

CREATING SUSTAINABLE VALUE FOR ALL

PZ CUSSONS NIGERIA PLC
ANNUAL REPORT & ACCOUNTS ENDING MAY 2019

A NEW DIRECTION

This year, we launched a new strategy for PZ Cussons. This strategy provides us with a renewed clarity of purpose and a solid platform for growth. Through focusing and scaling up on selected activities that leverage what we do best, we will transform our Company into a leaner, more agile business and accelerate sustainable growth.

FOCUS | SCALE | ACCELERATE

OUR PURPOSE

Enhancing everyday life, creating moments of delight.

OUR AMBITION

To grow our business while staying true to our authentic family spirit.

Focusing on our consumers and markets better than anyone else so we can respond quickly.

Because we want to leave a legacy for the next generation that we can all be proud of.

OUR PLAN

Building on our competitive advantage, we will accelerate our growth by focusing on a few key categories and brands, further simplifying our business, and scaling the ideas with the best potential in order to accelerate our growth. We will streamline our operations, control our costs and focus on a few core brands in Personal Care and Home Care. We will also continue to invest in our partnership with Haier, as these initiatives have the potential for disproportionate growth in the long term as the economy recovers.

WHO WE ARE AND WHAT WE DO

PZ Cussons is a dynamic consumer products group. We've created some of the world's best-loved and most trusted brands in the Personal and Homecare Categories. Our brand portfolio includes trusted brands like Premier, Morning Fresh, Cussons Baby, Imperial Leather, Carex, Canoe, Zip, Venus, Joy, Robb and Stella.

OUR CORE BRANDS

Our focus will be on the three core brands in Nigeria:

Associated brand:

OUR CATEGORIES

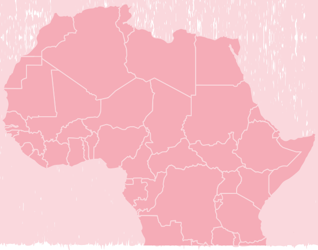
We operate in four categories:

- PERSONAL CARE
- HOME CARE
- NUTRITION
- ELECTRICALS

> SEE PAGE 10

WHERE WE OPERATE

We operate across Nigeria and export some of our brands to Ghana, Benin, Sudan, Chad and the Congo.



GOOD4BUSINESS

Sustainability principles are integrated across all aspects of our business:

- Business governance and ethics
- Environment
- Sourcing
- Community and Charity through our PZ Cussons Foundation

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STRATEGIC REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION


NEW!
STAY CHILLED
120X COOLER
120X COOLER
Premier COOL
25HR* FRESHNESS
ANTI-BACTERIAL BAR
FREEZETHOL
ULTIMATE
Premier COOL
ANTI-BACTERIAL BAR
WITH MENTHOL & CAFFEINE
SPORT
Premier COOL
25HR* FRESHNESS
ANTI-BACTERIAL BAR
ODOUR DEFENCE
PZ Cussons
120

BOARD OF DIRECTORS, OFFICERS AND OTHER CORPORATE INFORMATION

DIRECTORS

Chief Kola B. Jamodu, FCA, CFR
Chairman – Non-Executive

Mr. Christos Giannopoulos (Greek)
Managing Director/
Chief Executive Officer

Mrs. Elizabeth Ebi
Independent Non-Executive Director

Mr. Lawal Batagarawa
Non-Executive Director

Mr. Paul Usoro, SAN
Non-Executive Director

Mallam Dahiru Muhammad
Independent Non-Executive Director

Ms. Joyce F. Coker
Executive Director

Mr. Alexander Goma
Executive Director

Mr. Pedro Barreto (Portuguese)
Executive Director

Mr. George Sotiropoulos (Greek)
Executive Director

COMPANY SECRETARY/ LEGAL ADVISER

Mrs. Abiola Laseinde

REGISTERED OFFICE

45/47 Town Planning Way
Ilupeju Industrial Estate
Ilupeju, Lagos

www.pzcussons.com.ng

REGISTRATION NUMBER

RC 693

REGISTRARS

First Registrars & Investors Services
Limited
Plot 2, Abebe Village Road
Iganmu Complex
P.M.B. 12692
Lagos

INDEPENDENT AUDITORS

Deloitte & Touche
(Chartered Accountants)
Civic Towers, Ozumba Mbadiwe
Victoria Island
Lagos

FINANCIAL HIGHLIGHTS

REPORTED RESULTS

REVENUE

N74,336m

2018: N80,553m
% change: -8%

OPERATING PROFIT***

N2,273m

2018: N8,228m
% change: -72%

BASIC AND DILUTED EARNINGS PER SHARE

25 Kobo

2018: 46 Kobo per share
% change: -46%

STATUTORY RESULTS

OPERATING PROFIT***

N2,273m

2018: N8,228m
% change: -72%

PROFIT BEFORE TAXATION

N1,942m

2018: N2,313m
% change: -16%

FINAL DIVIDEND PER SHARE*

15 Kobo

2018: N15 Kobo per share
% change: Nil

NET ASSETS**

N45,752m

2018: N45,109m
% change: +1%

* Final Dividend of 15 Kobo per share for 2019 is subject to approval by the shareholders at the AGM.
** Net assets is total assets less total liabilities.
*** Operating Profit has been adjusted for exchange loss impact which has been separated from cost of sales as in previous financials.

NOTICE OF MEETING

Notice is hereby given that the 71st Annual General Meeting of PZ Cussons Nigeria Plc will be held at the Bristol Palace Hotel, 52–54 Guda Abdullahi Street, Nassarawa, Kano, Nigeria State on Tuesday, 29 October 2019 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To lay before members the Report of the Directors, the Financial Statements for the year ended 31 May 2019 and the Reports of the Auditors and the Audit Committee thereon.
2. To declare a Dividend.
3. To elect/re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

SPECIAL BUSINESS

6. To approve the remuneration of the Directors.
7. To consider and pass the following resolution as an ordinary resolution of the Company:

That the general mandate given to the Company to enter into recurrent transactions with related parties for the Company's day-to-day operations, including the procurement of goods and services, on normal commercial terms, in compliance with the NSE Rules Governing Transactions with Related Parties or Interested Persons, be and is hereby renewed.

Dated this 27 day of August 2019
By Order of the Board

Abiola Laseinde FCIS
Company Secretary/Legal Adviser

FRC/2016/NBA/00000015857

PZ Cussons Nigeria PLC
45/47, Town Planning Way
Ilupeju Industrial Estate
Lagos

www.pzcussons.com.ng

NOTES

Proxy
A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her place and such proxy need not be a member of the Company.
A proxy form is enclosed and if it is to be valid for the meeting, it must be completed and deposited at the registered office of the Company not less than 48 hours before the time of the Meeting.

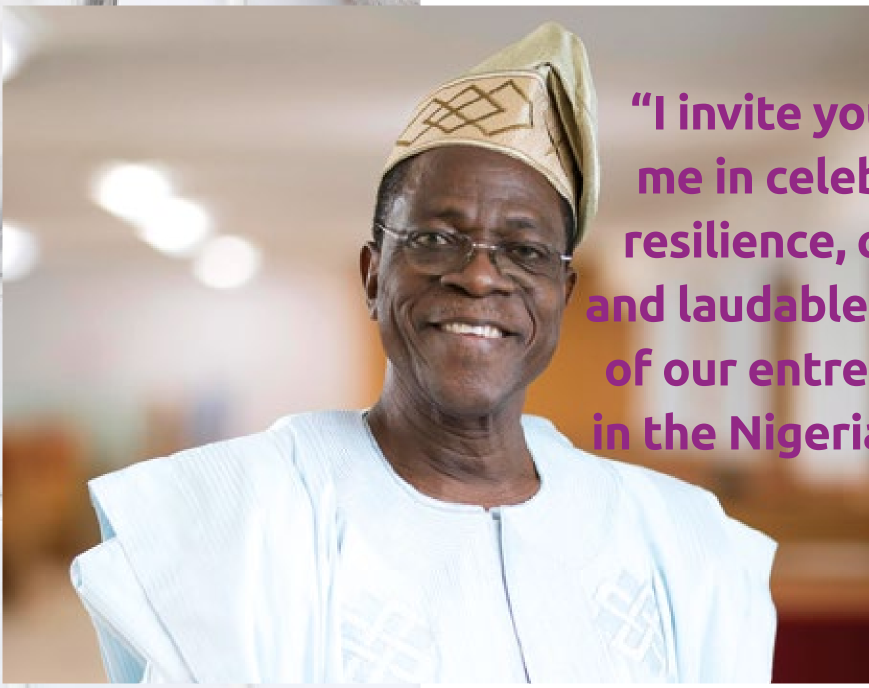
Closure of Register
The Register of Members and Transfer Books of the Company will be closed from Monday, 14 October to 18 October 2019 (both dates inclusive) for the purpose of preparing an up-to-date Register of Members.

Nominations for the Audit Committee
The Audit Committee consists of three shareholders and three Directors. In accordance with section 359 (5) of the Companies and Allied Matters Act, CAP C20, any member may nominate a shareholder as a member of the Committee by giving notice in writing of such nomination to reach the Company Secretary at least 21 days before the Annual General Meeting.

Unclaimed Dividend Warrants and Share Certificates
Shareholders are hereby informed that several dividend warrants and share certificates remain unclaimed. Some dividend warrants have not been presented to the bank for payment or to the Registrar for revalidation. A list of such members has been circulated with the Annual Report. Affected members are advised to contact the Registrars.

E-dividend/Bonus
Pursuant to the directive of the Securities and Exchange Commission, members are hereby advised to open bank accounts, stock broking accounts and CSCS accounts for the purpose of the payment of e-dividend/bonus. Relevant forms are attached to this Annual Report for completion to furnish the particulars of these accounts to the Registrar.

Rights of Shareholders to Ask Questions
Pursuant to Rule 19.12(c) of The Nigerian Stock Exchange Rulebook 2015, shareholders have the right to ask questions not only at the Meeting, but also in writing prior to the Meeting and such questions shall be submitted to the Company Secretary not later than two weeks before the date of the Meeting.



"I invite you all to join me in celebrating the resilience, consistency and laudable contribution of our entrepreneurship in the Nigerian economy"

DISTINGUISHED SHAREHOLDERS,

It is my pleasure, on behalf of the Board, to welcome you all to the 71st Annual General Meeting of your Company. This year's meeting is historic, with your Company having attained a milestone of 120 years of conducting business in Nigeria. The year also marked its 76th year as a quoted company on The Nigerian Stock Exchange. This is a commendable achievement considering the changing commercial environment over the years. I invite you all to join me in celebrating the resilience, consistency and laudable contribution of our entrepreneurship to the Nigerian economy.

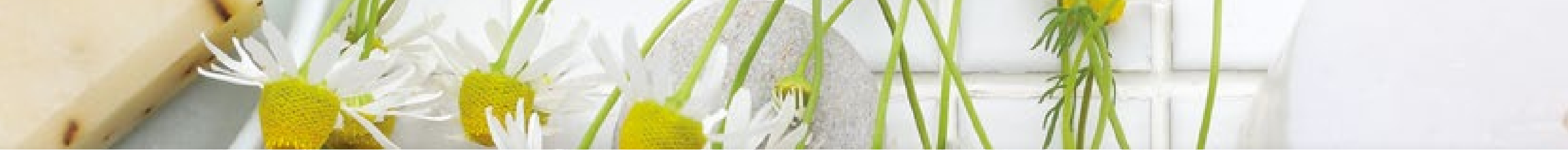
REVIEW OF THE OPERATING ENVIRONMENT

During the period under review, the economy grew at an average of 1.9%. This was below the projected rate of 3%. However, with inflation rate hovering at 11.00% and exchange rate at N360 to the US$, these key indices were generally stable.

OPERATING RESULTS AND PERFORMANCE

The financial year has been challenging for our business. The Fast Moving Consumer Good (FMCG) sector experienced intense competitive activities due to the desire to protect market share as consumer disposable income continued to shrink, with the resultant impact of reduced consumption across key categories. The anticipated boost in consumer purchasing power with 2019 general elections spend did not materialise. Clearing of raw materials from the ports was strenuous and slow translating into higher clearing cost and inefficient plant operation. These factors, among others, put severe pressure not only on businesses ability to sell but also significantly eroded the profit base.

The tough operating environment affected our revenue relative to the previous year. We recorded a turnover of N74.34 billion against N80.55 billion in 2018, thus posting a drop of 7.7%.



Consequently, Profit Before Tax also dropped from N2.314 billion in the previous financial year to N1.942 billion for the year under review, recording a drop of 16%. Profit After Tax dropped by 40% from N1.93 in the previous year to N1.16 billion this year.

The critical cost structure, cost of sales, and selling and distribution expenses, were prudently managed. While cost of sales went up slightly by 2% reflecting the competitive landscape of the FCMG sector; selling and distribution costs went up by 11%.

COMMERCIAL REVIEW

PZ Consumer: The Fast Moving Consumer Good (FMCG) sector continues to experience intense competitive activities across categories. This was made more challenging due to a decline in the overall market and a cut throat tussle for share of the wallet of consumers whose disposable income remain unchanged or in some instances is declining.

Our focus brands in the Personal and Home Care categories continue to hold their leadership position in the market despite the pressure from international and cottage competitors. To ensure we sustain and continue to grow our position, we have resolved to focus on **Fewer, Bigger and Better** initiatives and activities using our focus brands of Premier, Cussons Baby and Morning Fresh. Endearing consumer and trade rewarding activities have been our hallmark to ensure better returns for our stakeholders across board.

Our personal wash flagship brand, Premier, retains its leadership position in the market. Activities are lined up in the coming year to further consolidate that position. The objective is to enhance our share in shelf visibility and general consumer appeal in trade.

Cussons Baby range will also be supported to consolidate our market leadership in the baby category. The gift-pack offerings will continue to encourage usage while the very successful "Cussons Baby Moments" will enter its Season 6. The target is to drive up awareness thus making the product the household name in baby care.

Morning Fresh remains Nigeria's No. 1 dishwashing liquid. The introduction of a transparent bottle and offering three different variants including Antibacterial, has been a success. We will continue with other innovations to sustain it as a brand of choice for superior grease cutting and squeaky clean dishes.

The focus for our trading brands will be to drive costs down whilst delivering product performance to ensure we are able to compete and retain the critical mass required to support our key focus brands.

Electrical Business

The financial year witnessed growth in our electrical category. This feat was achieved in spite of competitors' intensified low-price offerings and the challenging economic situation. Port congestion led to exorbitant shipment costs that could not be passed on to consumers.

The brand retained its number one position in its core categories of Freezer & Fridge. The success is riding on the consumers' acceptance of its wide range of energy saving innovation technology. The Haier Thermocool GenPAL Inverter Air Conditioning Unit that was also launched in the previous financial year is gaining rapid momentum and is now the toast of all AC installers in Nigeria.

In the year the electrical category recorded growth in all key indices. We intend to sustain our intensified efforts in delivering benefits to consumers both in products and customer service to achieve greater growth.

The guiding philosophy of our sales activities is focused on the development of our distribution system. Our main motive is to further strengthen relationships with trade partners and intensify distribution whilst doubling our footprint in modern trade in our focused brands.

Overall our manufacturing capacity utilisation was low leading to unabsorbed fixed cost. This was due to the inability to pass the rising cost on to the consumers. The business embarked upon a considerable supply chain optimisation programme in order to stay afloat. Continuous improvement programmes, and energy savings initiatives including electrical infrastructure upgrades were undertaken across our sites. We have consolidated our infrastructure and depots for better control of overheads and more efficient service. This initiative will continue until our target of optimal reduction of overheads, stock levels and costs to serve customers are achieved.

To keep pace with global trends in information and communication technology, we embarked on the migration of end-user computers to the latest version of Windows 10 with a view to increase safety, usability and speed in a world where cybersecurity is a major issue.

Our People Agenda is focused on the Attraction, Engagement and Retention of dynamic and ingenious employees. We grow our talents and equip them with the necessary capabilities to thrive in tough economic terrains.

STRATEGIC REVIEW
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We have relaunched our Company Ambition, Mission and Employee Behaviours in line with the future we envisage – Enhancing everyday lives, creating moments of delight. Various employee engagement initiatives were delivered centred around brand building and female diversity making PZ Cussons an enjoyable company to work with. We have continued to develop capabilities locally and internationally across technical skills and leadership development with our bespoke "PZ Way of Leading" programmes. Our sales capability will continue to focus on ensuring we compete effectively in the marketplace.

Going forward, we shall continue to build our bench strength, enrich ways of working across the business and uphold strategic relationships with our internal and external partners. This will sustain a harmonious working environment in an atmosphere of tranquillity and gender parity as an equal opportunity employer. Our employees will challenge conventions in crafting winning marketing tactics in an environment where everyone is instilled with the belief that we are One Company where everyone can make their mark.

CORPORATE SOCIAL RESPONSIBILITY

Your Company continued to discharge its corporate social investment by executing a number of laudable tangible and intangible projects that touched on lives and gave back to the community in line with our four focal areas – education, supply of potable water, health care and economic empowerment. The principal executing agency is the PZ Cussons Foundation. More details are available in the annual report.

GLOBAL HANDWASHING DAY

In October 2018 our Premier and Carex brands once again joined forces with United Purpose – our international development charity partner – to support Global Handwashing Day. This annual event, which was started by the United Nations ten years ago, touches over 200 million people and promotes a simple and life-saving message that handwashing with soap saves lives. Over the years, thousands of students have been inspired and empowered to encourage their schoolmates, families and communities to make handwashing a habit.

PARTNERSHIP WITH THE NATIONAL OFFICE FOR TECHNOLOGY ACQUISITION AND PROMOTION (NOTAP)

In the year under review, the Company again undertook a number of projects in partnership with **NOTAP**. The Company, being very passionate about the promotion of education in general with a special focus on science, entered into partnership with NOTAP based on its common conviction that no meaningful breakthrough can be achieved in scientific inquiries without necessary state-of-the-art facilities and infrastructure comparable to those in renowned international research centres. The Company donated a set of chemical laboratory equipment to Alex Ekwueme Federal University Ndufu-Alike Ikwo (AE-FUNAI) in Ebonyi State in March 2019.

The donation marked the fourth of its type in two years. Three similar projects were commissioned at the University of Calabar, Modibbo, Adamawa University of Technology, Yola (MAUTECH) and the National Research Institute for Chemical Technology, Zaria (NARICT). More recently another set of laboratory equipment was donated to the Abubakar Tafawa Balewa University, Bauchi.

So far, over 50 projects have been executed across 28 states in the six geopolitical zones of the country.

DIVIDEND

Fellow shareholders, the Board of Directors is recommending to the shareholders at this AGM, a dividend pay-out of N595,571,550 representing 15 Kobo per share (2018: 15 Kobo per share). If approved, the dividend will be paid to shareholders on Wednesday, 30 October 2019 after deducting the appropriate withholding tax.

