)	-	22.4	(1.8)	(4.6)	(5.2)
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)
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
At 1 June 2018	**4.3**	**(79.8)**	**0.7**	**536.4**	**0.6**	**29.0**	**491.2**
Profit for the period	**-**	**-**	**-**	**19.1**	**-**	**0.1**	**19.2**
Other comprehensive (expense)/income for the period	**-**	**(0.7)**	**-**	**(7.6)**	**0.7**	**(0.5)**	**(8.1)**
Total comprehensive (expense)/income for the period	**-**	**(0.7)**	**-**	**11.5**	**0.7**	**(0.4)**	**11.1**
Transactions with owners:							
Ordinary dividends	**-**	**-**	**-**	**(23.5)**	**-**	**-**	**(23.5)**
Non-controlling interests dividend paid	**-**	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Total transactions with owners recognised directly in equity	**-**	**-**	**-**	**(23.5)**	**-**	**(0.3)**	**(23.8)**
At 30 November 2018	**4.3**	**(80.5)**	**0.7**	**524.4**	**1.3**	**28.3**	**478.5**

*See note 2 for details of restatement

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Half year to 30 November 2018 £m	Unaudited Half year to 30 November 2017 £m	Audited Year to 31 May 2018 £m
Cash flows from operating activities			
Cash generated from / (used in) operations (note 10)	**33.6**	(4.7)	59.1
Taxation paid	**(4.8)**	(4.9)	(18.0)
Interest paid (note 5)	**(3.0)**	(3.6)	(6.5)
Net cash generated from / (used in) operating activities	**25.8**	(13.2)	34.6
Cash flows from investing activities			
Interest income (note 5)	**0.4**	0.1	0.9
Purchase of property, plant and equipment and software (note 6)	**(7.1)**	(15.5)	(22.2)
Proceeds from sale of assets	**-**	10.6	10.6
Advance of short term deposits to joint venture	**(6.1)**	-	-
Net cash used in investing activities	**(12.8)**	(4.8)	(10.7)
Cash flows from financing activities			
Dividends paid to non-controlling interests	**(0.3)**	(1.3)	(1.3)
Purchase of shares for ESOT	**-**	(0.4)	(0.4)
Dividends paid to Company shareholders (note 8)	**(23.5)**	(23.5)	(34.6)
(Decrease) / increase in borrowings (note 11)	**(24.8)**	6.1	(7.9)
Net cash used in financing activities	**(48.6)**	(19.1)	(44.2)
Net decrease in cash and cash equivalents (note 11)	**(35.6)**	(37.1)	(20.3)
Cash and cash equivalents at the beginning of the period (note 11)	**86.2**	116.1	116.1
Effect of foreign exchange rates (note 11)	**(0.9)**	(4.5)	(9.6)
Cash and cash equivalents at the end of the period (note 11)	**49.7**	74.5	86.2

The notes on pages 11 to 21 are an integral part of these condensed consolidated interim financial statements.

1. Basis of preparation

The Company is a public limited company incorporated and domiciled in England. It has a primary listing on the London Stock Exchange. The address of its registered office is shown on page 24.

These condensed consolidated interim financial statements for the six months ended 30 November 2018, which have been reviewed, not audited, have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union (EU). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 May 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS IC).

The condensed consolidated interim financial statements for the period ended 30 November 2018 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information set out in this statement relating to the year ended 31 May 2018 does not constitute statutory accounts for that year. Full audited statutory accounts of the Group in respect of that financial year were approved by the Board of Directors on 24 July 2018 and have been delivered to the Registrar of Companies. The report of the auditors on these statutory accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements were approved for issue on 29 January 2019.

Judgements and estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 May 2018.

As disclosed in the annual financial statements for the year ended 31 May 2018, the Group concluded that the NIFEX exchange rate was the most appropriate official rate at which to translate the results of Nigerian operations; NIFEX was the rate at which the majority of transactions were expected to be settled. On 31 December 2018, subsequent to the interim results being finalised, the NIFEX rate ceased to be quoted, and is no longer an official exchange rate in Nigeria. Effective from 1 January 2019 the Group's Nigerian results have been translated at the official NAFEX rate. The NAFEX exchange rate now represents the exchange rate at which the Group expects the majority of its transactions to be settled. This change in reference exchange rate from 1 January 2019 is not expected to have a significant impact on the Group given that the NIFEX rate has gradually converged almost to parity with NAFEX over the past year.