CONCLUSION

Our esteemed shareholders, with 120 years' experience of doing business in Nigeria, we are optimistic in our knowledge of the economy and political climate to make decisions that will guaranty delivery of value to our shareholders.

Innovation will continue to drive our marketing philosophy and new product development. To deliver, we will continue to invest in infrastructure and technology to guarantee efficiency, look inward for further local sourcing of raw materials and intensify our distribution capability to deepen our market penetration and acceptance.

We will continue to focus on taking out non-value added costs within our entire business value chain to mitigate the impact of the eternal environment as well as support the competitiveness of our brands.

Let me conclude by giving a special appreciation to our customers for their strong confidence in our products and the Company, to our people for their dedicated hard work, and to our distributors for their commitment, loyalty and good partnership. I also want to appreciate our parent company, PZ Cussons Plc, for their long-term commitment to the development of the country and for their unwavering support for our company. Finally, I would like to thank my esteemed colleagues on the Board and members of the committees for their valuable insights, counsel and team work during the last financial year. I must also thank you our esteemed shareholders for your loyalty and unalloyed support to your Company over the years. I look forward with confidence that we will continue working together and we will chart the course to sustainable performance and growth for our Company.

Once again, congratulations on the 120th Anniversary of your Company.

Chief Kola Jamodu, CFR
Chairman
Board of Directors

FRC/2013/ICAN/0000000161

OUR CATEGORIES

Consumer brands to remember and enjoy…

We have developed an industry leading 'Route to Market' capability and extensive 'Active Distributor' partnership model that has guaranteed our brands are within easy reach of our loyal consumers.

PERSONAL CARE

HOME CARE

NUTRITION

ELECTRICALS

PERSONAL CARE

This category is our largest. It includes global brands such as Cussons Baby, Imperial Leather and our flagship brand, Premier. We have continued to maintain our leadership position in the Toilet soap category with Premier, and in the Antiseptic soap category, Premier Cool Deo is in a formidable number 2 position in less than 10 years.

These strong feats were achieved by focused investment in giving consumers more value, driving loyalty through innovative brand activations and overall putting the consumer and customers at the heart of everything we do.

Premier Cool was relaunched in 2017, with the aim of standing out from the rest of the crowd. We have seen a significant impact and we can proudly say we are the No. 2 in the Antiseptic soap category in less than 10 years. Our strategy is to position the brand not just as an antibacterial soap but also as a lifestyle brand for the everyday man.

To this end we have been strategic with our activations. We executed the Man of the Moment Campaign and its objective was clear: to create engagement for the brand by leveraging football and the World Cup buzz, giving consumers more reasons to choose our brand by maintaining relevance in the biggest celebration of the world's most loved sport-Football! Over 800 people at the venue witnessed the event; every single one of them could not contain their shock and excitement, as they quickly began sharing their experience on social media. The campaign went viral with the hash tags: **#ManOfTheMoment** and **#NaijaMoments.**

PERSONAL CARE

Remaining relevant to consumers was topmost for the brand and this birthed the launch of the **Premier Cool Turf Wars**. The activation was executed on the platform of football, rewarding young professional consumers with a passion for football and fostering team spirit amongst Nigerian youths. Our continued partnership with the reigning champions of the Premier league, Manchester City, has also created a credible platform to own the football space in the minds of our consumers.

IMPERIAL LEATHER

Our global brand Imperial Leather played a huge role in our strategy to expand our Personal Care portfolio. We have used the equity of Imperial Leather to gain entrance into the growing Personal Care category with our Trio in Deo strategy. We have introduced Imperial Leather Perfumed body spray and Roll on into the Nigerian market, and we are starting to build momentum for our latest addition to the Imperial leather range.

Imperial Leather partnered with Canoe to empower young talents in fashion across 5 Nigerian universities with our "Masters of Style" Platform, entrenching the brand and its relevance in the minds of the core consumers. The activation also helped the brand drive awareness for the new range of Deodorants launched in 2018.

HOME CARE

The Home Care category has in the last year witnessed an influx of new entrants into the market, due to the stability and easy access of forex that has made competition stiffer. We have seen a revert in pack sizes (to bigger sizes) and price roll back, especially in the Laundry Bar and Detergent Powder segments, while dishwashing liquid has a lot of new value brands entering the segment as well.

PZ Cussons has maintained its leadership position especially in the dishwashing category with the Morning Fresh brand, which is a household name, and has continued to evolve over the years. In keeping up with that tradition and in line with our strategy to combat counterfeiting, while maintaining the brand's #1 position in Nigeria, Morning Fresh dishwashing liquid was relaunched in 2018. It now comes in an attractive transparent bottle, with a double-faced, one-sided label, aimed at increasing the standout appeal and authenticity of the brand across all consumer touchpoints in an increasingly competitive market, as well as keeping the brand fresh in the minds of our consumers. The new packaging still comes in three variants – Original, Zesty Lemon, and Antibacterial – promising consistent delivery on superior grease-cutting performance designed to tackle all food stains with ease, providing squeaky clean results. Morning Fresh delivers **"More Power, More Plates and More Value."**

Morning Fresh is also connecting and engaging with consumers across social media platforms: currently engaging a fan base of over 750k on Facebook and 19k on Instagram, the highest within its category. Morning Fresh was the first brand to break out an animation TVC Campaign which drove the relaunch of the new transparent bottle and the superior grease-cutting power value proposition.

In driving market penetration, Morning Fresh had a consumer engagement campaign, which involved sampling and promoting the brand across popular open markets as well as partnering with special occasion events for women, such as the August Women Meeting which is a yearly event in eastern Nigeria.

Consumers' acceptance of Morning Fresh as the #1 Dish Washing liquid is evident in the positive growth result of the brand performance both in volume and value. Morning Fresh will continue to satisfy its consumers via innovation, while maintaining its **superior grease-cutting power!**

Morning Fresh will also play its role in achieving Our Plastic Promise: "By 2025 we'll use 25% less plastic. We will also use recycled content in excess of 30%".

FABRIC CARE

We have maintained our leadership in the colour care segment with the Canoe brand both in Laundry and Detergent, boosted by the endorsement by Da Viva, a renowned African Fabric and Clothing brand. Canoe also partnered with Imperial Leather on the platform of "Masters of Style", an initiative designed to discover and empower young talents in fashion. The initiative spread across 5 Nigerian Universities embedding the Canoe **"Colour care"** benefits on fabrics in the hearts of our consumers as well as enhancing the brand awareness of Canoe detergents.

NUTRITION

Since its launch in 2013, Mamador continues to be amongst Nigeria's leading premium edible oil brands, uniquely positioned on health and taste. In the last year, Mamador grew in volume and profitability through sharp targeting and introduction of a new price point pack – despite a decline in consumers' disposable income and severe economic challenges.

Mamador also extended its footprints to the Seasoning and Spreads categories in the last year.

Mamador launched spreads in two variants (Classic and Light Fat) in line with the brand's positioning to deliver **'Healthy and Tasty Spreads'**. Mamador spreads is championing a healthy and tasty breakfast option for kids through its yummy buttery taste and fortifications in vitamin A & other essential vitamins.

Also launched within the last year, the Mamador Seasoning Cubes range is consistent with its brand positioning to deliver health benefits and great taste. Mamador Seasoning Cubes launched in three variants (Chicken, Beef and Classic) and is gaining momentum through its 25% bigger 5g cubes for great taste and fortification with zinc and iron for health benefits.

The launch into two new categories will further grow Mamador's market presence as well grow PZ Wilmar's share of kitchen as we continue to deliver differentiated and quality products to our consumers.

With several decades of experience in the Nigerian market, Devon King's continues to be Nigeria's number one edible oil brand. Growth has been driven by new price point packs and development of a new sales channel accessing rural areas.

Also, in the last year, we extended our brand into two new categories:

Cooking Margarine: From our newly built state-of-the-art margarine plant in Ikorodu, Lagos, where we combine world class manufacturing practices and technical know-how to produce best in class cooking margarine, offering the consumer better yields, fluffier texture and buttery taste. We secured a significant share of the cooking margarine segment in our very first year of launch.

Seasoning: The Company launched Devon King's in the Seasoning category, a highly competitive market in Nigeria. Devon King's seasoning range is gaining momentum through the introduction of unique 5g cubes (which are 25% larger than the competition) and added Tomato flavour variants. The new product offers our consumers great longer lasting taste and added value which are much appreciated in the current economic conditions.

ELECTRICALS

Our Electricals business (HPZ Limited) is a partnership with the Haier Group. Our operation in this category comes with a good heritage of almost 50 years' experience in providing cutting-edge technology that delivers compelling values to Nigerian consumers. It is therefore no surprise that the Thermocool brand has become a household name in Nigeria and continues to win accolades as the most trusted number one white goods brand in Nigeria.

Over the last two years, the brand has stepped up its offer with its new energy saving solution technology on all its Freezers and Fridges; making it the number one brand in Nigeria that offer consumers the full complements of energy saving technology either in the small or big size model. Not only this, Haier Thermocool's newly launched GenPAL Inverter Air Conditioning Unit is gaining rapid momentum and is now the toast of all AC installers in Nigeria. The brand continues to expand with the introduction of energy saving Washing Machines making it reaffirm its number one position among Nigerian households. With the low energy consumption technology, Haier Thermocool's range of energy saving products save consumers money being spent on electricity bills and the acquisition of large size generating sets.

In addition to all these is the initiative to refresh the brand and its products' look and feel to reaffirm its No. 1 position and deliver on its promise of "Always there for you". The company's investment in an eco-friendly refrigerant in the cooling range is also a demonstration of our social responsibility towards ensuring a cleaner and safer environment for future generations. Other products under the Haier Thermocool and TEC umbrella ranges from cookers and generators, to water dispensers and microwave ovens which are made with precise quality for high performance, safety and distinct style. In addition, the Company has direct interface outlets with consumers through its CoolWorld Stores.

Our CoolWorld Electrical Retail Stores are the leading electrical retailer in West Africa providing solutions and enhancing the lifestyle of customers. CoolWorld is Thermocool's No. 1 retailer and fully owned by PZ Cussons Group. Being our service brand, we deliver the most enjoyable, world-class shopping experience at every contact: in-store, online and in-person. We offer unbeatable customer service, product expertise, flexible payment options, leading warranty and unrivalled after-sales services.

Our people, brands, partnering capabilities and networks combine to deliver competitive advantage and differentiate us in the markets. Our unique business model incorporates our new strategy to help us create shared, sustainable value for all our stakeholders.

OUR KEY INPUTS

OUR PEOPLE
Diverse, skilled, and passionate employees

OUR BRANDS
High quality, trusted and well-loved brands

OUR SUPPLY CHAIN
World-class manufacturing facilities and owned distribution facilities in selected locations where in-house manufacturing is a competitive advantage

OUR RELATIONSHIPS
Joint venture, business, supply, and innovation partners that enhance our offering and share our values

OUR FINANCIALS
Strong balance sheet reflecting our disciplined approach

HOW WE CREATE VALUE

OUR PURPOSE
ENHANCING EVERYDAY LIFE, CREATING MOMENTS OF DELIGHT.

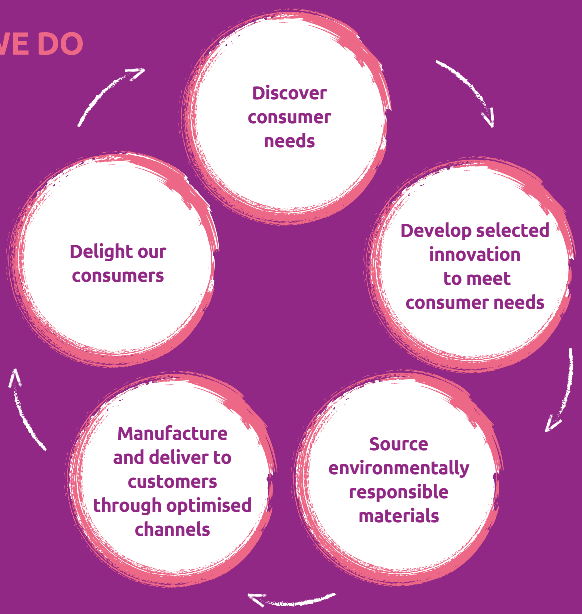
OUR AMBITION
TO GROW OUR BUSINESS WHILE STAYING TRUE TO OUR AUTHENTIC FAMILY SPIRIT.

FOCUSING ON OUR CONSUMERS AND THE MARKETS BETTER THAN ANYONE ELSE, ALLOWING US TO RESPOND QUICKLY.

BECAUSE WE WANT TO LEAVE A LEGACY FOR THE NEXT GENERATION THAT WE CAN ALL BE PROUD OF.

UNDERPINNED BY OUR CULTURE, VALUES, STRONG GOVERNANCE AND ETHICS

WHAT WE DO



WHAT MAKES US DIFFERENT

- CATEGORY-LEADING BRANDS
- IN-DEPTH LOCAL MARKET KNOWLEDGE
- UNIQUE ONE PZC CULTURE
- FOCUSED PRODUCT INNOVATION
- AGILE AND FAST TO MARKET
- STRONG BALANCE SHEET

CREATING SHARED VALUE

FOR INVESTORS
Sustainable dividend and Earnings Per Share, experienced leadership

FOR EMPLOYEES
Training and development, strong teams and relationships, living CANDO! values

FOR CONSUMERS
Innovative, high quality, trusted brands

FOR SOCIETY
Good4Business, community and charitable initiatives

FOR THE ENVIRONMENT
Sustainable sourcing, Plastic and Palm Oil Promises, reduced carbon emissions

CANDO! ONE PZC GOOD4BUSINESS

OUR WORLD-CLASS SUPPLY CHAIN

Our supply chain mission in Nigeria is to support the growth initiatives of the group, offering best in class customer service. Working together with our category team to deliver innovative products to the markets while continuously striving to optimise our cost base to ensure we remain competitive in the market.

MANUFACTURING

We continue to optimise our operations and modernise our equipment. We have completed phase 1 of our electrical infrastructure upgrade in our soap factory.

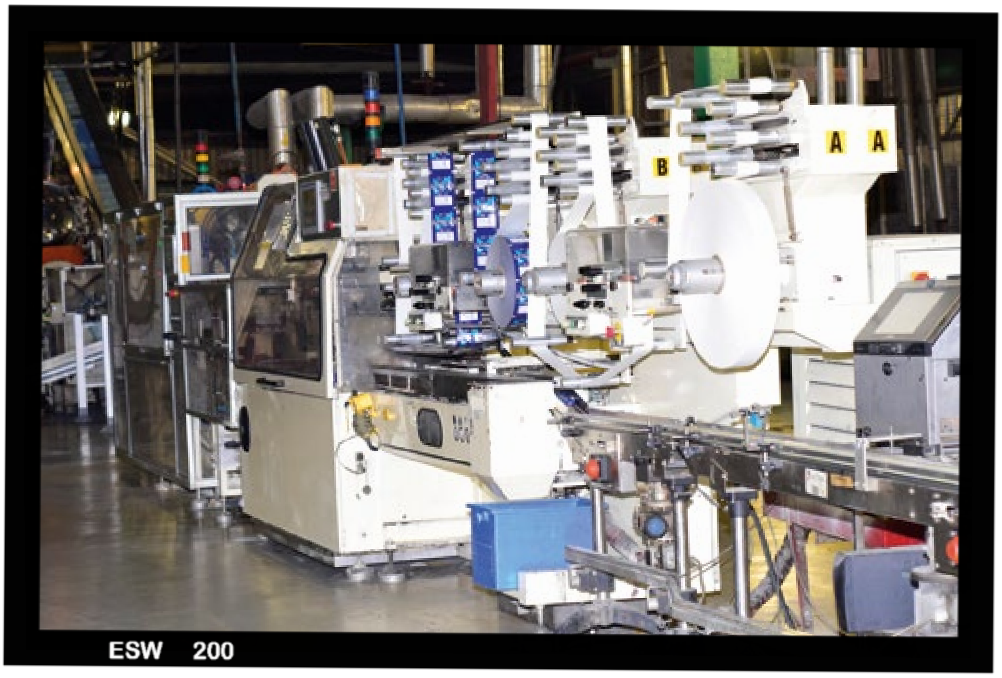
LOGISTICS

Our logistics footprint continues to evolve supported by SAP. We have been able to improve our on-time delivery to our customers nationwide.

R&D

Our locally based R&D team, working in coordination with our global team to deliver new products that are friendly to the environment and promote sustainable ways of production.

By 2025, our global target is to reduce plastic content by 25% and use more than 50% recyclable materials for our rigid and flexible packaging.



CANDO!

PZ Cussons turns 120 years in Nigeria this year. A major milestone like this offers us an opportunity to review our journey so far, celebrate our consumers, customers, employees and stakeholders who have played different roles in our sustainable growth, and use the past as a springboard for the next 120 years.

LIVING OUR VALUES AND EXPECTATIONS

Our core values, Courage, Accountability, Networking, Drive and Oneness (CANDO!) help us create the culture we want. This has been further expanded upon and embedded in the development and subsequent launch of our new PZ behaviours – Act Authentically, Build Capability, Challenge Convention, Deliver Fast & Smart, Establish Connections and Focus to Win.

EMPLOYEE ENGAGEMENT

We ensure our employees actively participate in designing plans and following through with execution. We operate open channels of feedback with regular face to face and written communication.

We encourage our employees to share their views and ideas through regular interactive sessions and engagement platforms.

We keep our employees engaged through different mechanisms like market storms, employee engagement sessions, one to one engagement sessions, PZ recognition schemes, celebrations of key events, and providing learning & development opportunities.

DEVELOPING TALENT AS A COMPETITIVE ADVANTAGE

It is important that our people keep growing at every stage of their careers. We continue to invest in functional and leadership capabilities as a growth driver.

We ensure that development plans are in place with a balance of formal and experiential interventions both local & international. In support of developing leaders, people managers participate in the PZ Way of Leading and emerging leaders programs. Coaching and mentoring programmes are also in place.

Robust talent review processes and tools are in use for leadership succession.

DIVERSITY

We continue to be a merit based equal opportunities employer, with no discrimination by religion, gender, disability, age, geographical representation.

A progressive approach to the diversity agenda has been taken. We want every employee to bring their "best self" and different perspectives to our business. These unique views and experiences make our business stronger, enhancing our ability to innovate and respond to diverse environmental stimuli and consumer needs.

This year we accelerated our female diversity agenda and joined in the IWD theme **"Balance for better"**. We aim to increase our female representation in leadership positions significantly by 2020.