Going concern basis

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

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

2. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 May 2018 except for those described below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss before tax.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 June 2018:

- IFRS 9 - Financial Instruments;
- IFRS 15 - Revenue from Contracts with Customers;
- IFRS 2 - Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration; and
- Annual improvements to IFRSs: 2014-16 Cycle (Dec 2016).

On 1 June 2018 the Group adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not restated comparative information for prior periods on the following grounds:

- Impairment: From 1 June 2018 the Group implemented an expected credit loss impairment model for financial assets. For trade receivables, the Group's calculation methodology has been updated to consider expected losses based on ageing profile. The adoption of the expected credit loss approach has not resulted in a material change in impairment provision for any financial asset.

2. Accounting policies (continued)

- Hedge accounting: The Group applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedge relationships and hence the adoption of IFRS 9 has not had a material impact on the on the recognition of such financial instruments. Further to this, the impact of the basis adjustment is currently immaterial but will be monitored on a monthly basis.

On 1 June 2018 the Group adopted IFRS 15 'Revenue from Contracts with Customers', which replaced IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The implementation of this new standard has resulted in a change in accounting policy, leading to a reclassification adjustment in the Income Statement between Revenue and Selling and distribution costs as previously reported in the year ended 31 May 2018 and six month period ended 30 November 2017. The Group has elected to restate comparative results under the full retrospective approach – see restatement section below for details.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 May 2019 reporting period and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course:

- IFRS 16 Leases;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures;
- Annual improvements to IFRSs: 2015-17 Cycle (Dec 2017); and
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

Of the standards noted above, only one is expected to have a material impact on the financial statements. IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019 and sets out a new approach to accounting for leases by lessees. Whilst under IAS 17 'Leases', the accounting treatment of a lease was determined on the basis of the transfer of risks and rewards incidental to ownership of the asset, whereas under the new standard, all leases in general are to be accounted for by the lessee in a similar way to finance lease arrangements. Whilst IFRS 16 is not yet effective, the Group has continued with its IFRS 16 project during the financial year and is currently in the process of evaluating the impact of the new standard through the review of the existing lease profile across the Group and the compilation and assessment of contracts, as well as understanding process and system changes that will be required. The outcome of this assessment has yet to be concluded and as such, a reliable quantitative measurement of the impact of IFRS 16 cannot be made at this stage. The Group will, however, apply the available exceptions regarding the recognition of short-term leases and low value leasing assets. An update on the expected impact of IFRS 16 will be disclosed in the annual financial statements to 31 May 2019.

Restatements

a. Change in accounting policy during the year ended 31 May 2018

As documented in the 2018 annual financial statements, during the year ended 31 May 2018, the Group changed 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 enhanced information about the effect on the Group's financial position of its defined benefit pension schemes.

This change in accounting policy 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 30 November 2017 results have been restated. The impacts of the change in policy are shown in the tables below:

Condensed Consolidated Income Statement

	30 November 2017 £m		
	Under previous policy	**Adjustment**	**As published**
Administrative expenses	(38.5)	(0.7)	(39.2)
Operating profit	37.7	(0.7)	37.0
Profit before tax	34.2	(0.7)	33.5
Tax	(12.6)	0.1	(12.5)
Profit for the year	21.6	(0.6)	21.0
Profit attributable to owners of the parent	21.1	(0.6)	20.5

2. Accounting policies (continued)

Condensed Consolidated Statement of Other Comprehensive Income

	30 November 2017 £m		
	Under previous policy	Adjustment	As published
Profit for the year	21.6	(0.6)	21.0
Remeasurement of post-employment benefit obligations	7.8	0.5	8.3
Other comprehensive expense for the year net of tax	(6.6)	0.5	(6.1)

Consolidated Balance Sheet

	30 November 2017 £m		
	Under previous policy	Adjustment	As published
Retirement benefit surplus	63.8	(51.5)	12.3
Total assets	1,155.6	(51.5)	1,104.1
Deferred taxation liabilities	(49.3)	8.8	(40.5)
Retained earnings	548.9	(42.7)	506.2
Equity attributable to owners of the parent	485.3	(42.7)	442.6

Consolidated Statement of Changes in Equity

	30 November 2017 £m		
	Under previous policy	Adjustment	As published
Retained earnings at 1 June 2017	543.9	(42.6)	501.3
Profit for the year attributable to owners of the parent	21.1	(0.6)	20.5
Remeasurement of post-employment obligations	7.8	0.5	8.3
Retained earnings as at 30 November 2017	548.9	(42.7)	506.2

The 30 November 2017 values for basic EPS and adjusted EPS have also been restated for the impact of the pension surplus de-recognition (previously reported basic EPS 2017: 5.76p, re-stated basic EPS 2017: 5.62p; previously reported adjusted EPS 2017: 5.04p, re-stated adjusted basic EPS 2017: 4.90p).

b. Implementation of IFRS 15 resulting in a change in accounting policy in the period to 30 November 2018

As documented above, due to the implementation of IFRS 15 'Revenue from Contracts with Customers', the Group has changed its accounting policy in relation to revenue recognition.

The primary impact on the Group is a change in presentation of certain elements of trade spend that do not relate to the Group paying for a separate distinct good or service, but do relate to some form of payment or reduction in transaction price to a customer. These elements were previously recognised within selling and distribution costs, however under IFRS 15 these costs are now recognised as part of the transaction price and therefore as a reduction to revenue.

The Group has elected to restate comparative results under the full retrospective approach. The impacts of restatement due to the change in accounting policy are shown in the table below:

Consolidated Income Statement

	30 November 2017 £m			31 May 2018 £m		
	Under previous policy	Adjustment	As published	Under previous policy	Adjustment	As published
Revenue	385.4	(11.5)	373.9	762.6	(22.8)	739.8
Selling and Distribution costs	(66.1)	11.5	(54.6)	(123.9)	22.8	(101.1)

The changes described above have not impacted the Group's operating profit or profit before tax for either period.

3. Segmental analysis

The Chief Operating Decision Maker (CODM) has been identified as the Executive Board which comprises the two Executive Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate. For reporting purposes, in accordance with IFRS 8 'Operating segments', the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the condensed consolidated interim financial statements.

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

Revenues and operating profit of the Europe and Asia segments arise from the sale of Personal Care, Home Care and Food & Nutrition products. Revenue and operating profit from the Africa segment arise from the sale of Personal Care, Home Care, Food & Nutrition and Electrical products. Sales between segments are carried out on an arm's length basis.

Business segments

Half year to 30 November 2018	**Africa £m**	**Asia £m**	**Europe £m**	**Eliminations £m**	**Total £m**
Gross segment revenue	**111.3**	**101.0**	**192.6**	**(69.8)**	**335.1**
Inter segment revenue	**-**	**(5.4)**	**(64.4)**	**69.8**	**-**
Revenue	**111.3**	**95.6**	**128.2**	**-**	**335.1**
Segmental operating profit before exceptional items and share of results of joint ventures	**0.6**	**9.6**	**24.6**	**-**	**34.8**
Share of results of joint ventures	**0.6**	**-**	**-**	**-**	**0.6**
Segmental operating profit before exceptional items	**1.2**	**9.6**	**24.6**	**-**	**35.4**
Exceptional Items	**(1.0)**	**(0.9)**	**(4.2)**	**-**	**(6.1)**
Segmental operating profit	**0.2**	**8.7**	**20.4**	**-**	**29.3**
Finance income					**0.4**
Finance cost					**(3.0)**
Profit before taxation					**26.7**

Half year to 30 November 2017 (Restated)*	**Africa £m**	**Asia £m**	**Europe £m**	**Eliminations £m**	**Total £m**
Gross segment revenue	144.6	108.6	179.6	(58.9)	373.9
Inter segment revenue	-	(6.0)	(52.9)	58.9	-
Revenue	144.6	102.6	126.7	-	373.9
Segmental operating profit before exceptional items and share of results of joint ventures	2.2	8.5	24.2	-	34.9
Share of results of joint ventures	1.9	-	-	-	1.9
Segmental operating profit before exceptional items	4.1	8.5	24.2	-	36.8
Exceptional Items	(0.1)	6.3	(6.0)	-	0.2
Segmental operating profit	4.0	14.8	18.2	-	37.0
Finance income					0.1
Finance cost					(3.6)
Profit before taxation					33.5