WELFARE

We are committed to our employees' well-being, providing health programmes and services to help our people lead healthy lives. Regular health tips, exercise facilities and game rooms are available on each site.

Canteens and well-equipped health facilities are provided at all our major sites.

Recently, we further improved medical insurance for employees.

PZ CUSSONS NIGERIA @120

PZ Cussons turned 120 years in Nigeria this year. A major milestone like this offers us an opportunity to review our journey so far, celebrate our consumers, customers, employees and stakeholders who have played different roles in our sustainable growth, and use the past as a springboard for the next 120years. PZ Cussons exists to make life better for the communities where it operates. We focus on enhancing everyday life by creating moments of delight when consumers experience our products.

PZ Cussons as you may know started in Sierra Leone in 1888 when George Patterson and George Zochonis set up a trading post moving goods between UK and West Africa. Their business was driven by their entrepreneurial spirit and CANDO! attitude, values that are still at the heart of PZ Cussons today. They established the Nigeria office in 1899 and the Company introduced a number of brands that are well known in Nigeria today like Johnny Walker, Kawasaki, etc.

In 1948 to support its growth and in line with its principle of being local while an international company, PZ established its first factory, the Aba soap factory. PZ continued its expansion with the establishment of the Thermocool refrigerator factory as well as the detergent factory in 1970.

This period saw the rapid growth of PZ Cussons as one of Nigeria's foremost consumer marketing companies with the establishment of iconic brands like Premier, Joy, Venus de Milo, Stella, Imperial Leather, Canoe, and Elephant detergent. Our marketing efforts saw the pioneering of sponsorships of Nigerian dramas by our leading brands and rapid development of the advertising industry in Nigeria. We established a depot footprint then of 26 depots to create access to our products across Nigeria.

PZ Cussons has been listed on the Nigerian Stock Exchange since July 1972 and we have a history of having paid dividends every year since 1973. PZ Cussons has successfully passed through the Corporate Governance Ratings System and is listed on the Main Board of the Nigerian Stock Exchange.

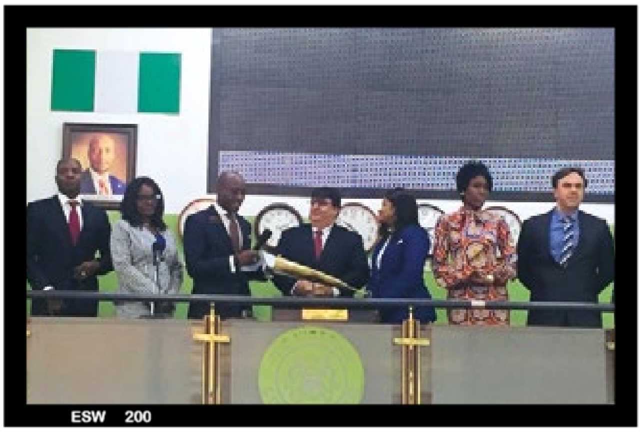
We have planned a series of events over the course of this year to celebrate this milestone. Some of the events planned are:

1. Relaunch of some of our iconic brands
2. External stakeholder engagement
3. Giving back to our community and consumers e.g. clean up exercise, free giveaways etc
4. Internal employee engagement

Over the course of the next few months we will unfold each of the events.

Our history would not be complete without the effort of PZ people and their CANDO! attitude. Over the years, PZ has been a talent factory for Nigeria, recruiting young graduates and building them through our graduate management scheme. We have over the years raised competent Nigerians who, working with their PZ colleagues from other parts of the world, have built PZ Nigeria into the largest organisation within the PZ group. There are scores of PZ alumni who occupy leadership positions in other organisations.

As our organisation grew, and in support of our mission to make life better, we set up a PZ Cussons Foundation in 2007 with a focus on water, women's empowerment, healthcare and education. Since inception, we have executed over 60 projects across Nigeria. We have made significant investments in revamping research infrastructure in four Nigerian universities to support science and technology development. We have supported science education through our PZ Chemistry Challenge for the past five years, and will continue to do so.



120
1899-2019
YEARS ANNIVERSARY
Celebrating 120 years of
Making Life Better

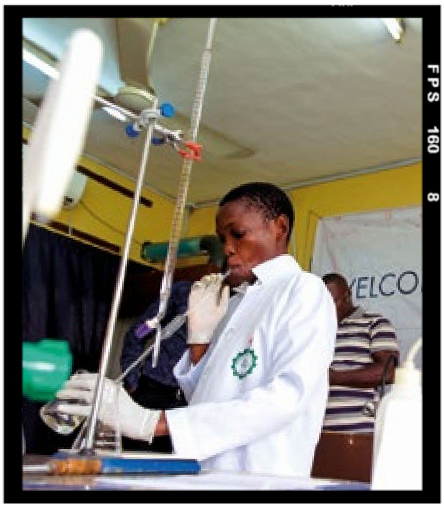
In the past 120 years of our operations, we have seen ups and down as the Nigerian political, economic, infrastructure, legal and human resources landscape evolved and faced lots of challenges. We have however remained steadfast and continued to operate driven by our values and entrepreneurial spirit. Our recent history has seen the introduction of newer brands like Cussons Baby and Morning Fresh which have grown to become market leaders in their categories. We have established partnerships with the Wilmar Group through our UK parent company and have already established palm plantations, an oil refinery and two leading brands in Kings and Mamador. We have also been working with entrepreneurial Nigerians to establish a network of active distributors to make our products available across Nigeria whilst building a group of world-class Nigerian distributors.

Our focus is to revamp our brands to make them bigger and better, continue to build a business that will double itself and be the fulcrum for our African business expansion. We will continue to invest in building people and the right capabilities, and continually revamp our supply chain to ensure we are future fit. We have continued to make investments and believe in the opportunity that Nigeria offers, and we will continue to look for opportunities to make life better. We are looking forward to a greater next 120 years.

GOOD4BUSINESS

We believe passionately that business can be a force for positive change. More than that, we believe that businesses have an active obligation to make a positive contribution to society and to minimise any negative impacts on the environment from their operations.

G4B



For us at PZ Cussons Nigeria, this is not something new or unusual – it has been a key part of our culture and of who we are ever since the business was founded 120 years ago. We have always aimed to make a positive impact on society through the products which we sell, the way in which our products are designed, manufactured and packaged, and through the contributions we make to the communities in which we operate.

We do this because we know that it's the right thing to do. But also because we believe that it is Good4Business. By forging strong links with our local communities and mutually beneficial relationships with our business partners, by conducting our activities with integrity and responsibility and by helping to conserve the planet's precious natural resources, we are creating sustainable value for all our stakeholders, now and into the future. And by creating situations where everyone benefits – the planet, our consumers, our shareholders and our employees – we can be confident that this value will endure.

Our Good4Business (G4B) approach is at the heart of everything we do. It provides four areas of focus – what we call "lenses" – through which we can assess our business and ensure that we are driving sustainable value and growth through our day-to-day decision-making:

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

G4B draws on the values and experience which have made PZ Cussons the company it is today. Our ambition is to grow the business while staying true to our authentic family spirit and we are guided by our wish to leave a legacy for the next generation which we can all – shareholders, customers and consumers, business partners, local communities and employees – be proud of.

COMMUNITY AND CHARITY

We are committed to helping and supporting the local communities in the vicinity of our factories and offices. Many of our employees come from those communities and we are often reliant on them for their support, goodwill and cooperation. But our presence in the community puts us in a privileged position to help improve the living conditions and life changes of all of our neighbours. This obviously helps us to establish good relations with government and other local stakeholders but, more than this, it reflects a fundamental belief which has been at the heart of PZ Cussons' approach to business since the days of our founding fathers in the 1880s: for a business to grow sustainably, it must be a force for positive change in society.

"We are committed to helping and supporting the local communities."

PZ CUSSONS FOUNDATION

The PZ Cussons Foundation was established in 2007 to assist the development of better transport links and roads, portable water, sanitation, health and education and to improve the quality of life of people living near our operations across Nigeria. The Foundation funds and implements projects which promote the well-being of local people, are sustainable, and produce innovative solutions which be easily replicated throughout the country.

During the year, the Foundation undertook a number of projects including the construction of a block of three classrooms at Hardawa Community School in the North-East city of Bauchi and of a solar-powered water system in the Eastern state of Adamawa. The latter project comprises a solar-powered borehole with an overhead storage tank and livestock drinking troughs with the capacity to provide clean drinking water for 300 cattle per day and 30 local households in an area of significant water scarcity. The Foundation has also continued to run its nationally recognised PZ Cussons Chemistry Challenge for a fifth year. The initiative encourages secondary school students to study the sciences, especially chemistry.

GLOBAL HANDWASHING DAY

In October 2018 our Carex brand once again joined forces with United Purpose, our international development charity partner, to support Global Handwashing Day. This annual event, which was started by the United Nations ten years ago, touches over 200 million people and promotes a simple and life-saving message that handwashing with soap saves lives. Over the years, thousands of students have been inspired and empowered to encourage their schoolmates, families and communities to make handwashing a habit.

PARTNERSHIP WITH THE NATIONAL OFFICE FOR TECHNOLOGY ACQUISITION AND PROMOTION (NOTAP)

In the year under review, the Company again undertook a number of projects in partnership with NOTAP. The Company, being very passionate about the promotion of education in general with a special focus on science, entered into partnership with NOTAP based on its common conviction that no meaningful breakthrough can be achieved in scientific inquiries without the necessary state-of-the-art facilities and infrastructure comparable to those in renowned international research centres. The Company donated a set of chemical laboratory equipment to Alex Ekwueme Federal University Ndufu-Alike Ikwo (AE-FUNAI) in Ebonyi State in March 2019.

The donation marked the fourth of its type in two years. Three similar projects were commissioned at the University of Calabar, the Modibbo Adama University of Technology, Yola and the National Research Institute for Chemical Technology, Zaria. More recently another set of laboratory equipment was donated to the Abubakar Tafawa Balewa University, Bauchi.

GOVERNANCE

Effective and sound governance is at the heart of PZ Cussons. Our strong culture ensures that the principles of good governance are observed across all parts of our business.

AN EXPERIENCED BOARD WITH STRONG LEADERSHIP

CHIEF KOLA JAMODU, CFR
Chairman (Non-Executive Director)

Chief Jamodu joined PZ Cussons Group in 1974 and served in Executive positions for 24 years rising to the position of Chief Executive Officer, a position he held until he retired in 1999. He thereafter continued as the Board Chairman until 2001 when he joined the Federal Executive Council as the Minister of Industry.

An alumnus of the Harvard Business School, Boston, USA, Chief Jamodu is a fellow of the Institute of Chartered Accountants, Nigeria; a Fellow of the Chartered Institute of Taxation Nigeria; a Fellow of the Chartered Institute of Management Accountants, London and a Fellow of the Institute of Chartered Secretaries & Administrators (ICSA), London. He is also a Distinguished Fellow of the Institute of Directors, Nigeria.

He is currently on the Board of Nigerian Breweries Plc as its Chairman and was a Non-executive Director of United Bank for Africa Plc until March 2019. He is a former Chairman of Universal Trust Bank, a former President of the Manufacturers Association of Nigeria and a past President of the Harvard Business School Alumni Association of Nigeria. Chief Jamodu is an Honorary Member of the Nigerian Industrial Policy and Competitiveness Advisory Council. He was appointed as the Chairman of the Board in November 2014.

MR. CHRISTOS GIANNOPOULOS
Chief Executive Officer

Mr. Giannopoulos joined the PZ Cussons Group in 1988 with a degree in Business Administration specialising in Marketing from Derby University, United Kingdom. He had occupied several managerial positions in the United Kingdom, Australia, Kenya and Indonesia respectively before he joined the Nigerian Operating Unit in 2002.

In Nigeria, he held leadership positions across functions before he joined the Board in 2004. He became the Group Chief Executive Officer in 2009 – a position he holds to date.

Mr Giannopoulos has been playing an active role in the industry. He holds the position of Vice President, Multinational and has been a member of the National Executive Committee of the Manufacturers Association of Nigeria (MAN) for 5 consecutive years. He is also on the Board of Nigeria Economic Summit Group (NESG).

MRS. ELIZABETH EBI
Non-Executive Director

Mrs. Elizabeth Ebi is the Chief Executive Officer of Futureview Group and a First Class NYU Scholar with an MBA in Finance and Investment from George Washington University, Washington D.C.

She is the first female stockbroker licensed on The Nigerian Stock Exchange, a member of the Governing Council and Board of Fellows of the Chartered Institute of Stockbrokers, a two term member of the Technical Committee of the National Council on Privatisation (BPE), a Member of the Board of Trustees of Redeemers University, African Missions Global and Member of Women Corporate Directors.

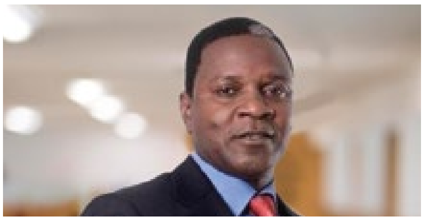
Upon retirement as an Executive Director from Chase Merchant Bank after a stellar 15-year career, Mrs. Ebi founded Futureview Group in 1996 comprising Futureview Securities, Futureview Financial Services and Futureview Bureau de Change Limited as the first female founder and MD/CEO of an investment banking firm in Nigeria, a company she has successfully led for over 20 years to become a leading investment banking company in Nigeria. Over the years, she has won several laudable awards for her contribution in the Nigerian Capital Market including her induction into the Nigeria Women Hall of Fame by the National Centre for Women Development, Abuja 2008. She was appointed to the Board in June 2008.

MALLAM LAWAL BATAGARAWA

Non-Executive Director

Mallam Batagarawa is a graduate of Engineering and Applied Mathematics from the Ahmadu Bello University.

He has been a lecturer in the Katsina State College of Arts, Science and Technology, a Permanent Secretary in Kaduna state, and between 1999 and 2003 he was Minister for Education and later a Minister for Defence. Between 2003 and 2007 he was the Special Adviser to the President on Intra-Party Relations. He was appointed to the Board in March 2008.



MR. ALEXANDER GOMA

Corporate Strategy & External Affairs Director

Mr. Goma, a Fellow of the National Institute of Marketing of Nigeria, holds a BSc Degree in Biochemistry from the University of Port-Harcourt and an LLB from the University of London International programs.

He is an experienced business manager with significant expertise in sales and marketing of Fast Moving Consumer Goods (FMCG). He started his career in quality control before moving into the commercial functions with stints in customer service and logistics.

Before he joined the Company and the Board in 2010 as the Commercial Director, he had worked in Procter & Gamble in Nigeria, Ghana and Egypt; British American Tobacco in Senegal, Gambia, and Mauritania; and Guinness Nigeria Plc where he was the Sales Director. He is currently the Corporate Strategy/External Affairs Director of the Company.

MS. JOYCE FOLAKE COKER

Human Resources & Administrative Director

Ms. Coker joined the PZ Cussons Group in 2011 as the Human Resources Director. In 2014 she earned additional responsibility as the Regional HR Director for the Africa PZ Group.

She joined the Group with a wealth of experience across industries – Financial Services, Consulting, and Manufacturing/Consumer Goods, having worked with top organisations like Universal Commercial Plc London, Accenture, Heirs Alliance, Unilever Nigeria & Unilever Group based in Kenya with responsibility across the East, West & Central Africa region.

She earned her First degree from University of Lagos and a Masters of Arts in Human Resources Management from the University of Westminster, London; and is an alumnus of the London Business School. She is a member of the Chartered Institute of Personnel Management Nigeria as well as the Institute of Directors.

AN EXPERIENCED BOARD WITH STRONG LEADERSHIP

MR. PAUL USORO, SAN
Non-Executive Director

Mr. Usoro, Senior Advocate of Nigeria, was educated at the Obafemi Awolowo University, Ile Ife. He is the Senior Partner of Paul Usoro & Co, a law firm founded by him which has grown to become one of Nigeria's leading commercial law firms. Apart from being an acclaimed legal practitioner, Mr. Usoro has extensive boardroom experience having served as a director of diverse organisations. He is the only surviving pioneer director of Airtel Networks Limited and chairs its Board Audit Committee. He is the President of the Nigerian Bar Association.

Between 2008 and 2014, Mr. Usoro served on the Board of Premium Pensions Limited, Nigeria's leading pension funds administrator and chaired its Board Audit Committee. Mr. Usoro also serves as a director in Access Bank Plc and is also the Chairman of Marina Securities Limited. Mr. Usoro was appointed by President Goodluck Jonathan, GCFR to the Board of Nigerian Bulk Electricity Trading Plc in 2011 and chairs the Company's Board Audit Committee. Mr. Usoro was appointed to the Board of the Company in July 2011.

MALLAM DAHIRU MUHAMMAD, FCIB
Non-Executive Director

Mallam Dahiru Muhammad, a Fellow of the Chartered Institute of Bankers, was educated at the Ahmadu Bello University, Zaria and Vanderbilt University, Nashville Tennessee, USA. He was a Senior Lecturer in Economics at the University of Maiduguri and former Managing Director and CEO of New Africa Merchant Bank Ltd until his retirement in 1994.

Since then he has established a consultancy firm, Ardo Investments Ltd. as well as manufacturing outfits in plastics and oil and gas. Mallam has extensive boardroom experience being on the board of several diverse organisations. He served as Non-executive Director of the Central Bank of Nigeria, the Nigeria Security Printing and Minting Company Plc and as Chairman, Newdevco Financial Services Ltd. He is currently on the Board of PZ Cussons Foundation, Pension Administrators Association of Nigeria and a member of the Governing Council of Bells University of Technology, Ota. Mallam was appointed to the Board in May 2016.

MR. PEDRO BARRETO
Chief Finance Officer

Mr. Barreto was appointed as the Chief Finance Officer of the Company on 20 February 2018. He is a Graduate of Economics from Nova School of Business & Economics, Lisbon with postgraduate certification in Financial Markets, Advanced Financial Accounting (IAS/IFRS) and Taxation. He is an experienced Chartered Accountant (member of OTOC – Ordem dos Técnicos Oficiais de Contas) with extensive knowledge of IAS/IFRS, SNC NCRF (Portuguese GAAP) and ERP (namely SAP, Dynamics and Primavera) with over 20 years of varied professional experience in working for multinational companies in Africa, Asia and Europe.

Prior to joining PZ Cussons, Mr. Barreto was the Chief Finance Officer of the Ambrian Group for manufacturing operations. He has held previous positions as CFO and several roles in financial control and commercial finance within different kinds of manufacturing sectors, such as pharmaceutical, building materials and FMCG.

MR. GEORGE SOTIROPOULOS

Executive Director, Supply Chain

Mr. Sotiropoulos was appointed as Executive Director, Supply Chain on 22 March 2018. As the Managing Director for PZ Cussons Supply Chain Africa, he is responsible for the Group Supply Chain and Logistics. His primary responsibility is to support the commercial agenda of the business divisions and to develop a strong and self-sufficient Supply Chain team.