*See note 2 for details of restatement

3. Segmental analysis (continued)

Year to 31 May 2018 (Restated)*	**Africa £m**	**Asia £m**	**Europe £m**	**Eliminations £m**	**Total £m**
Gross segment revenue	274.1	214.8	386.0	(135.1)	739.8
Inter segment revenue	-	(13.5)	(121.6)	135.1	-
Revenue	274.1	201.3	264.4	-	739.8
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

*See note 2 for details of restatement

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit.

The Group analyses its net revenue by the following categories:

	Unaudited Half year to 30 November 2018 £m	(Restated)* Unaudited Half year to 30 November 2017 £m	(Restated)* Audited Year to 31 May 2018 £m
Personal Care	**196.9**	205.4	420.0
Home Care	**45.1**	60.6	116.3
Food & Nutrition	**55.8**	68.2	125.5
Electricals	**33.7**	37.0	72.2
Other	**3.6**	2.7	5.8
	335.1	373.9	739.8

*See note 2 for details of restatement

4. Exceptional items

Half year to 30 November 2018

The Group generated net exceptional expenditure before tax of £6.1 million as follows:

- Costs of £4.1 million relating to the Group structure and systems project to realign the organisation design to create a more effective operating model. These represent a continuation of the same project on which exceptional costs were recognised in previous periods and mainly consist of restructuring, advisory and IT system related costs; and
- Costs of £2.0 million relating to estimated past service pension costs following a recent UK High Court judgement confirming that defined benefit pension schemes are required to equalise male and female members' benefits for the effect of guaranteed minimum pensions (GMPs). This estimate will be trued up following completion of detailed analysis by the Group's third party actuary prior to 31 May 2019.

Half year to 30 November 2017

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

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

4. Exceptional items (continued)

Year to 31 May 2018

The Group incurred net exceptional expenditure before tax of £13.5 million as follows:

- Group structure and systems project costs (cost of £11.6 million);
- Impairment of a non-operational European fixed asset (cost of £3.7 million);
- Sale of land relating to a redundant manufacturing site in Australia (income of £8.1 million); and
- Change in Naira exchange rate for translation purposes (cost of £6.3 million).

5. Net finance costs

	Unaudited Half year to 30 November 2018	Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
	£m	£m	£m
Interest receivable	**0.4**	0.1	0.9
Interest income	**0.4**	0.1	0.9
Interest payable on bank loans and overdrafts	**(3.0)**	(3.6)	(6.5)
Net finance costs	**(2.6)**	(3.5)	(5.6)

6. Property, plant and equipment and intangible assets

	Goodwill, software and other intangible assets	**Property, plant and equipment**
	£m	**£m**
Opening net book amount as at 1 June 2017	403.4	177.0
Additions	8.8	6.7
Transfers between asset classification	0.7	(0.7)
Depreciation	-	(9.4)
Amortisation	(2.7)	-
Impairment of asset	-	(2.6)
Currency retranslation	(0.2)	(6.0)
Closing net book amount as at 30 November 2017	**410.0**	**165.0**
Opening net book amount as at 1 June 2018	406.1	156.6
Additions	0.1	7.0
Disposals	-	(0.1)
Transfers between asset classification	0.7	(0.7)
Depreciation	-	(8.7)
Amortisation	(3.1)	-
Currency retranslation	0.1	(1.0)
Closing net book amount as at 30 November 2018	**403.9**	**153.1**

Goodwill, software and other intangible assets comprise goodwill of £63.2 million (30 November 2017: £63.0 million), software of £45.2 million (30 November 2017: £51.4 million), the majority of which relates to the implementation and associated costs of the SAP project and other intangible assets of £295.5 million (30 November 2017: £295.6 million) relating to the Group's acquired brands.