Mr. Sotiropoulos joined PZ Cussons in 1992 and after an initial period in Nigeria, he was transferred to Asia where he worked in developing the sales network in East Indonesia. He later led the Chinese and Indonesian commercial operations in the capacity of Managing Director before returning to Africa to take up the role of Managing Director, East Africa. He joined the Nigerian team in 2009 in the capacity of Managing Director, Supply Chain with the primary responsibility to deliver the "Unity" programme and transform the manufacturing infrastructure. He was the Supply Chain Sponsor for Eagle Wave 2. He holds a Masters Degree from the University of Birmingham (UK) in Mechanical Engineering and Business Studies.

MRS. ABIOLA LASEINDE

Company Secretary/ Head, Corporate Services Africa

Mrs. Laseinde joined PZ Cussons on 5 September 2016 as Head, Corporate Services for Africa and was appointed as the Company Secretary on 1 January 2017. She oversees the company secretarial, legal, property portfolio, risk management, intellectual property and corporate governance functions of PZ Cussons business entities in Africa. She is a lawyer, Chartered Secretary and a Corporate Governance Professional with over 18 years' experience garnered from different industries in Nigeria with a stint in Dubai, UAE.

Prior to her current role, she was the Legal Counsel, West Africa & Deputy Company Secretary of Cadbury Nigeria Plc and Cadbury Ghana (members of the Mondelēz Group of Companies). She is the Immediate Past Chair of the Institute of Chartered Secretaries & Administrators of Nigeria, Lagos State Chapter. She is also a Fellow and a Member of the Governing Council of the same Institute. She is a Member of the Chartered Institute of Arbitrators, UK, Member of the Nigerian Bar Association (NBA) and the International Federation of Women Lawyers (FIDA). She is one of the founding members of the Association of Company Secretaries & Legal Advisers (in Manufacturing). She is the President of Caring Sisters Inc and a Board Member of the Strap & Safe Child Foundation.

REPORT OF THE DIRECTORS
for the year ended 31 May 2019

ACCOUNTS AND RESULTS

The Board of Directors of PZ Cussons Nigeria Plc is pleased to present to members the Consolidated Statements of Financial Position as at 31 May 2019 together with the Consolidated Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity, and Cash Flows for the year ended on that date and notes to the financial statements including a summary of significant accounting policies.

OPERATING RESULTS

The following is the summary of the Group's operating result as at 31 May 2019:

	2019 N'000	2018 N'000	% Change
Revenue	**74,336,468**	80,552,808	(7.7)
Operating profit	**2,273,012**	8,228,081	(72.4)
Profit before taxation	**1,942,447**	2,313,509	(16.0)
Taxation	**(786,596)**	(386,389)	103.6
Profit after tax	**1,155,851**	1,927,120	(40.0)

PRINCIPAL ACTIVITIES

The principal activities of the Group continued to be the manufacturing, marketing, sale and distribution of a wide range of consumer products and home appliances which are leading brand names throughout the country in detergent, soap, cosmetics, refrigerators and air-conditioners. The Group also distributes the products of Nutricima Limited, Harefield Industrial Nigeria Limited and PZ Wilmar Food Limited.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their interest in the shares of the Group as recorded in the register of members for the purpose of Section 275 of the Companies and Allied Matters Act and in compliance with the Listing Requirements of the Nigerian Stock Exchange are as follows:

	Interest in the ordinary shares of the Company	
	2019	2018
Chief K. B. Jamodu, CFR	**3,566,880**	3,566,880
Mr. C. Giannopoulos	**Nil**	Nil
Mr. L. Batagarawa	**20,706**	20,706
Mrs. E. Ebi	**Nil**	Nil
Ms. J.F. Coker	**3,889**	3,889
Mr. A. Goma	**25,000**	25,000
Mr. D. Muhammad	**Nil**	Nil
Mr. P. Usoro	**1,000,000**	1,000,000
Mr. Pedro Barreto	**Nil**	Nil
Mr. George Sotiropoulos	**Nil**	Nil

The directors' holdings are direct interests. There were no changes to the above holdings as at 27 August 2019.

INTEREST IN CONTRACTS

In accordance with Section 277 of the Companies and Allied Matters Act, Mr. Paul Usoro, SAN hereby notifies the Group that he is a Partner in the law firm of Paul Usoro & Co which renders legal advisory services to the Company. No other Director has notified the Group of any declarable interest in any contract in which he/she was involved with the Group during the year.

DIRECTORS FOR RE-ELECTION

In accordance with Article 90 of the Company's Articles of Association and Section 259 (1) of the Companies and Allied Matters Act, one third of the number of Directors, based on the length of stay in office must retire at the Annual General Meeting. They may offer themselves for re-election. Accordingly, Mr. Paul Usoro, Mallam Dahiru Muhammad and Ms. Joyce F. Coker will be retiring at the meeting, and, being eligible, they have offered themselves for re-election.

RECORDS OF DIRECTORS ATTENDANCE

In compliance with Section 258 (2) of the Companies and Allied Matters Act the Record of Directors' Attendance at Board Meetings in the 2018/2019 financial year will be made available at the Annual General Meeting for inspection by members.

MEETINGS OF THE BOARD OF DIRECTORS

As a rule, the Board of Directors meets at least quarterly and additional meetings are convened as required. Also, as allowed by the Company's Articles of Association, material decisions are sometimes taken between meetings by way of written resolutions.

At every quarterly meeting, the Directors are provided with comprehensive reports of the activities of the various business units as well as important corporate events. They are also briefed on all business developments between meetings. The Board met four times during the 2018/2019 financial year.

The meetings were presided over by the Chairman. In all cases, written notices of meetings, the meeting agenda as well as the reports for consideration were circulated well ahead of the meetings. The minutes of the meetings were appropriately recorded and circulated.

ATTENDANCE AT MEETINGS

The Board has a formal schedule of meetings each year and met four (4) times in the course of the year under review. The record of attendance of the Directors at the meetings is set below:

	08/08/18	27/09/18	24/01/19	21/03/19
Chief K. B. Jamodu	✓	✓	✓	✓
Mr. C. Giannopoulos	✓	✓	✓	✓
Mrs. E. Ebi	✓	✓	✓	✓
Mallam D. Muhammad	✓	✓	✓	✓
Mallam L. Batagarawa	✓	✓	✓	✓
Mr. P. Usoro	✓	✓	AP	✓
Ms. J. F. Coker	✓	✓	✓	✓
Mr. A. Goma	✓	✓	✓	✓
Mr. P. Barreto	✓	✓	✓	✓
Mr. G. Sotiropoulos	✓	✓	✓	✓

✓ Present
AP Absent with apology

MAJOR SHAREHOLDINGS

According to the Register of members as at 31 May 2019, PZ Cussons (Holdings) Limited, UK held 2,909,349,788 shares. This represents 73.27% of the paid-up capital of the Company.

ANALYSIS OF SHAREHOLDINGS

The shareholding pattern of the Group as at 31 May 2019 as advised by the Registrar is as stated below:

Range	No. of Holders	% Holders	Units	% Units
1-1000	24,871	32.82	10,611,662	0.27
1001-5000	23,321	30.78	57,606,131	1.45
5001-10000	11,461	15.13	87,774,113	2.21
10001-50000	13,947	18.41	285,654,447	7.19
50001-100000	1,165	1.54	81,466,628	2.05
100001-500000	833	1.10	161,402,114	4.07
500001-1000000	83	0.11	57,265,060	1.44
1000001-5000000	74	0.10	149,810,831	3.77
5000001-10000000	9	0.01	60,181,538	1.52
10000001-50000000	5	0.01	109,354,733	2.75
50000001-100000000	1	0.00	82,442,840	2.08
100000001-3970477045	1	0.00	2,826,906,948	71.20
	75,771	**100.00**	**3,970,477,045**	**100.00**

Apart from PZ Cussons (Holdings) Limited, UK, no other shareholder held more than 5% of the paid up capital of the Group as at 31 May 2019.

BOARD COMMITTEES

The Board has established Standing Committees whose terms of reference clearly spell out roles, responsibilities and scope of authorities. To ensure compliance with the Best Practice in Corporate Governance each Committee is chaired by a Non-executive Director.

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee is to assist the Board in its oversight of the risk profile, risk management framework and risk review strategy. The Committee is to carry out periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile.

The Committee is made up of five members namely:

- Mr. L. Batagarawa – Chairman
- Mr. C. Giannopoulos
- Mrs. E. Ebi
- Mr. A. Goma
- Mr. P. Barreto

The Committee met three times during the financial year. The table below summarises members' attendance at the meetings:

Name	No. of meetings held	No. of meetings attended
Mr. L. Batagarawa	3	3
Mr. C. Giannopoulos	3	2
Mrs. E. Ebi	3	3
Mr. A. Goma	3	3
Mr. P. Barreto	3	3

The meetings were held on 7 August 2018, 23 January 2019 and 19 March 2019.

GOVERNANCE / PEOPLE COMMITTEE

The Committee advises the Board on appointment of Directors, corporate governance matters, staff welfare and remuneration, talent management and other strategic employees' relations matters.

The Committee members are:

- Mr. P. Usoro, SAN – Chairman
- Mr. C. Giannopoulos
- Ms. J.F. Coker
- Mr. D. Muhammad
- Mr. G. Sotiropoulos

The Committee met three times during the financial year and the table below shows the attendance at the meetings:

Name	No. of meetings while on the Board	Attendance
Mr. P. Usoro	3	3
Mr. C. Giannopoulos	3	3
Ms. J.F. Coker	3	3
Mallam D. Muhammad	3	3
Mr. G. Sotiropoulos*	3	1

* Mr. G. Sotiropoulos became a member in March 2019.

The meetings were held on 7 August 2018, 22 January 2019 and 19 March 2019.

STATUTORY AUDIT COMMITTEE

The Committee is established to perform the functions listed in Section 359(6) of the Companies and Allied Matters Act. The Committee consists of six members made of three representatives of the shareholders elected at the previous Annual General Meeting for the tenure of one year and three representatives of the Board of Directors. The meetings of the Committee were attended by the Head of Internal Control and representatives of Deloitte Touche, the Company's external auditors.

The following Directors served on the Committee during the year:

- Mr. L. Batagarawa
- Mr. A. Goma
- Mrs. E. Ebi

The table below summarises the attendance at the Committee meetings during the year:

Name	No. of meetings held	No. of meetings attended
Professor A. Osuntogun	4	2
Mr. O.I. Obarinde	4	4
Mr. E.A. Akinduro	4	4
Mr. L. Batagarawa	4	4
Mr. A. Goma	4	4
Mrs. E. Ebi	4	4
Hon. B. Nwabughogu*	4	2

* Hon. Nwabughogu was not a member of the Committee during the meetings held in year 2018.

The meetings were held on 7 August 2018, 26 September 2018, 23 January 2019 and 20 March 2019.

CORPORATE GOVERNANCE REPORT

The Board is committed to meeting the standard of best practices set out in the Code of Corporate Governance published by the Securities and Exchange Commission.

This report describes how the Board has been complying with the Code as well as best practices in corporate governance.

BOARD COMPOSITION

The Company's Articles of Association provides for a maximum of fifteen Directors. At the date of this report, the Board consists of ten Directors: five Non-executive Directors and five Executive Directors. There is an ongoing Board recruitment process for the appointment of a Non-executive Director as at the time of this Report.

The profile of the Board comprises distinguished individuals with diverse skills and competences in different areas of the Company's business. This continually ensures the realisation of the set corporate objectives.

In line with best practices, the position of the Chairman is distinct from that of the Group Chief Executive Officer. The Chairman is Chief Kola Jamodu, CFR, a Non-executive Chairman while the Chief Executive Officer is Mr. Christos Giannopoulos. Furthermore, while the Chairman is responsible for the running of the Board, the Chief Executive Officer is responsible for co-ordinating the running of the business and implementing strategies.

INDEPENDENT DIRECTORS

In compliance with the Code, Two (2) of the five (5) Non-executive Directors are independent Directors having no significant shareholding interest or any special business relationship with the Company.

BOARD OPERATIONS

The Board is the ultimate governing body of the Group and it is responsible for its overall supervision and the protection of the interest of shareholders and other stakeholders. It ensures that the Group is appropriately managed to achieve strategic objectives.

The specific issues reserved for the Board include:

- The ultimate direction of the Group particularly the conduct and supervision of the business;
- Determination of the Company's organisation;
- Risk management and internal control;
- Supervision with respect to compliance with the law;
- Corporate governance matters;
- Communication with shareholders; and
- Review of business performance.

The Board has delegated to management the day-to-day running of the business and the Chief Executive, who is the head of the Management Team, is answerable to the Board.

BOARD APPOINTMENT AND INDUCTION

Directors are appointed to the Board following a declaration of vacancy at Board meeting. New Directors are selected through carefully articulated selection guidelines that place emphasis on integrity, skills and competences relevant to the Company's goals and aspirations. The Policy confers on the Governance and People Committee the responsibility of identifying individuals with a track record of outstanding achievements and potential for value enhancement. The Committee's recommendation is subjected to further scrutiny by the Board before a decision is taken. The Appointed Director is made to undergo an induction programme to equip and familiarise him/her with requisite knowledge and information about the Group and its business. The appointed Director is presented to the next Annual General Meeting for election.

Furthermore, a newly appointed Director receives a letter of appointment spelling out in details the entitlements, terms of reference of the Board and its Committees and the Key Performance Indicators.

BOARD EVALUATION

The Board has established a system to undertake a formal annual evaluation of its performance, that of its Committees and the individual Directors. The Board designed a questionnaire for evaluation on areas such as the ability of the Board to fulfil its general supervisory roles, preparation of members for meetings, participation at meetings, quality of proposals made by members at meetings etc. The questionnaire for evaluation for the period ended 31 May 2019 was completed by members and the summary of the results compiled electronically.

Based on the results, the Board, its committees and each individual Director recorded very good performance.

INTERNAL CONTROL

The Board maintained a sound system of internal control to safeguard shareholders' investments and the Company's assets. The system of internal control provides reasonable assurance against material loss. The responsibilities include oversight functions of internal audit and control, risk assessment and compliance, conformity and contingency planning, and formalisation and improvement of business process.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed to an open and consistent communication policy with shareholders and other stakeholders. The guiding principle is that all shareholders should be given equal treatment in equal situations. Thus price sensitive information is published timely in full, simple and transparent format to all shareholders at the same time.

Furthermore all shareholders have equal opportunity at the Annual General Meeting to present questions to the Board and make comments on any aspect of the financial statements.

INSIDER DEALINGS

The Group has regulations guiding Directors, members of the Audit Committee and other officers of the Group on periods when they, or persons connected to them cannot lawfully effect transactions on the shares of the Group as well as the disclosure requirements when effecting any transaction on the Company's shares.

E-DIVIDEND

The Group consistently encourages its shareholders to embrace the e-dividend and e-bonus introduced in the capital market. This is to enable prompt crediting of shareholders' accounts with dividends and their CSCS accounts with bonus shares. This will also eliminate the cost of posting dividend warrants and share certificates as well as the risk of being lost in the post.

PROPERTY, PLANT & EQUIPMENT

Movement in fixed assets during the year are shown in Note 4 of the financial statements. In the opinion of the Directors, the market value of the Group's fixed assets is not lower than the value shown in the financial statements.

DISTRIBUTORS AND SUPPLIERS

The Group has 6 distribution centres across the country with over 1,000 distributors.

The Group also obtains its requirements from both local and overseas suppliers. The principal overseas suppliers are associated companies in the PZ Cussons Group. The transactions are carried out at arm's length.

RESEARCH AND DEVELOPMENT

The Group Research and Development efforts, supported through licensing and technical services agreement with overseas associated companies in the PZ Cussons Group are designed to ensure a constant programme of product improvement and new product introduction.

EMPLOYMENT OF DISABLED PERSONS

The Group policy provides for due priority to be accorded to disabled persons in recruitment for any available position where their incapacity will not expose them to danger or serious disadvantage. Employees who become disabled in the course of their employment are retained and redeployed wherever possible within the context of the above policy.

HEALTH SAFETY AND WELFARE

The Group recognises that the health and safety of its employees, customers, contractors and other stakeholders is a top priority and forms an integral part of its business activities. We are committed to maintaining a safe working place at all times and in all sites, depots and business units across the country so as to avoid accidents and ill health due to work situations. We recognise that health and safety is fundamental to good manufacturing practice. The roll out of our world class manufacturing programme has ensured that our factories are pleasant work places.

GIFTS AND DONATIONS

During 2019, the Group contributed N50,000,000 (2018: N50,000,000) to PZ Cussons Foundation. The Foundation commissioned a number of sustainable projects to the benefit of various communities around the country. Details of projects undertaken by PZ Foundation are listed on page 27.

In accordance with Section 38(2) of CAMA, the Group did not make any donation or gift to any political party, association or for any political purposes in the course of the year.

EMPLOYEE INVOLVEMENT AND TRAINING

The Group is committed to keeping employees informed regarding the Group's performance and progress through regular briefings and meetings. Their views are sought wherever practicable on matters which affect them as employees. The Group believes that professional and technical expertise of its managers constitutes a major asset, and investment in developing such skills continues to receive attention.

The Group's skill base has been steadily expanding with the range of training provided for career development within the Group.

STATEMENT OF COMPLIANCE

We hereby affirm that the SEC Code of Corporate Governance governs the operations of the Group and confirm that to the best of our knowledge we are in compliance with the Code.

COMPLAINT MANAGEMENT POLICY

The Complaint Management Policy sets out the broad framework through which the Group and its Registrars attend to issues and concerns raised by shareholders and provide the opportunity for shareholders to give feedback to the Company.

The Group is dedicated to ensuring great standard of services to its shareholders by:

- Creating an efficient process for the management of shareholders' complaints and enquiries
- Ensuring that all matters relating to shareholders are adequately addressed; and
- Making information readily available to shareholders.

COMMUNICATION POLICY

Our Group has in place a Communication Policy in accordance with the requirements of the Securities & Exchange Commission.

The Board recognises the need to communicate and disseminate information regarding the operations and management of the Group to all relevant stakeholders (including shareholders, regulatory authorities, media, analysts and the general public).

INDEPENDENT AUDITORS

The firm of Deloitte & Touche served as the Independent Auditor during the year under review. In accordance with Section 357(2) of CAMA, Deloitte & Touche have indicated their willingness to continue in office as Independent Auditor of the Group.

Dated the 27 day of August 2019.

By order of the Board

Abiola Laseinde
Company Secretary

FRC/2016/NBA/00000015857
Lagos, Nigeria

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the preparation and approval of the financial statements

The Directors of PZ Cussons Nigeria Plc are responsible for the preparation of the consolidated and separate financial statements that gives a true and fair view of the financial position of the Group and Company as at 31 May 2019, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

In preparing these financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern;
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and which enable them to ensure that the financial statements of the Group and Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

The consolidated and separate financial statements of the Group and Company for the year ended 31 May 2019 were approved by the Directors on 27 August 2019

On behalf of the Directors of the Group.

Signed by Order of the Board

Chief Kolawole Jamodu, CFR
Chairman

FRC/2013/ICAN/00000001617

Mr. Christos Giannopoulos
Chief Executive Officer

FRC/2013/IODN/00000004206

REPORT OF THE AUDIT COMMITTEE
for the year ended 31 May 2019

TO THE MEMBERS OF PZ CUSSONS NIGERIA PLC

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act, the members of the Audit Committee hereby confirm that we have:

a) Reviewed the scope and planning of the audit requirements and found them adequate;
b) Reviewed the financial statements for the year ended 31 May 2019 and are satisfied with the explanations obtained
c) Reviewed the external auditors' management letter for the year ended 31 May 2019 and are satisfied that management is taking appropriate steps to address the issues raised; and
d) Ascertained that the accounting and reporting policies for the year ended 31 May 2019 are in accordance with legal requirements and agreed ethical practice.

The external auditors confirmed having received full cooperation from the Company's management and that the scope of their work was not restricted in any way.

Mrs. Elizabeth Ebi
Chairman, Audit Committee

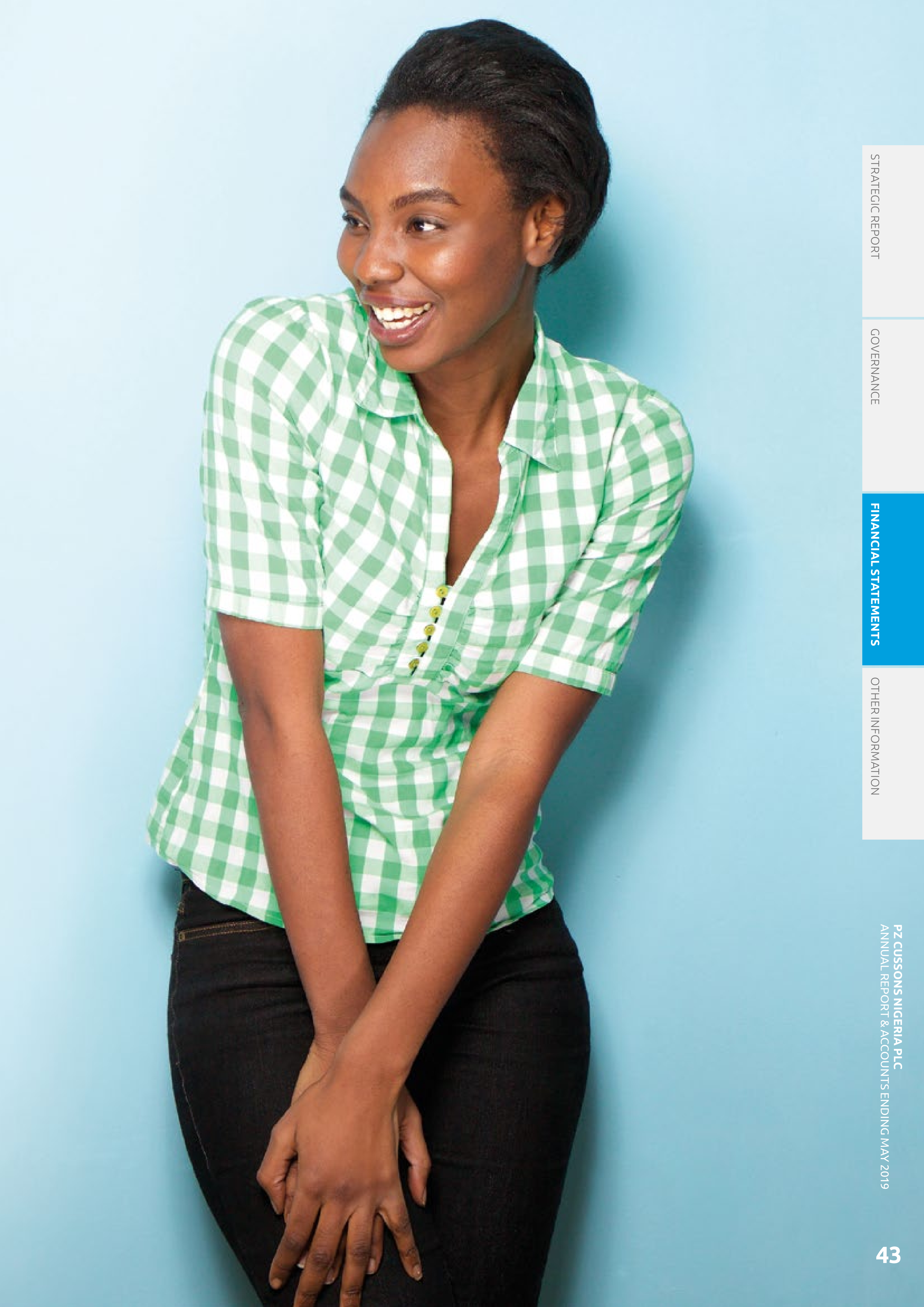
FRC/2014/CISN00000008003

26 August 2019

Members of the Audit Committee

• Mrs. Elizabeth Ebi	Chairman (Independent Non-Executive Director)
• Mr. O.I. Obarinde	Shareholders representative
• Mr. E.A. Akinduro	Shareholders representative
• Hon. Bright Nwabughogu	Shareholders representative
• Mr. L. Batagarawa	Non-Executive Director
• Mr. Alex Goma	Executive Director

FINANCIAL STATEMENTS



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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of PZ Cussons Nigeria Plc ("the Company") and its subsidiary (together referred to as "the Group") which comprise the consolidated and separate statements of financial position as at 31 May 2019, the consolidated and separate statements of profit or loss, other comprehensive income, changes in equity, cash flows for the year then ended, and the notes to the consolidated and separate financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of PZ Cussons Nigeria Plc as at 31 May 2019 and the consolidated and separate financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current year. The matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. We have determined the matter described below to be the key audit matter to be communicated in our report. The key audit matter below relates to the audit of the consolidated and separate financial statements.

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Impairment of Export Expansion Grant (EEG) Receivable and Unutilised Negotiable Duty Credit Certificates (NDCC)	
As indicated in Note 25 (Export expansion grant <EEG> scheme) and Note 6 (Other long-term receivables), the group and the company had EEG Receivable of N1.66 billion and N1.64 billion respectively as at 31 May 2019 and unutilised Negotiable Duty Credit Certificate <NDCC> (now called Export Credit Certificate<ECC>) of N0.297 billion and N0.272 billion respectively as at 31 May 2019. EEG receivable is recognised upon receipt of export proceeds into the country within a period not later than 180 days from the date of related export sales while unutilised NDCC is recognised on issuance of certificates by the Nigerian Export Promotion Council (NEPC) for the settlement of EEG receivable. In the last 5 years, the EEG scheme has not been operating as designed based on the following: • Exporters have not been able to submit valid EEG claims to the Nigerian Export Promotion Council (NEPC), the Federal Government of Nigeria (FGN) agency responsible for the administration of EEG Scheme since January 2014 till date. • The NEPC stopped issuance of NDCC for settlement of EEG Receivable in January 2014. • Previously issued NDCC in the custody of beneficiaries remained unutilised for more than 5 years due to non-acceptance of the NDDC by the Nigerian Customs Service for settlement of import duties in lieu of cash. • The authority issued a revised guideline on 12 June, 2017. The NDCC has now been replaced with the Export Credit Certificate (ECC) which can be used to settle all federal government taxes such as VAT, WHT, company income tax etc. It can also be used to purchase government bonds and repay government credit facilities, and debts due to the Assets Management Company of Nigeria (AMCON). Management applied significant judgement in relation to retention of EEG Receivable and unutilised NDCC and this forms the basis of our focus on the balances. Per management assessment, both the EEG and unutilised NDCC are sovereign debts. Hence, management is confident that the balances are recoverable because government is a continuum. Accordingly, no impairment charge was recognised with respect to the EEG receivable and unutilised NDCC. This is considered a key audit matter in both the consolidated and separate financial statements.	• We obtained an understanding of the group's accounting policy on EEG receivable and unutilised NDCC and evaluated it for compliance with the requirements of International Accounting Standard (IAS 20) – Government Grant, and the Nigerian Export Promotion Council (NEPC) Act. • We tested the carrying value of EEG Receivables and unutilised NDCC for compliance with the company's accounting policy. In particular, we examined relevant support documents to substantiate that proceeds of related export sales, supporting the carrying value of EEG receivables, were repatriated within 180 days of sales. In addition, we performed procedures to ascertain that the group has met the following criteria EEG receivables: – the Group is registered with NEPC – the Group has annual export sales proceeds in excess of N5 million; and – the group exports only made in Nigeria goods. • We evaluated the impact of the revised guideline issued on 12 June, 2017 by NEPC on EEG and the request for submission of the NDCC for onward conversion to government sovereign bonds. Also, we reviewed correspondences with NEPC confirming that the NDCC (now ECC) certificates have now been submitted to the NEPC. The judgement and assumptions made by the directors for the assets impairment test were found to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the directors' Report, Audit Committee's Report and Chairman's statement, which we obtained prior to the date of this auditors' report. The other information does not include the consolidated and separate financial statements and our report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the Group and Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of the Companies and Allied Matters Act CAP C20 LFN 2004, we expressly state that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Group and Company have kept proper books of account, so far as appears from our examination of those books.
iii) The Group and Company's financial position, statements of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Hassan Lawal, FCA – FRC/2013/ICAN/000000001382
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
29 August 2019

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
0638403

RESULTS AT A GLANCE
for the year ended 31 May 2019

	The Group		%
	2019 N'000	2018 N'000	Increase/ (decrease)
Revenue	**74,336,468**	80,552,808	(8)
Operating profit	**2,273,012**	8,228,081	(72)
Profit before taxation	**1,942,447**	2,313,509	(16)
Taxation	**(786,596)**	(386,389)	104
Profit for the year	**1,155,851**	1,927,120	(40)
Non controlling interest	**144,431**	81,906	76
Profit attributable to equity holders of parent company	**1,011,420**	1,845,214	(45)
At year end:			
Share capital	**1,985,238**	1,985,238	
Total equity	**45,752,288**	45,108,589	
Per 50k share data:			
Based on 3,970,477,045 ordinary shares of 50k each:			
Basic and diluted earnings per share (Naira)	**0.25**	0.46	
Number of employees	**1,392**	1,519	
Stock exchange quotations in Naira (Company):			
As at 31 May	**8.10**	21.85	

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 May 2019

	Notes	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Revenue	18b	74,336,468	80,552,808	47,200,919	58,483,029
Cost of sales	17a	(57,235,233)	(56,097,215)	(34,997,013)	(39,816,689)
Gross profit		**17,101,235**	**24,455,593**	**12,203,906**	**18,666,340**
Selling and distribution costs	17a	(10,695,229)	(9,601,809)	(7,406,105)	(7,155,730)
Administrative expenses	17a	(4,132,994)	(6,625,703)	(3,769,694)	(6,115,539)
Operating profit		**2,273,012**	**8,228,081**	**1,028,107**	**5,395,071**
Exchange loss	17b	(444,277)	(5,391,604)	(381,673)	(3,121,710)
Other income	18a	122,742	128,748	263,313	269,320
Interest income	27	294,997	180,657	393,512	106,085
Interest cost	27	(304,027)	(832,373)	(175,868)	(912,026)
Profit before taxation		**1,942,447**	**2,313,509**	**1,127,391**	**1,736,740**
Taxation	16	(786,596)	(386,389)	(549,036)	(106,183)
Profit for the year		**1,155,851**	**1,927,120**	**578,355**	**1,630,557**
Total comprehensive income for the year		**1,155,851**	**1,927,120**	**578,355**	**1,630,557**
Total comprehensive income for the year attributable to:					
Equity holders of the parent company		1,011,420	1,845,214	578,355	1,630,557
Non controlling interest		144,431	81,906	–	–
		1,155,851	**1,927,120**	**578,355**	**1,630,557**
Basic and diluted EPS (Naira)	20	0.25	0.46	0.15	0.41

The notes on pages 54 to 104 are an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
At 31 May 2019

	Notes	Group		Company	
		31 May 2019 N'000	31 May 2018 N'000	31 May 2019 N'000	31 May 2018 N'000
Assets					
Non-current assets					
Property, plant and equipment	4a	27,340,861	28,430,329	25,858,961	26,882,195
Intangible assets	4b	847,694	953,656	847,694	953,656
Investment in subsidiary	5	–	–	504,406	504,406
Other long-term receivables	6	1,990,470	1,985,092	1,945,433	1,915,572
		30,179,025	**31,369,077**	**29,156,494**	**30,255,829**
Current assets					
Inventories	7	28,599,056	26,039,546	19,168,436	20,374,469
Trade and other receivables	8	15,165,786	13,092,791	11,493,076	8,310,871
Other assets	9	1,270,003	1,517,515	920,003	1,471,912
Deposits for imports	10	2,204,023	2,336,785	1,590,536	1,767,887
Cash and bank	11	2,518,847	14,260,256	1,987,131	12,395,151
		49,757,715	**57,246,893**	**35,159,182**	**44,320,290**
Total assets		**79,936,740**	**88,615,970**	**64,315,676**	**74,576,119**
Equity					
Share capital	12	1,985,238	1,985,238	1,985,238	1,985,238
Share premium		6,878,269	6,878,269	6,878,269	6,878,269
Retained earnings		33,797,232	33,297,964	24,953,075	24,886,872
Equity attributable to equity holders of parent company		42,660,739	42,161,471	33,816,582	33,750,379
Non controlling interest		3,091,549	2,947,118	–	–
Total equity		**45,752,288**	**45,108,589**	**33,816,582**	**33,750,379**
Liabilities					
Non-current liabilities					
Deferred taxation	13	3,214,813	2,421,833	4,221,430	3,666,010
Warranty provisions	14	76,320	103,516	–	–
		3,291,133	**2,525,349**	**4,221,430**	**3,666,010**
Current liabilities					
Borrowings	11	–	234,985	–	234,985
Trade and other payables	15	30,517,298	40,204,849	26,084,671	36,467,037
Current taxation payable	16	192,993	457,818	192,993	457,708
Warranty provisions	14	183,028	84,380	–	–
		30,893,319	**40,982,032**	**26,277,664**	**37,159,730**
Total liabilities		**34,184,452**	**43,507,381**	**30,499,094**	**40,825,740**
Total equity and liabilities		**79,936,740**	**88,615,970**	**64,315,676**	**74,576,119**

The financial statements on pages 54 to 104 were approved and authorised for issue by the board of directors on 27 August 2019 and signed on its behalf by:

Chief Kolawole B. Jamodu, CFR
Chairman
FRC/2013/ICAN/00000001617

Mr. Christos Giannopoulos
Chief Executive officer
FRC/2013/IODN/00000004206

Mr. Evans Eghosa Enabulele
Acting Group Financial Controller
FRC/2017/ICAN/00000017126

The notes on pages 54 to 104 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2019

		Group Attributable to owners				
	Notes	Share capital N'000	Share premium N'000	Retained earnings N'000	Non controlling interest N'000	Total N'000
At 1 June 2018		**1,985,238**	**6,878,269**	**33,297,964**	**2,947,118**	**45,108,589**
Profit for the year		–	–	1,011,420	144,431	1,155,851
Total comprehensive income for the year		**–**	**–**	**1,011,420**	**144,431**	**1,155,851**
Transactions with owners:						
Final dividend paid relating to year ended 31 May 2018	15.1a	–	–	(595,572)	–	(595,572)
Unclaimed dividend forfeited	15.1b	–	–	83,420	–	83,420
Total transactions with owners		**–**	**–**	**(512,152)**	**–**	**(512,152)**
At 31 May 2019		**1,985,238**	**6,878,269**	**33,797,232**	**3,091,549**	**45,752,288**

		Group Attributable to owners				
	Notes	Share capital N'000	Share premium N'000	Retained earnings N'000	Non controlling interest N'000	Total N'000
At 1 June 2017		**1,985,238**	**6,878,269**	**33,409,158**	**2,865,212**	**45,137,877**
Profit for the year		–	–	1,845,214	81,906	1,927,120
Total comprehensive income for the year		**–**	**–**	**1,845,214**	**81,906**	**1,927,120**
Transactions with owners:						
Final dividend paid relating to year ended 31 May 2017	15.1a	–	–	(1,985,238)	–	(1,985,238)
Unclaimed dividend forfeited	15.1b	–	–	28,830	–	28,830
Total transactions with owners		**–**	**–**	**(1,956,408)**	**–**	**(1,956,408)**
At 31 May 2018		**1,985,238**	**6,878,269**	**33,297,964**	**2,947,118**	**45,108,589**

The notes on pages 54 to 104 are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2019

		Company Attributable to owners			
	Notes	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
At 1 June 2018		1,985,238	6,878,269	24,886,872	33,750,379
Profit for the year		–	–	578,355	578,355
Total comprehensive income for the year		**–**	**–**	**578,355**	**578,355**
Transactions with owners:					
Final dividend paid relating to year ended 31 May 2018	15.1a	–	–	(595,572)	(595,572)
Unclaimed dividend forfeited	15.1b	–	–	83,420	83,420
Total transactions with owners		**–**	**–**	**(512,152)**	**(512,152)**
					–
At 31 May 2019		**1,985,238**	**6,878,269**	**24,953,075**	**33,816,582**

		Company Attributable to owners			
	Notes	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
At 1 June 2017		1,985,238	6,878,269	25,212,723	34,076,230
Profit for the year		–	–	1,630,557	1,630,557
Total comprehensive income for the year		**–**	**–**	**1,630,557**	**1,630,557**
Transactions with owners:					
Final dividend paid relating to year ended 31 May 2017	15.1a	–	–	(1,985,238)	(1,985,238)
Unclaimed dividend forfeited	15.1b	–	–	28,830	28,830
Total transactions with owners		**–**	**–**	**(1,956,408)**	**(1,956,408)**
					–
At 31 May 2018		**1,985,238**	**6,878,269**	**24,886,872**	**33,750,379**

The notes on pages 54 to 104 are an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 May 2019

	Notes	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Cash flows from operating activities					
Profit before taxation		**1,942,447**	2,313,509	**1,127,391**	1,736,740
Adjustment to reconcile net income to cash provided:					
Depreciation	4a	**2,543,853**	2,557,164	**2,348,655**	2,413,125
Amortisation charge	4b	**105,962**	105,962	**105,962**	105,962
Unclaimed dividend forfeited	15.1b	**83,420**	28,830	**83,420**	28,830
Interest expense	27	**304,027**	832,373	**175,868**	912,026
Interest income	27	**(294,997)**	(180,657)	**(393,512)**	(106,085)
		4,684,712	5,657,181	**3,447,784**	5,090,598
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		**(2,204,856)**	493,591	**(1,368,521)**	4,423,560
Decrease in other assets		**247,512**	31,998	**551,909**	64,943
Decrease in deposit for imports		**132,763**	4,265,092	**177,351**	1,507,625
(Increase)/decrease in inventories		**(2,559,510)**	2,670,397	**1,206,033**	567,838
(Decrease)/Increase in trade, other payables and provisions		**(9,591,617)**	397,742	**(12,327,800)**	2,452,825
Cash flows from operating activities		**(9,290,996)**	13,516,001	**(8,313,244)**	14,107,389
Tax paid	16	**(156,442)**	(2,360,658)	**(156,442)**	(861,727)
Net (used up)/cash generated from operating activities		**(9,447,438)**	**11,155,343**	**(8,469,686)**	**13,245,662**
Cash flows from investing activities					
Purchase of fixed assets	4a	**(1,454,385)**	(2,473,228)	**(1,325,421)**	(2,234,818)
Purchase of intangible assets	4b	**–**	(42,281)	**–**	(42,281)
Interest income	27	**294,997**	180,657	**393,512**	106,085
Net cash used in investing activities		**(1,159,388)**	**(2,334,852)**	**(931,909)**	**(2,171,014)**
Cash flows from financing activities					
Dividend paid to equity holders of parent	15.1a	**(595,572)**	(1,985,238)	**(595,572)**	(1,985,238)
Interest expense	27	**(304,027)**	(832,373)	**(175,868)**	(912,026)
Net cash used in financing activities		**(899,599)**	**(2,817,611)**	**(771,440)**	**(2,897,264)**
Net (decrease)/increase in cash and cash equivalents		**(11,506,425)**	**6,002,880**	**(10,173,035)**	**8,177,384**
Cash and cash equivalents at 1 June		**14,025,271**	**8,022,391**	**12,160,166**	**3,982,782**
Cash and cash equivalents at 31 May	11	**2,518,847**	**14,025,271**	**1,987,131**	**12,160,166**

The notes on pages 54 to 104 are an integral part of these financial statements.