The Group's other intangible assets, which represent brand values and goodwill, have all arisen from previous business combinations. The value in use models, prepared annually and otherwise when potential impairment triggers are identified to support the carrying value of the cash generating units ('CGUs') contain assumptions such as future revenue volume/price growth rates, associated future levels of marketing support, cost base of manufacture, short and long term growth rates and discount rates. These assumptions are based on historical trends and future market expectations specific to each CGU and the markets and geographies in which it operates. As at 30 November 2018, other than in relation to the Nutricima CGU, no impairment triggers were identified that would give rise to an impairment review.

For the Nutricima CGU, given that it is located in Nigeria where the macroeconomic environment continues to be volatile, management performed an impairment review to support the carrying value as at 30 November 2018. Whilst this did not result in a requirement for impairment, in preparing the Nutricima value in use model, management had to carefully consider the range of reasonable possible changes in assumptions when performing sensitivity analysis. Whilst it is not management's current expectation, should Nutricima trading results in FY19 be lower than currently forecasted by £1.7 million, which is considered by the Directors to be reasonably possible given the inherent market uncertainty, this would result in an impairment of £2.0 million.

6. Property, plant and equipment and intangible assets (continued)

At 30 November 2018, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £5.1 million (30 November 2017: £6.5 million). At 30 November 2018, the Group's share in the capital commitments of joint ventures was £nil (30 November 2017: £nil).

7. Tax

	Unaudited Half year to 30 November 2018 £m	(Restated)* Unaudited Half year to 30 November 2017 £m	Audited Year to 31 May 2018 £m
United Kingdom	**3.0**	2.9	5.1
Overseas	**4.5**	9.6	12.7
	7.5	12.5	17.8

*See note 2 for details of restatement

Income tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate to be used for the year ending 31 May 2019, before exceptional items, is 26.8% (2017: 27.9%) and the effective tax rate to be used post-exceptional items, is 28.1% (2017: 37.3%).

8. Dividends

An interim dividend of 2.67p per share for the half year to 30 November 2018 (2017: 2.67p) has been declared totalling £11.2 million (2017: £11.2 million) and is payable on 6 April 2019 to shareholders on the register at the close of business on 15 February 2019. This interim dividend has not been recognised in this half yearly report as it was declared after the end of the reporting period. The proposed final dividend for the year ended 31 May 2018 of 5.61p per share, totalling £23.5 million, was approved by shareholders at the Annual General Meeting of the Company and paid on 4 October 2018.

9. Earnings per share

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

	Unaudited Half year to 30 November 2018	Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
Basic weighted average (000)	**418,323**	418,320	418,313
Diluted weighted average (000)	**418,324**	418,320	418,313

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

	Unaudited Half year to 30 November 2018	Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
Average number of Ordinary Shares in issue during the period (000)	**428,725**	428,725	428,725
Less weighted average number of Ordinary Shares held by the Employee Share Option Trust (000)	**(10,402)**	(10,405)	(10,412)
Basic weighted average number of Ordinary Shares in issue during the period (000)	**418,323**	418,320	418,313
Dilutive effect of share incentive plans (000)	**1**	-	-
Diluted weighted average number of Ordinary Shares in issue during the period (000)	**418,324**	418,320	418,313

9. Earnings per share (continued)

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

	Unaudited **Half year to 30 November 2018**	(Restated)* Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
Basic earnings per share:			
- Adjusted basic earnings per share	**5.67p**	5.62p	13.39p
- Exceptional items	**(1.10p)**	(0.72p)	(1.98p)
Basic earnings per share	**4.57p**	4.90p	11.41p
Diluted earnings per share:			
- Adjusted diluted earnings per share	**5.67p**	5.62p	13.39p
- Exceptional items	**(1.10p)**	(0.72p)	(1.98p)
Diluted earnings per share	**4.57p**	4.90p	11.41p

*See note 2 for details of restatement

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

	Unaudited **Half year to 30 November 2018**	(Restated)* Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
	£m	£m	£m
Profit attributable to owners of the Parent	**19.1**	20.5	47.7
Exceptional items (net of taxation effect)	**4.6**	3.0	8.3
Adjusted profit after tax	**23.7**	23.5	56.0