1. GENERAL INFORMATION

The Group

PZ Cussons Nigeria Plc is a company incorporated in Nigeria on 4 December 1948 under the name of P.B. Nicholas and Company Limited. The name was changed to Alagbon Industries Limited in 1953 and to Associated Industries Limited in 1960. The company became a public company in 1972 and was granted a listing on the Nigerian Stock Exchange. The name was changed to Paterson Zochonis Industries Limited on 24 November 1976 and in compliance with the Companies and Allied Matters Act, it changed its name to Paterson Zochonis Industries Plc on 22 November 1990. On 21 September 2006, the company adopted its present name of PZ Cussons Nigeria Plc.

The principal activities of the group are the manufacture, distribution and sale of a wide range of consumer products and home appliances through owned depots. These products are leading brand names throughout the country in detergent, soap, cosmetics, refrigerators, freezers and air-conditioners. The group also distributes products of Nutricima Limited, Harefield Industrial Nigeria Limited and PZ Wilmar Food Limited.

The address of the registered office is 45/47 Town Planning Way, Ilupeju, Lagos.

These consolidated and separate financial statements are presented in Nigerian Naira which is the functional currency of the primary economic environment in which the Group operates. The financial statements have been rounded to the nearest thousands.

These consolidated and separate financial statements comprise that of the group and the stand-alone financial statements of the parent company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY

2.1 Basis of preparation and measurement

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of consolidated and separate financial statements in conformity with generally accepted accounting principles under IFRS requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Disclosed in Note 2.25 are areas where significant judgement and estimate has been applied in the preparation of these financial statements.

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.1.1 Going concern

The consolidated and separate financial statements have been prepared on a going concern basis. Nothing has come to the attention of the directors that cast doubt about the ability of the Group and Company to continue as a going concern.

2.1.2 Application of new and revised International Financial Reporting Standards

New and amended standards adopted by the Group

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

- IFRS 15 'Revenue from Contracts with Customers' and
- IFRS 9 'Financial Instruments'

i) IFRS 15 Revenue from Contracts with Customers

During the year, the Group revised its accounting policy in relation to the recognition of revenue as a result of implementing IFRS 15 Revenue from Contracts with Customers from 1 June 2018.

In the current year, the Group has applied IFRS 15 (as amended in April 2016) which is effective for annual period that begins on or after 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 June 2018.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 2.5. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

ii) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 June 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39.

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 June 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

Trade receivables and Other non-current financial assets (i.e., Loan to staffs) classified as Loans and receivables as at 31 May 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 June 2018.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 June 2018.

				Group		Company	
	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 N'000	New carrying amount under IFRS 9 N'000	Original carrying amount under IAS 39 N'000	New carrying amount under IFRS 9 N'000
Trade and other receivables	8	Loans and receivables	Amortised cost	13,092,791	13,092,791	8,310,871	8,310,871

The Group has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

With regard to the impact of the expected loss model on trade receivables and other receivables, the Group concluded that the impact is immaterial. The impact on the Group's future consolidated income statement is also expected to be immaterial as the standard requires provisions to be recorded earlier and the initial impact of this timing difference is recorded in equity upon implementation.

New accounting standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., laptops etc.) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to apply IFRS 16 initially on 1 June 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 (if any) would be recognised as an adjustment to the opening balance of retained earnings of 1 June 2019, with no restatement of comparative information.

The Group has therefore elected to adopt the following practical expedients on transition:

- not to reassess contracts to determine if the contract contains a lease and not to separate lease and non-lease elements; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Estimated impact of adoption of IFRS 16 Leases

The expected impact of the standard on the Group based on preliminary assessment is as follows:

On initial application on 1 June 2019, it is estimated that the Group will recognise a "right-of-use" lease asset of approximately N796m and a corresponding decrease in the "advances to suppliers". Management does not expect a significant impact in liabilities or net profit as all rentals are prepaid. The Company is currently finalising the precise impact of this new standard.

The Group will not capitalise low-value leases on transition, or those which will expire before 31 May 2020.

(ii) IFRS 17 Insurance Contracts

The new standard establishes the principle for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The standard outlines a General Model, which is modified for insurance contracts with direct participation features described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows, it will explicitly measure the cost of that uncertainty, and it takes into account market interest rates and the impact of policyholders' option and guarantees.

The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021 with early application permitted as long as IFRS 9 and IFRS 15 are also applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Group do not anticipate that the application of the Standard in the future will have an impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

(iii) Amendments to IAS 28: Long-term interest in associates and joint ventures
The amendment clarifies that IFRS 9 including its impairment requirements, applies to long-term interests. Furthermore, applying IFRS 9 to long-term interest, an entity does not take into account adjustments to their carrying amounts required by IAS 28 (i.e adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The directors of the Group do not anticipate that the application of the amendments in the future will have significant impact on the Group's financial statements.

(iv) IFRIC 23 Uncertainty over income tax treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

(v) IFRS 9: Prepayment Features with Negative Compensation
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The directors of the Group do not anticipate that the application of the amendments in the future will have a significant impact on the Group's financial statements.

(vi) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (or asset) as re-measured under IAS 19 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (or asset)). The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so. The directors of the Group do not anticipate that the application of the amendments in the future will have a significant impact on the Group's financial statements.

(vii) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group do not anticipate that the application of the amendments in the future will have a significant impact on the Group's financial statements.

(viii) Annual Improvements 2015–2017 Cycle (issued in December 2017)

These improvements include:

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

IAS 12 Income taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Non controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non controlling interests is the amount of those interests at initial recognition plus the non controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non controlling interests even if this results in the non controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non- controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management which comprises the five Executive Directors.

An operating segment is a distinguishable component of the Group that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

The primary format for segment reporting is based on business segments. The business segments are determined by management based on the Group's internal reporting structure.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

2.5.1 Sale of goods

For sales of consumer goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

For sales of electronic equipment to the wholesale market, revenue is recognised by the Group at a point in time in line with the policy outlined above for the sale of consumer goods. There exists the same 30 day right of return and accordingly a refund liability and a right to returned goods asset are recognised in relation to electronic equipment expected to be returned.

2.5.2 Tradex

Tradex consists primarily of customer pricing allowances and promotional allowances, which are governed by agreements with our trade customers. Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

The Group provides for amounts payable to trade customers for promotional activity. Where a promotional activity spans across the year end, an accrual is reflected in the Group accounts based on our expectation of consumer uptake during the promotional period and the extent to which temporary promotional activity has occurred.

2.5.3 Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

2.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.6.1 The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.6.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.7 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and separate financial statements are presented in 'Nigerian Naira' (N).

Transactions and balances

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented separately in the income statement where material.

2.8 Finance income and expense

Finance income and expense are recognised in the income statement in the period in which they are earned or incurred.

Interest income and expense are recognised using the effective interest method.

2.9 Employee benefits

2.9.1 Short-term employee benefit – Gratuity scheme

PZ Cussons Nigeria Plc gratuity scheme is a short-term employee benefit that is computed based on the agreement between PZ Cussons Nigeria Plc and Staff of PZ Cussons Nigeria Plc dated 31 December 2006.

The scheme expense is computed on a monthly basis based on the length of service of the employee and the gross pay of the employee for the year under consideration. The scheme is funded directly using the company's cash flow and expensed to the income statement appropriately.

The PZ Cussons Nigerian Plc gratuity scheme runs from January to December of each year and it is paid in the month of February of the subsequent year. The gratuity scheme obligation at the end of each year relates to gratuity awards for January to May that are due to be paid to staff but unpaid as at year end.

The scheme is only applicable for staff engaged before 1 January 2007 hence, all staff employed subsequently are not covered by the scheme.

2.9.2 Defined contribution scheme

The Group operates a defined contribution plan. The defined contribution plan pays a fixed contribution into a separate entity. Hence, the Group has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient asset to pay all the employees the benefits relating to employees' service in the current and prior period.

The contributions are recognised as employee benefit expenses when they are due. The Group has no further payment obligation once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The Group and employees each contribute 15% and 10% respectively in accordance with the Pension Reform Act (PRA 2014) as amended.

2.9.3 Incentive and bonus scheme

The Group recognises a liability and expense for incentive and bonus scheme based on the formula that takes into consideration the Group's objectives (net sales, operating contribution and net working capital). The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.10 Export Expansion Grant (EEG)

Export Expansion Grant ("the grant") from the government is recognised at fair value where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions. The grant is recognised as a reduction to cost of sales with a corresponding recognition of receivable from government. The following are the conditions precedent:

- The Company must be registered at Corporate Affairs Commission (CAC) and Nigerian Export Promotion Council (NEPC).
- The Company must have a minimum annual export turnover of N5 million and evidence of repatriation of proceeds of exports.
- The Company shall submit its baseline data which includes audited Financial Statements and information on operational capacity to NEPC.
- The Company shall be a manufacturer, producer or merchant of products of Nigerian origin for the export market (i.e. the products must be made in Nigeria).
- Qualifying export transaction must have the proceeds fully repatriated within 180 days, calculated from the date of export and as approved by the EEG Implementation Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.11 Current and deferred income tax

The tax for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.12 Property, plant and equipment

All property, plant and equipment are initially recognised at cost and subsequently stated at historical cost less accumulated depreciation and impairment losses.

Land and buildings comprise mainly buildings for factories and offices.

Historical cost includes purchase costs, expenditure that is directly attributable to the acquisition of the items and the estimate of the cost of decommissioning (dismantling, removing the asset and restoring the site).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company or the Group and the cost can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold land and buildings	
• Over 50 years	2%
• Under 50 years	Over the lease period
Plant and machinery	4–8%
Furniture, fittings and IT equipment	20–33.3%
Motor vehicles	25%
Capital work in progress	Nil

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of assets and is recognised in the profit or loss.

Capital work in progress represents assets under construction. Accordingly, they are not depreciated until they are completed and available for use.

The annual rates of depreciation are consistent with those of prior year.

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

2.13 Warranty

Provision for products warranty is made at the time of revenue recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by the Group with respect to the products. Initial recognition is based on historical experience. Adequacy of provision is assessed on a monthly basis; and any resultant adjustment is reflected in the income statement of the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.14 Non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.15.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI
The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 2.1. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item (Note 27) in profit or loss.

The Group does not have and neither have they designated any investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Group accounting policies.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.15.2 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Trade payables

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost.

Loans and borrowings

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

2.16 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost is calculated based on standard costs with material price and usage variances apportioned using the Periodic Unit Pricing method. The basis of costing is as follows:

Raw materials, non-returnable packaging materials and consumable spare parts	• Purpose cost on a weighted average basis including transportation and applicable clearing charges
Finished products and products-in-process	• Weighted average cost of direct materials, labour costs and a proportion of production overheads based on normal operating capacity
Inventory-in-transit	• Purchase cost incurred to date

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid. Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of Companies and Allied Matters Act of Nigeria are written back to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.19 Recognition and measurement of investments in subsidiary in separate financial statements of company

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.20 Deposit for letters of credit

Deposit for letters of credit is recognised at fair value less impairment losses.

2.21 Intangible asset

Software acquired is recognised at acquisition cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditures are capitalised only when it increases the future economic benefits of the related software. Software maintenance costs are recognised as expenses in the income statement as they are incurred. Amortisation is recognised in income statement on a straight-line basis over the estimated useful life of the software, from the first day of the first full financial year the software is put into use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.21.1 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.21.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.22 Earnings per share (EPS)

The Group and Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2.23 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The fair value of the government loan at below market rate of interest is estimated as the present value of all future cash flows discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating. The benefit of the government grant is measured as the difference between the fair value of the loan and the proceeds received.

2.24 Related parties

Related parties include the holding company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

2.25 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY *CONTINUED*

2.25.1 Export Expansion Grant Receivable and Negotiable Duty Credit Certificates

Export Expansion Grant Receivable and Negotiable Duty Credit Certificates represents benefits from Federal Government of Nigeria in the form of rebates on locally manufactured goods exported by the group. The related balances as indicated in Notes 6 and 25 have been outstanding for more than one year. Notwithstanding, no impairment charge is recognised. The Group assesses the balances and concluded that no impairment charge is required on the basis that they are sovereign debts.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

2.25.2 Useful lives of Plant Property and Equipment (PPE)

Plant Property and Equipment are depreciated over their useful lives. The Group estimates the useful lives of PPE based on the period over which the assets are expected to be available for use. The estimation of the useful lives of PPE are based on technical evaluations carried out by those staff with knowledge of the machines and experience with similar assets. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and machinery would increase expenses and decrease the value of non-current assets.

2.25.3 Warranty provisions

Provision for products warranty is made at the time of revenue recognition and they are reviewed and adjusted periodically to reflect actual and anticipated experience. The estimation of provision at each period end requires involvement of staff with product knowledge and the estimate could change if there are changes in factors considered during the formulation of the required provision.

2.25.4 Provision for expected credit losses (ECL) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

3. FINANCIAL RISK MANAGEMENT

The Group and Company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rates.

The Group's treasury function reports to the Board at least annually with reference to the application of the Group Treasury Policy. The policy addresses issues of liquidity, funding and investment as well as interest rate, currency and commodity risks.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit & Risk Committee, under authority delegated by the Board, formulates the high-level Group risk management policy, monitors risk and receives reports that allow it to review the effectiveness of the Group's risk management policies.

The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to both Senior Management and the Audit Committee.

3.1 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from trading activities with customers. The Group has dedicated standards, policies and procedures to control and monitor all such risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties holding the Group's cash and cash equivalents, such credit risk is controlled through credit rating and equity price reviews of the counterparties and by limiting the total amount of exposure to any one party. Equity price reviews of counterparties is done through the monitoring of the share price of the counterparties on the floor of the stock exchange.

The credit risk of customers is assessed at subsidiary and group level, taking into account their financial positions, past experiences and other factors. Individual customer credit limits are imposed based on these factors. Customers are initially brought on board on a cash basis for a period of six months. At the expiration of the six months cash trading period, customers are free to apply for credit.

The Group does not believe it is exposed to any material concentrations of credit risk.

All of the Group's financial assets are carried at amortised cost. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets in the statement of financial position.

The table below analyses the Company's and Group's financial assets into relevant maturity groupings as at the reporting date.

Company

31 May 2019 Financial assets:	**Neither past due nor impaired N'000**	**Up to 90 days N'000**	**91–180 days N'000**	**Over 180 days N'000**	**Total N'000**
Cash and bank (Note 11)	1,987,131	–	–	–	1,987,131
Trade receivables (Note 8.1)	3,411,842	1,323,898	47,389	–	4,783,129
Due from subsidiary (Note 8)	1,584,419	–		–	1,584,419
Due from related party companies (Note 8)	3,989,569	–	–	–	3,989,569
Export expansion grants receivable (Note 25)	–	–	–	1,643,659	1,643,659
Negotiable duty credit certificates (Note 25)	–	–	–	271,913	271,913
Other receivables (Note 8)	696,885	–	–	–	696,885
Total	**11,669,846**	**1,323,898**	**47,389**	**1,915,572**	**14,956,705**

31 May 2018 Financial assets:	Neither past due nor impaired N'000	Up to 90 days N'000	91–180 days N'000	Over 180 days N'000	Total N'000
Cash and bank (Note 11)	12,395,151	–	–	–	12,395,151
Trade receivables (Note 8.1)	2,748,465	1,729,290	16,408	–	4,494,163
Due from related party companies (Note 8)	3,250,482	–	–	–	3,250,482
Export expansion grants receivable (Note 25)	–	–	–	1,643,659	1,643,659
Negotiable duty credit certificates (Note 25)	–	–	–	271,913	271,913
Other receivables (Note 8)	566,226	–	–	–	566,226
Total	**18,960,324**	**1,729,290**	**16,408**	**1,915,572**	**22,621,594**

3. FINANCIAL RISK MANAGEMENT *CONTINUED*

Group

31 May 2019 Financial assets:	Neither past due nor impaired N'000	Up to 90 days N'000	91–180 days N'000	Over 180 days N'000	Total N'000
Cash and bank (Note 11)	2,518,847	–	–	–	2,518,847
Trade receivables (Note 8.1)	6,759,354	2,751,535	101,993	–	9,612,882
Due from related party companies (Note 8)	3,989,569	–	–	–	3,989,569
Export expansion grants receivable (Note 25)	–	–	–	1,663,118	1,663,118
Negotiable duty credit certificates (Note 25)		–	–	297,491	297,491
Other receivables (Note 8)	1,011,227	–	–	–	1,011,227
Total	**14,278,997**	**2,751,535**	**101,993**	**1,960,609**	**19,093,134**

31 May 2018 Financial assets:	Neither past due nor impaired N'000	Up to 90 days N'000	91–180 days N'000	Over 180 days N'000	Total N'000
Cash and bank (Note 11)	14,260,256	–	–	–	14,260,256
Trade receivables (Note 8.1)	4,966,790	3,031,781	128,402	–	8,126,973
Due from related party companies (Note 8)	4,029,890	–	–	–	4,029,890
Export expansion grants receivable (Note 25)	–	–	–	1,663,118	1,663,118
Negotiable duty credit certificates (Note 25)	–	–	–	297,491	297,491
Advances to Distributors (Note 8.3)	130,639	–	–	–	130,639
Other receivables (Note 8)	829,772	–	–	–	829,772
Total	**24,217,347**	**3,031,781**	**128,402**	**1,960,609**	**29,338,139**

Allowance for impairment as disclosed in Note 8.1 relates to specific provision for trade receivables that are doubtful of recovery.

Allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

An analysis of the international long-term credit ratings by Standard & Poor's of counterparties where cash and cash equivalents are held is as follows:

	Company	
Credit rating	**2019 N'000**	2018 N'000
B	**1,987,131**	12,395,151

	Group	
Credit rating	**2019 N'000**	2018 N'000
B	**2,518,847**	14,260,256

B. The obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

3.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

There is a central treasury that coordinates cash flows management and funding activities. Cash surplus to immediate requirements is placed in interest yielding short-term deposit accounts in banks with good credit ratings.

The Group enjoys favourable 90 days of credit from its suppliers as against 30 days of credit it gives to its customers. Thus, the Group is always at an advantage position to meet its obligations because funding is quickly available from credits extended to its customers than the timing it requires to settle its obligations.

3. FINANCIAL RISK MANAGEMENT *CONTINUED*

Included in the Group's trade and other payables as at the 31 May 2019 and 31 May 2018 are balances due to related parties of N20.1 billion and N31.4 billion respectively while that of the Company is N17.7 billion and N28.7 billion respectively.

The table below analyses the Group's financial liabilities into relevant maturity groupings as at the reporting date.

Company

31 May 2019 Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total N'000
Trade and other payables – excluding sundry creditors (Note 15)	**14,161,491**	**10,630,127**	**24,791,618**

31 May 2018 Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total N'000
Trade and other payables – excluding sundry creditors (Note 15)	26,386,751	9,561,718	35,948,469

Group

31 May 2019 Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total N'000
Trade and other payables – excluding sundry creditors (Note 15)	**23,633,914**	**5,298,365**	**28,932,279**

31 May 2018 Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total N'000
Trade and other payables – excluding sundry creditors (Note 15)	33,991,961	5,464,228	39,456,189

3.3 Market risk

Market risk is the risk that movements in market rates, including foreign exchange rates, interest rates, equity and commodity prices will affect the fair value or future cash flows of a financial instrument. The management of market risk is undertaken using risk limits approved by the operating unit finance directors under delegated authority.

3.4 Foreign exchange risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. Subsidiary undertakings must ensure that all transactional exposures arising from commitments in a currency other than their functional currency are identified and monitored. The Group manages foreign exchange risk through foreign exchange forward contracts. The Group is primarily exposed to the US dollar. A 15% increase/decrease in foreign exchange rate at the reporting dates would have increased/decreased profit or loss and total equity by the following amounts. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group Liabilities		Company Liabilities	
	2019	2018	**2019**	2018
Foreign Currency ($'000)	**(39,720)**	(60,106)	**(18,568)**	(37,844)

	Assets		Assets	
	2019	2018	**2019**	2018
Foreign Currency ($'000)	**2,063**	11,724	**2,063**	9,920
Closing foreign exchange rates (Naira/Dollar)	**360.40**	340.00	**360.40**	340.00
Average foreign exchange rates (Naira/Dollar)	**356.82**	308.83	**356.82**	308.83

3. FINANCIAL RISK MANAGEMENT *CONTINUED*

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
US dollar – 15% increase	**(2,035,705)**	(2,467,473)	**(892,232)**	(1,424,143)
US dollar – 15% decrease	**2,035,705**	2,467,473	**892,232**	1,424,143

The foreign exchange risk is mainly from related parties payable and receivable balances with foreign related parties.

3.5 Fair value of financial assets and liabilities

All the Group's financial assets and liabilities are measured at amortised cost and due to the short-term nature of these financial instruments, the fair value reasonably approximates the carrying value in the statement of financial position.

3.6 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of Net debt (bank overdrafts, intercompany loans, less cash and bank balances) and the equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the year-end is as follows:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Debt	1,173,870	234,985	248,870	2,335,085
Cash and bank (see Note 11)	(2,518,847)	(14,260,256)	(1,987,131)	(12,395,151)
Net debt	**(1,344,977)**	**(14,025,271)**	**(1,738,261)**	**(10,060,066)**
Equity	45,752,289	45,108,589	33,816,582	33,750,379
Net debt to equity ratio	**-3%**	**-31%**	**-5%**	**-30%**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Capital requirements are generally imposed by the majority shareholder, PZ Cussons (Holdings) Limited U.K.

4A. PROPERTY, PLANT AND EQUIPMENT

Group – 2019

	Leasehold land and buildings N'000	Plant and machinery N'000	Furniture, fittings and IT equipment N'000	Motor vehicles N'000	Capital work in progress N'000	Total N'000
Cost						
At 1 June 2018	19,493,538	22,773,437	3,218,554	569,010	2,109,459	48,163,998
Additions	–	–	–	–	1,454,385	1,454,385
Reclassification	49,291	2,067,864	189,629	–	(2,306,784)	–
At 31 May 2019	**19,542,829**	**24,841,301**	**3,408,183**	**569,010**	**1,257,060**	**49,618,383**
Depreciation						
At 1 June 2018	3,479,648	13,556,901	2,130,280	566,840	–	19,733,669
Charge for the year	360,766	1,784,200	396,717	2,170	–	2,543,853
At 31 May 2019	**3,840,414**	**15,341,101**	**2,526,997**	**569,010**	**–**	**22,277,522**
Net book value						
At 31 May 2019	**15,702,415**	**9,500,200**	**881,186**	**–**	**1,257,060**	**27,340,861**

Group – 2018

	Leasehold land and buildings N'000	Plant and machinery N'000	Furniture, fittings and IT equipment N'000	Motor vehicles N'000	Capital work in progress N'000	Total N'000
Cost						
At 1 June 2017	18,027,325	19,744,453	2,417,282	569,010	4,932,700	45,690,770
Additions	–	–	–	–	2,473,228	2,473,228
Reclassification	1,466,213	3,028,984	801,272	–	(5,296,469)	–
At 31 May 2018	**19,493,538**	**22,773,437**	**3,218,554**	**569,010**	**2,109,459**	**48,163,998**
Depreciation						
At 1 June 2017	3,131,210	11,653,151	1,831,168	560,976	–	17,176,505
Charge for the year	348,438	1,903,750	299,112	5,864	–	2,557,164
At 31 May 2018	3,479,648	13,556,901	2,130,280	566,840	–	19,733,669
Net book value						
At 31 May 2018	**16,013,890**	**9,216,536**	**1,088,274**	**2,170**	**2,109,459**	**28,430,329**

Depreciation expense of N1.81 billion (2018: N1.78 billion) has been charged in 'cost of sales', N0.44 billion (2018: N0.39 billion) in 'selling and distribution expenses' and N0.37 billion (2018: NGN0.39 billion) in 'administrative expenses'.

Construction work in progress as at 31 May 2019 mainly comprises new factory lines and plant enhancement.

There was no capitalised borrowing cost during the years ended 31 May 2019 and 31 May 2018.

There were no assets pledged as security for borrowing during the period (2018: nil).

4A. PROPERTY, PLANT AND EQUIPMENT *CONTINUED*

Company – 2019

	Leasehold land and buildings N'000	Plant and machinery N'000	Furniture, fittings and IT equipment N'000	Motor vehicles N'000	Capital work in progress N'000	Total N'000
Cost						
At 1 June 2018	18,977,049	21,162,768	2,995,347	485,561	2,053,343	45,674,068
Additions	–	–	–	–	1,325,421	1,325,421
Reclassification	48,291	2,019,198	154,936	–	(2,222,425)	–
At 31 May 2019	**19,025,340**	**23,181,966**	**3,150,283**	**485,561**	**1,156,339**	**46,999,489**
Depreciation						
At 1 June 2018	3,446,093	12,935,530	1,924,689	485,561	–	18,791,873
Charge for the year	350,397	1,613,099	385,159	–	–	2,348,655
At 31 May 2019	**3,796,490**	**14,548,629**	**2,309,848**	**485,561**	**–**	**21,140,528**
Net book value						
At 31 May 2019	**15,228,850**	**8,633,337**	**840,435**	**–**	**1,156,339**	**25,858,961**

Company – 2018

	Leasehold land and buildings N'000	Plant and machinery N'000	Furniture, fittings and IT equipment N'000	Motor vehicles N'000	Capital work in progress N'000	Total N'000
Cost						
At 1 June 2017	17,563,147	18,703,342	2,210,574	485,561	4,476,626	43,439,250
Additions	–	–	–	–	2,234,818	2,234,818
Reclassification	1,413,902	2,459,426	784,773	–	(4,658,101)	–
At 31 May 2018	**18,977,049**	**21,162,768**	**2,995,347**	**485,561**	**2,053,343**	**45,674,068**
Depreciation						
At 1 June 2017	3,107,287	11,151,713	1,636,298	483,450	–	16,378,748
Charge for the year	338,806	1,783,817	288,391	2,111	–	2,413,125
At 31 May 2018	**3,446,093**	**12,935,530**	**1,924,689**	**485,561**	**–**	**18,791,873**
Net book value						
At 31 May 2018	**15,530,956**	**8,227,238**	**1,070,658**	**–**	**2,053,343**	**26,882,195**

Depreciation expense of N1.64 billion (2018: N1.64 billion) has been charged in 'cost of sales', N0.37 billion (2018: N0.39 billion) in 'selling and distribution expenses' and N0.34 billion (2018: N0.37 billion) in 'administrative expenses'.

Construction work in progress as at 31 May 2019 mainly comprises new factory lines and plant enhancements.

There was no capitalised borrowing cost during the years ended 31 May 2019 and 31 May 2018.

There were no assets pledged as security for borrowing during the period (2018: nil).

4B. INTANGIBLE ASSETS

	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Cost				
At 1 June	1,059,618	1,017,337	**1,059,618**	1,017,337
Additions	–	42,281	**–**	42,281
At 31 May	**1,059,618**	**1,059,618**	**1,059,618**	**1,059,618**
Accumulated amortisations				
At 1 June	(105,962)	–	**(105,962)**	–
Charge for the year	(105,962)	(105,962)	**(105,962)**	(105,962)
At 31 May	**(211,924)**	**(105,962)**	**(211,924)**	**(105,962)**
Carrying amount				
At 31 May	**847,694**	**953,656**	**847,694**	**953,656**

All intangible assets are non-current. All intangible assets of the Group have finite useful life and are amortised over 10 years in line with its accounting policy. The intangible assets represents cost of Enterprise Resource programme package (SAP) deployed.

5. INVESTMENT IN SUBSIDIARY

	Company 2019 N'000	Company 2018 N'000
At 31 May	**504,406**	504,406

	Investment amount N'000	Country of incorporation and place of business	Nature of business	Proportion of shares held by the Company %	Proportion of shares held by NCI %
HPZ Limited	504,406	Nigeria	Household electrical appliances manufacturer	74.99	25.01

5. INVESTMENT IN SUBSIDIARY *CONTINUED*

HPZ Limited	31/05/2019 N'000	31/05/2018 N'000
Current assets	22,369,124	17,839,263
Non-current assets	2,533,553	2,816,796
Current liabilities	(12,455,165)	(8,799,600)
Non-current liabilities	(76,320)	(103,516)
Equity attributable to owners of the Company	(9,277,159)	(8,805,825)
Non-controlling interests	(3,094,033)	(2,947,118)
Revenue	27,135,549	22,069,779
Expenses	(26,558,053)	(21,773,111)
Profit for the year	**577,496**	**296,668**
Profit attributable to owners of the Company	433,065	214,762
Profit attributable to the non-controlling interests	144,431	81,906
Profit for the year	**577,496**	**296,668**
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	433,065	214,762
Total comprehensive income attributable to the non-controlling interests	144,431	81,906
Total comprehensive income for the year	**577,496**	**296,668**
Net cash outflow from operating activities	(977,752)	(2,090,319)
Net cash outflow from investing activities	(227,479)	(163,838)
Net (cash flow)/ inflow activities	(128,159)	79,653
Net cash (outflow)	**(1,333,390)**	**(2,174,504)**

The amounts disclosed above do not reflect the elimination of intragroup transactions.

6. OTHER LONG-TERM RECEIVABLES

Non-current other receivable of N1.99 billion (2018: N1.99 billion) represent prepayments over 12 months, exports rebates receivable and Negotiable Duty Credit Certificates (now called export credit certificates) due from the Government in respect of exports sales made in the past. These were reclassified from currents assets to other long-term receivables in 2019. In 2018, the advances were made to HPZ distributors to aid the development of their businesses specifically tied to the marketing and sales of HPZ products.

	Group		Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Advances to HPZ Distributors	–	24,483	–	–
Prepayments over 1 year	29,861	–	29,861	–
Export Rebates receivables & Export credit certificates (ECC) – Note 25	1,960,609	1,960,609	1,915,572	1,915,572
	1,990,470	**1,985,092**	**1,945,433**	**1,915,572**

7. INVENTORIES

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Raw materials	9,085,772	11,349,396	9,027,018	11,249,904
Finished goods and goods for resale	11,361,457	8,092,237	6,097,145	5,459,211
Engineering spares and other stocks	2,918,618	2,845,835	2,766,878	2,729,687
Goods in transit	5,233,209	3,752,078	1,277,395	935,667
Total	**28,599,056**	**26,039,546**	**19,168,436**	**20,374,469**

During the year ended 31 May 2019, N383m (2018: N408.3m) was charged to the income statement for obsolete and damaged inventories identified. Also recognised as an expense in the financial statements are engineering spares used for production of N597.6m (2018: N568.1m).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
Receivables due within one year:	**2019 N'000**	2018 N'000	**2019 N'000**	2018 N'000
Trade receivables	10,845,936	9,253,817	5,654,404	5,266,464
Allowance for impairment of trade receivables (Note 8.1)	(1,233,054)	(1,126,844)	(871,275)	(772,301)
Net trade receivables	**9,612,882**	**8,126,973**	**4,783,129**	**4,494,163**
Due from subsidiary (Note 26.2)	–	–	1,584,419	–
Due from related party companies (Note 26.2)	3,989,569	4,029,890	3,989,569	3,250,482
WHT credit note receivable	552,108	–	439,074	–
Advances to Distributors (Note 8.3)	–	106,156	–	–
Other receivables	1,011,227	829,772	696,885	566,226
Total	**15,165,786**	**13,092,791**	**11,493,076**	**8,310,871**

Trade receivables

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 100% against all receivables over 180 days past due, because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities. Trade receivables are considered to be past due when they exceed the credit period granted.

Of the trade receivables balance at the end of the year in financial statements, N586.7 million (2018: N370.10 million) are due from the Group's largest trade debtor. There are no other customers which represent more than 10% of the total balance of trade receivables of the Group after impairment.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

8. TRADE AND OTHER RECEIVABLES *CONTINUED*

8.1 Allowance for impairment of trade receivables

Group

	Trade receivables – days past due						
31 May 2019	Not Due N'000	1–30 N'000	31–60 N'000	61–90 N'000	91–180 N'000	> 180 N'000	Total N'000
Expected credit loss rate	0%	0%	0%	0%	50%	100%	
Estimated total gross carrying amount at default	6,759,354	1,880,417	488,934	382,185	203,986	1,131,061	10,845,936
Lifetime ECL	–	–	–	–	(101,993)	(1,131,061)	(1,233,054)
	6,759,354	**1,880,417**	**488,934**	**382,185**	**101,993**	**–**	**9,612,882**

	Trade receivables – days past due						
31 May 2018	Not Due N'000	1–30 N'000	31–60 N'000	61–90 N'000	91–180 N'000	> 180 N'000	Total N'000
Expected credit loss rate	0%	0%	0%	0%	50%	100%	
Estimated total gross carrying amount at default	4,966,790	1,546,541	1,408,732	76,508	256,804	998,442	9,253,817
Lifetime ECL	–	–	–	–	(128,402)	(998,442)	(1,126,844)
	4,966,790	**1,546,541**	**1,408,732**	**76,508**	**128,402**	**–**	**8,126,973**

Company

	Trade receivables – days past due						
31 May 2019	Not Due N'000	1–30 N'000	31–60 N'000	61–90 N'000	91–180 N'000	> 180 N'000	Total N'000
Expected credit loss rate	0%	0%	0%	0%	50%	100%	
Estimated total gross carrying amount at default	3,411,842	1,100,050	145,217	78,632	94,778	823,886	5,654,404
Lifetime ECL	–	–	–	–	(47,389)	(823,886)	(871,275)
	3,411,842	**1,100,050**	**145,217**	**78,632**	**47,389**	**–**	**4,783,129**

	Trade receivables – days past due						
31 May 2018	Not Due N'000	1–30 N'000	31–60 N'000	61–90 N'000	91–180 N'000	> 180 N'000	Total N'000
Expected credit loss rate	0%	0%	0%	0%	50%	100%	
Estimated total gross carrying amount at default	2,748,465	1,047,315	667,683	14,292	32,816	755,893	5,266,464
Lifetime ECL	–	–	–	–	(16,408)	(755,893)	(772,301)
	2,748,465	**1,047,315**	**667,683**	**14,292**	**16,408**	**–**	**4,494,163**

The Company's exposure to credit and market risks related to trade and other receivables are disclosed in Note 3.1.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Group N'000	Company N'000
Balance as at 1 June 2018 under IAS 39	(1,126,844)	(772,301)
Adjustment upon application of IFRS 9	–	–
Balance as at 1 June 2018 – As restated	**(1,126,844)**	**(772,301)**
Provision for expected credit losses	(106,210)	(98,974)
Write-off	–	–
Changes in credit risk parameters	–	–
Balance at 31 May 2019	**(1,233,054)**	**(871,275)**

8. TRADE AND OTHER RECEIVABLES *CONTINUED*

The movement in the allowance for impairment under IAS 39 for trade receivables during the year was as follows:

	Group N'000	Company N'000
Balance at 1 June 2017	(582,793)	(404,719)
Allowance for impairment (Note 17a)	(158,723)	(147,533)
Reclassification (Note 26.2)	(385,328)	(220,049)
Balance at 31 May 2018	**(1,126,844)**	**(772,301)**

8.2 Trade receivables impaired (ageing)

	Group		Company	
	2019 N'000	2018	**2019 N'000**	2018 N'000
The ageing of impaired trade receivables is as follows:				
Current to 180 days	101,993	128,402	47,389	16,408
Over 180 days	1,131,061	998,442	823,886	755,893
Total	**1,233,054**	**1,126,844**	**871,275**	**772,301**

The impairment loss as at 31 May 2019 relates to several customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due are still collectible, based on historical payment behaviour and extensive analysis of the underlying customers' credit ratings. The impairment loss is included in administrative expenses.