*See note 2 for details of restatement

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

	Unaudited **Half year to 30 November 2018**	(Restated)* Unaudited Half year to 30 November 2017	Audited Year to 31 May 2018
	£m	£m	£m
Profit before tax	**26.7**	33.5	66.6
Adjustment for net finance costs	**2.6**	3.5	5.6
Operating profit	**29.3**	37.0	72.2
Depreciation (note 6)	**8.7**	9.4	18.1
Amortisation (note 6)	**3.1**	2.7	6.4
Impairment of fixed asset	**-**	3.6	2.8
Profit on sale of tangible fixed assets	**-**	(8.4)	(7.7)
Difference between pension charge and cash contributions	**(1.0)**	(3.0)	(6.5)
Share of results from joint ventures	**(0.6)**	(1.9)	(1.7)
Operating cash flows before movements in working capital	**39.5**	39.4	83.6
Movements in working capital:			
Inventories	**(18.6)**	5.0	16.2
Trade and other receivables	**(2.5)**	(27.2)	20.9
Trade and other payables	**15.2**	(20.8)	(59.0)
Provisions	**-**	(1.1)	(2.6)
Cash generated from / (used in) operations	**33.6**	(4.7)	59.1

*See note 2 for details of restatement

11. Net debt reconciliation

Group net debt comprises the following:

	Audited 1 June 2018 £m	Unaudited Cash flow £m	Unaudited Foreign exchange movements £m	**Unaudited** **30 November 2018** **£m**
Cash at bank and in hand	97.8	(45.6)	(0.5)	**51.7**
Overdrafts	(16.5)	10.0	(0.4)	**(6.9)**
Short term deposits	4.9	-	-	**4.9**
Cash and cash equivalents	86.2	(35.6)	(0.9)	**49.7**
Current asset investments	0.3	-	-	**0.3**
Loans due within one year	(251.9)	236.9	-	**(15.0)**
Loans due over one year	-	(212.2)	-	**(212.2)**
Net debt	(165.4)	(10.9)	(0.9)	**(177.2)**

Loans due over one year include the Group's main borrowing facility which was renewed during the period. This is provided by a syndicate of lenders in the form of a £325 million Revolving Credit Facility committed until 28 November 2023. The Group also has access to uncommitted working capital facilities amounting to £197.3 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.

12. Retirement benefits

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

	Unaudited **30 November 2018** **£m**	(Restated)* Unaudited 30 November 2017 £m	Audited 31 May 2018 £m
UK schemes in surplus	**81.5**	63.8	90.3
UK schemes in deficit	**(4.1)**	(5.0)	(4.2)
Restriction due to asset ceiling	**(54.7)**	(51.5)	(57.0)
Net UK position	**22.7**	7.3	29.1
Overseas schemes	**(7.4)**	(9.4)	(7.8)
	15.3	(2.1)	21.3

*See note 2 for details of restatement

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

The key financial assumptions (applicable to all UK schemes) applied in the actuarial review of the pension schemes have been reviewed in the preparation of these interim condensed consolidated financial statements and amended where appropriate from those applied at 31 May 2018. The key assumptions made were:

	Unaudited **Half year to 30 November 2018** **% per annum**	Unaudited Half year to 30 November 2017 % per annum	Audited Year to 31 May 2018 % per annum
Rate of increase in retirement benefits in payment	**3.05%**	3.05%	2.85%
Discount rate	**3.10%**	2.70%	2.80%
Inflation assumption	**3.25%**	3.10%	3.00%

12. Retirement benefits (continued)

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

	Unaudited 30 November 2018 £m	(Restated)* Unaudited 30 November 2017 £m
Retirement benefit surplus / (deficit) as at 1 June	**29.1**	(3.7)
Net pension interest income / (expense)	**0.4**	(0.2)
Past service cost	**(2.0)**	-
Administration expenses paid by the schemes	**(0.2)**	(0.1)
Contributions paid	**3.0**	3.0
Remeasurement gain due to changes in financial assumptions	**5.1**	15.6
Loss on scheme assets (excluding interest income)	**(15.8)**	(7.8)
Changes in asset ceiling (including interest)	**3.1**	0.5
Retirement benefit surplus as at 30 November	**22.7**	7.3

*See note 2 for details of restatement

The £2.0 million past service cost included in the above reconciliation relates to the GMP equalisation following a recent High Court ruling. Further information can be found in note 4.

13. Financial risk management and financial instruments

The Group's operations expose it to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's treasury policy addresses issues of liquidity, funding and investment as well as currency, credit, liquidity and interest rate risks.

The condensed consolidated interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements. This information and related disclosures are presented in the Group's annual financial statements as at 31 May 2018. There have been no significant changes to risk management policies or processes since the year end.

i) Fair value estimation

The Group holds a number of financial instruments that are held at fair value within the condensed consolidated interim financial statements. In deriving the fair value, the derivative financial instruments are classified as level 1, level 2 or level 3 dependent on the valuation method applied in determining their fair value.

The different levels are defined as follows:

Level	
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
3	Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

The financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging. For both the six months ended 30 November 2018 and 30 November 2017 and the year ended 31 May 2018 the assets and liabilities arising from foreign currency forward contracts have been classified as level 2. The fair value of these instruments at each of the period ends was:

	Unaudited Half year to 30 November 2018 £m	Unaudited Half year to 30 November 2017 £m	Audited Year to 31 May 2018 £m
Assets			
Foreign currency forward contracts	**0.5**	0.6	-
Liabilities			
Foreign currency forward contracts	**(0.3)**	-	(1.1)

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

13. Financial risk management and financial instruments (continued)

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

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

ii) Fair value measurement

Level 2 trading and hedging derivatives comprise forward foreign currency exchange contracts. The fair value of forward foreign currency exchange contracts is determined using forward currency exchange rates quoted in an active market at the Balance Sheet date. The Group has considered but deemed the impact of discounting level 2 derivatives that mature in the next 12 months as generally insignificant.

14. Related party transactions

PZ Wilmar Limited and PZ Wilmar Food Limited

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

- At 30 November 2018 the outstanding loan balance receivable from PZ Wilmar Limited was £26.7 million (30 November 2017: £25.0 million) and from PZ Wilmar Food Limited was £8.1 million (30 November 2017: £7.6 million). These receivables relate to long term loan investments that have been made by both joint venture partners.

- The value of certain raw materials and services provided by the Group to PZ Wilmar Limited was £nil (30 November 2017: £3.7 million). At 30 November 2018 the outstanding trade receivable balance from PZ Wilmar Limited was £2.1 million (30 November 2017: £0.6 million).

- At 30 November 2018 the outstanding other receivable balance from PZ Wilmar Limited was £nil (30 November 2017: £4.9 million). These receivables related to short term loan investments that have been made by the Group's Nigeria subsidiaries.

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 30 November 2018 (30 November 2017: £nil) and no charge to the income statement in respect of doubtful related party receivables (30 November 2017: £nil).

Wilmar PZ International Pte Limited

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

- At 30 November 2018 the outstanding other receivable balance from Wilmar PZ International Pte Limited was £4.3 million (30 November 2017: £3.3 million). These receivables relate to services provided by subsidiary companies to Wilmar PZ International Pte Limited.

15. Seasonality

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

16. Principal risks and uncertainties

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

The Group's risk management framework is explained on page 37 of our 2018 Strategic Report which is available on our website at www.pzcussons.com. The Board assumes overall accountability for the management of risk whilst the Audit & Risk Committee continues to monitor and review the effectiveness of the Group's risk management and internal control systems. The Executive Leadership Team ensures that the risk management framework is embedded and operates throughout the Group and regularly reviews both the regional and consolidated risk registers, verifying appropriate mitigation activities are operating effectively.

The identified principal risks are considered largely unchanged from those outlined on pages 35 to 39 of our 2018 Strategic Report. These are: consumer, customer and economic trends, IT and information security, sustainability and environment, legal and regulatory compliance, talent retention, business transformation, consumer safety, supply chain and logistics and treasury and tax.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors of PZ Cussons Plc are listed on page 24. A list of current Directors is maintained on the PZ Cussons Plc website.

By order of the Board

Mr S Plant
Company Secretary
29 January 2019

Independent review report to PZ Cussons Plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2018 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
29 January 2019

PZ CUSSONS PLC

Directors

Chair
C Silver *

Chief Executive
G Kanellis

B Leigh
J Maiden *
J Nicolson *
H Owers *
T Minick-Scokalo *
D Kucz *

* Non-executive

Secretary
S Plant

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