Based on historical default rates, the Company believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables past due, as at the date of the approval of the financial statements.

All trade receivables are denominated in Nigerian Naira.

The credit risk of distributors is assessed at subsidiary and group level, taking into account their financial positions, past experiences and other factors. Individual distributor credit limits are imposed based on these factors.

Distributors are initially brought on board on a cash basis for a period of six months. At the expiration of the six months cash trading period, distributors are free to apply for credit.

8.3 Advances to distributors

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Non current portion (Note 6)	–	24,483	–	–
Current portion	–	106,156	–	–
Total	**–**	**130,639**	**–**	**–**

Included in the advances to suppliers and distributors is N24.5m which relates to the non current portion of advances to HPZ Limited distributors with showrooms.

9. OTHER ASSETS

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Prepayments	123,663	195,271	123,663	149,668
Advances to suppliers	1,146,340	1,322,244	796,340	1,322,244
	1,270,003	**1,517,515**	**920,003**	**1,471,912**

10. DEPOSIT FOR IMPORTS

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Deliverable forwards	–	1,969,933	–	1,767,887
Deposit for letters of credit	2,204,023	366,852	1,590,536	–
Total	**2,204,023**	**2,336,785**	**1,590,536**	**1,767,887**

Deliverable forwards and Deposit for letters of credit represents committed cash no longer available for another purpose other than that for which it has been designated. They represent Naira deposits for foreign currencies purchased for funding of letters of credit and forwards; all related to settlement of invoices emanating from importation of raw materials, spare parts and machinery.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Cash and bank	2,518,847	14,260,256	1,987,131	12,395,151
Short-term borrowing	–	(234,985)	–	(234,985)
Cash and cash equivalents	**2,518,847**	**14,025,271**	**1,987,131**	**12,160,166**

The short-term borrowing relates to LC finance facility; interest rate being LIBOR + 600bps. There was none as at 31 May 2019. There were no assets pledged as security for the borrowing in 2018.

12. SHARE CAPITAL

	2019		2018	
Group and company	**Number in thousands**	**Amount N'000**	Number in thousands	Amount N'000
Authorised:				
Ordinary shares of 50k each	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Allotted, called up and fully paid:				
Ordinary shares of 50k each	**3,970,477**	**1,985,238**	3,970,477	1,985,238

13. DEFERRED TAXATION

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
The analysis of deferred tax liabilities is as follows:				
• Deferred tax liability to be recovered after more than 12 months	3,214,813	2,421,833	4,221,430	3,666,010

The movement in deferred tax liability is as follows:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
At 1 June	2,421,833	2,399,389	3,666,010	3,960,174
Changes during the year:				
• Charged/(credited) to income statement (Note 16)	792,980	22,444	555,420	(294,164)
At 31 May	**3,214,813**	**2,421,833**	**4,221,430**	**3,666,010**

	Group			Company		
	Property, plant and equipment N'000	Provisions N'000	Total N'000	Property, plant and equipment N'000	Provisions N'000	Total N'000
At 1 June 2017	(468,077)	2,867,466	2,399,389	2,855,370	1,104,804	3,960,174
• (Credited)/charged to income statement	22,444	–	22,444	(294,164)	–	(294,164)
At 31 May 2018	**(445,633)**	**2,867,466**	**2,421,833**	**2,561,206**	**1,104,804**	**3,666,010**
(Credited)/charged to income statement	792,980	–	792,980	555,420	–	555,420
At 31 May 2019	**347,347**	**2,867,466**	**3,214,813**	**3,116,626**	**1,104,804**	**4,221,430**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group	
	2019 N'000	2018 N'000
Deferred tax liabilities	4,221,430	3,666,010
Deferred tax assets	(1,006,616)	(1,244,177)
Net Deferred tax liabilities	**3,214,813**	**2,421,833**

14. WARRANTY PROVISIONS

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
At 1 June	187,896	271,775	–	–
Charged to the income statement	183,028	84,380	–	–
Utilised in the year	(111,576)	(168,259)	–	–
At 31 May	**259,348**	**187,896**	**–**	**–**
The ageing of the warranty provision is as follows:				
Within 12 months	183,028	84,380	–	–
Greater than 12 months	76,320	103,516	–	–
Total	**259,348**	**187,896**	**–**	**–**

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on electrical products, based on past experience and industry averages for defective products.

The Group generally offers 1–3 year warranties for its electrical products and components. Directors estimate the related provision for future warranty claims based on historical warranty claim information, as well as recent trends. Factors that could impact the estimated claim information include the success of the Group's product and quality initiatives, as well as spare parts and labour costs.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Trade payables	3,546,519	2,585,052	2,640,268	2,531,533
Unclaimed Dividend (Note 15.1)	1,966,545	2,120,565	1,966,545	2,120,565
Accruals	3,176,166	3,164,472	2,343,155	2,413,922
Amount owed to subsidiary (Note 26)	–	–	6,186,173	4,867,624
Amounts owed to related parties (Note 26)	20,087,395	31,406,909	11,521,223	23,855,218
Gratuity accruals	155,654	179,191	134,254	159,607
Sundry Creditors	1,585,019	748,660	1,293,053	518,568
Total	**30,517,298**	**40,204,849**	**26,084,671**	**36,467,037**

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days. No interest is charged by the Group's suppliers on all its outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 3.2. The Directors consider the carrying amount of trade and other payables to approximate their fair value.

Included in the amounts reported as accruals relates to customer rebates of about N548m (2018: N665m). Duty and clearing costs amount to N942m (2018: N918m).

15. TRADE AND OTHER PAYABLES *CONTINUED*

15.1 Unclaimed dividend

The following dividends were declared by the Group during the year:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Declared in 2018(15 kobo) while in 2017 (50 kobo) per qualifying ordinary share	**595,572**	**1,985,238**	**595,572**	**1,985,238**

After the end of the reporting period, a dividend of N595.57 million representing 15 kobo per qualifying ordinary share (2018: 15 kobo) was proposed by the directors (2018: N595.57 million). The dividends have not been provided for and there are no income tax consequences until the dividend is declared.

15.1b Movement in unclaimed dividend

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Balance at 1 June	2,120,565	1,923,007	2,120,565	1,923,007
Dividend declared with respect to prior year	595,572	1,985,238	595,572	1,985,238
Payments during the year to First Registrars	(595,572)	(1,985,238)	(595,572)	(1,985,238)
Unpaid dividend received (see (ii) below)	61,205	297,594	61,205	297,594
Refund of overdrawn dividend payments (see (iii) below)	(131,805)	(71,206)	(131,805)	(71,206)
Statute barred dividend transferred to retained earnings (see (ii) below)	(83,420)	(28,830)	(83,420)	(28,830)
Balance at 31 May	**1,966,545**	**2,120,565**	**1,966,545**	**2,120,565**

The balance as at year end is included in trade and other payables (Note 15).

(i) Unclaimed dividends received and transferred to retained earnings (statute barred dividends) represent dividends which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004.
(ii) In accordance with the Securities and Exchange Commission (SEC) circular published in 2015, all Capital Market Registrars are to return unclaimed dividends which have been in their custody for fifteen (15) months and above to the paying companies. The Group received N61.205 million from First Registrars Limited during the year (2018: N297.594 million).
(iii) This refers to dividend payments made by First Registrars on behalf of PZ Cussons Nigeria Plc now refunded.

16. TAXATION

	Group		Company	
Income tax expense:	**2019 N'000**	2018 N'000	**2019 N'000**	2018 N'000
Company income tax in respect of current year	178,671	393,164	178,671	392,828
Education tax in respect of current year	14,322	77,425	14,322	77,425
Reversal of over-provision of prior year tax	(199,377)	(106,644)	(199,377)	(69,906)
Total current tax	**(6,384)**	**363,945**	**(6,384)**	**400,347**
Deferred tax:				
Current year charge/(credit) to income statement	835,445	262,027	508,151	88,027
(Over)/Under provision in prior year	(42,465)	(239,583)	47,269	(382,191)
Total deferred tax (Note 13)	**792,980**	**22,444**	**555,420**	**(294,164)**
Income tax expense	**786,596**	**386,389**	**549,036**	**106,183**

16. TAXATION CONTINUED

Effective tax reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Profit before tax	**1,942,447**	**2,313,509**	**1,127,391**	**1,736,740**
Income tax using the domestic corporation tax rate of 30% (2018:30%)	582,734	694,053	338,217	521,022
Tax effects of:				
Non-deductible expenses	431,381	95,316	348,605	94,011
Education tax levy	14,322	77,425	14,322	77,425
Prior year tax adjustments recognised in current year	(241,841)	(346,227)	(152,108)	(452,097)
Tax incentives	–	(92,732)	–	(92,732)
Tax exempt income	–	(41,446)	–	(41,446)
Total income tax expense in income statement	**786,596**	**386,389**	**549,036**	**106,183**

The current tax charge has been computed at the applicable rate of 30% (31 May 2018: 30%) plus education levy of 2% (31 May 2018: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as donations, and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income for the Group is mainly made up of export proceeds not subject to tax.

The movement in the current income taxation payable is as follows:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
At 1 June	457,818	2,555,256	457,708	988,994
Tax charge for the year	(6,384)	363,945	(6,384)	400,347
WHT utilised during the year	(101,999)	(100,725)	(101,889)	(69,906)
Tax paid during the year	(156,442)	(2,360,658)	(156,442)	(861,727)
At 31 May	**192,993**	**457,818**	**192,993**	**457,708**

At the statement of financial position date, the Group and the Company have no unused tax losses available for offset against future profits.

17A. EXPENSE BY NATURE

	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Changes in inventories of finished goods and work in progress	49,666,107	46,469,271	27,549,975	29,807,032
Personnel cost (Note 21.4)	7,797,499	7,181,356	6,122,806	5,732,094
Fuel and gas	1,622,102	2,751,882	1,584,690	2,707,559
Depreciation (Note 4a)	2,543,853	2,557,164	2,348,655	2,413,125
Amortisation charge – Intangible assets (Note 4b)	105,962	105,962	105,962	105,962
Auditors remuneration	50,945	45,457	37,987	36,648
Directors emoluments (Note 21.1)	235,903	314,392	235,903	323,821
Rent and rates	201,848	201,834	212,648	161,961
Insurance	423,763	425,184	416,704	426,877
Freight/carriage cost	3,255,843	3,738,298	2,148,741	2,848,313
Security	338,734	394,968	336,578	393,921
PZ Foundation donation	50,000	50,000	50,000	50,000
Global shared services support	–	1,562,967	–	1,562,967
Vehicle repairs and maintenance	183,814	206,118	147,645	162,032
Technical Know, R&D support, Trademark (Royalty) & Management fees (Note 23)	3,035,091	3,597,267	3,035,091	3,597,267
Advertising and market promotions	1,514,636	1,101,232	871,701	768,370
Provision for doubtful debt (Note 8.1)	106,210	158,723	98,974	147,533
Vehicle leasing	626,571	633,455	505,699	528,843
General and other expenses	304,575	829,197	363,053	1,313,633
	72,063,456	**72,324,727**	**46,172,812**	**53,087,958**

	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Cost of sales	57,235,233	56,097,215	34,997,013	39,816,689
Selling and distribution expenses	10,695,229	9,601,809	7,406,105	7,155,730
Administrative expenses	4,132,994	6,625,703	3,769,694	6,115,539
	72,063,456	**72,324,727**	**46,172,812**	**53,087,958**

17B. EXCHANGE LOSS

	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Foreign exchange loss	444,277	5,391,604	381,673	3,121,710

18A. OTHER INCOME

	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Scrap sales and rental income	**122,742**	**128,748**	**263,313**	**269,320**

18B. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see Note 19).

The Group analyses its net revenue by the following categories:

	Group 2019 N'000	Group 2018 N'000	Company 2019 N'000	Company 2018 N'000
Home and Personal Care Products	47,200,919	58,483,029	47,200,919	58,483,029
Durable Electrical appliances	27,135,549	22,069,779	–	–
	74,336,468	**80,552,808**	**47,200,919**	**58,483,029**

19. OPERATING SEGMENTS

The Chief operating decision-maker has been identified as the Executive Management which comprises the five Executive Directors.

The Executive Management reviews the Group's internal reporting in order to assess performance and allocate resources. Management 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 characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report.

The Executive Management considers the business from products perspective, with branded consumer goods and durable electrical appliances being the reporting segments. The Executive Management assesses the performance based on operating profit before any exceptional items.

The principal categories of customers are wholesalers. The Group's reportable segments under IFRS 8 are therefore as follows:

Segment	Description
Home and Personal Care Products	This includes the production and sale of Morning Fresh, Zip, Canoe, Premier, Excel, Joy, Stella, Venus, Imperial Leather, Cussons Baby, Original Source, Carex, Robb etc.
Durable Electrical Appliances	This includes the production and sale of Haier Thermocool Refrigerators, Freezers, Televisions, Generators, Air conditioners, Washing Machines etc.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments. This is the measure reported to the Group's Executive Management for the purpose of resource allocation and assessment of segment performance.

19.1 Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2019:

As at May 2019	Home and Personal Care Products N'000	Durable electrical appliances N'000	Eliminations N'000	Total N'000
Revenue				
Total gross segment revenue	47,200,919	27,135,549	–	74,336,468
Intersegment revenue	–	–	–	–
Total Revenue	**47,200,919**	**27,135,549**	**–**	**74,336,468**
Segment operating profit	1,028,107	1,244,905	–	2,273,012
Depreciation (Note 4a)	(2,348,655)	(195,198)	–	(2,543,853)
Interest income (Note 27)	393,512	71,561	(170,076)	294,997
Interest cost (Note 27)	(175,868)	(298,235)	170,076	(304,027)
Profit before taxation	**1,127,391**	**815,056**	**–**	**1,942,447**
Taxation (Note 16)	(549,036)	(237,560)	–	(786,596)
Profit after taxation	**578,355**	**577,496**	**–**	**1,155,851**

19. OPERATING SEGMENTS *CONTINUED*

The following is an analysis of the Group's revenue and results by reportable segment in 2018:

As at May 2018	Home and Personal Care Products N'000	Durable electrical appliances N'000	Eliminations N'000	Total N'000
Revenue				
Total gross segment revenue	58,483,029	22,069,779	–	80,552,808
Intersegment revenue	–	–	–	–
Total Revenue	**58,483,029**	**22,069,779**	**–**	**80,552,808**
Segment operating profit	5,395,029	2,833,010	–	8,228,039
Depreciation (Note 4)	(2,413,125)	(144,039)	–	(2,557,164)
Interest income (Note 27)	106,085	232,546	(157,974)	180,657
Interest cost (Note 27)	(912,026)	(78,321)	157,974	(832,373)
Profit before taxation	**1,736,740**	**576,769**	**–**	**2,313,509**
Taxation (Note 16)	(106,183)	(280,206)	–	(386,389)
Profit after taxation	**1,630,557**	**296,563**	**–**	**1,927,120**

The Group is domiciled in Nigeria. The result of its revenue from external customers in Nigeria is N73.6 billion (2018: N78.6 billion) and the total of revenue from external customers from other countries is N0.8 billion (2018: N1.9 billion).

19.2 Segment assets

As at May 2019	Home and Personal Care Products N'000	Durable electrical appliances N'000	Eliminations N'000	Total N'000
Property plant and equipment (Note 4a)	25,858,961	1,481,900	–	27,340,861
Intangible assets (Note 4b)	847,694	–	–	847,694
Financial assets (Note 3.1)	14,956,705	4,136,429	–	19,093,134
Inventory (Note 7)	19,168,436	9,430,620	–	28,599,056
Total segment assets	**60,831,796**	**15,048,949**	**–**	**75,880,745**
Unallocated assets	3,483,880	572,115	–	4,055,995
Consolidated total assets	**64,315,676**	**15,621,064**	**–**	**79,936,740**

As at May 2018	Home and Personal Care Products N'000	Durable electrical appliances N'000	Eliminations N'000	Total N'000
Property plant and equipment (Note 4a)	26,882,195	1,548,134	–	28,430,329
Intangible assets (Note 4b)	953,656	–	–	953,656
Financial assets (Note 3.1)	22,621,594	6,716,545	–	29,338,139
Inventory (Note 7)	20,374,469	5,665,077	–	26,039,546
Total segment assets	**70,831,914**	**13,929,756**	**–**	**84,761,670**
Unallocated assets	3,744,205	110,095	–	3,854,300
Consolidated total assets	**74,576,119**	**14,039,851**	**–**	**88,615,970**

The total segment assets located in Nigeria is N75.9 billion (2018: N84.8 billion), and the total of such segment assets located in other countries is Nil (2018: Nil).

For the purposes of monitoring segment performance and allocating resources between segments the Group's Executive Board monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in subsidiaries, other financial assets (except for trade and other receivables) (see Note 8) and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

19. OPERATING SEGMENTS CONTINUED

19.3 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Home and Personal Care Products	2,454,617	2,519,087	1,325,421	2,234,818
Durable Electrical Appliances	195,198	144,039	128,964	238,410
	2,649,815	**2,663,126**	**1,454,385**	**2,473,228**

The depreciation and amortisation as well as the additions to non-current assets reported above, were recognised in respect of property, plant and equipment only.

19.4 Revenues from major products and services

The Group's revenues from its major products and services are disclosed in Note 18b.

19.5 Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
Group	**2019 N'000**	2018 N'000	**2019 N'000**	2018 N'000
Domestic (within Nigeria)	73,576,973	78,633,082	30,179,025	31,369,077
Export (outside Nigeria)	759,495	1,919,726	–	–
Total revenue from contracts with customers	**74,336,468**	**80,552,808**	**30,179,025**	**31,369,077**

	Revenue from external customers		Non-current assets	
Company	**2019 N'000**	2018 N'000	**2019 N'000**	2018 N'000
Domestic (within Nigeria)	46,441,424	56,563,303	29,156,494	30,255,829
Export (outside Nigeria)	759,495	1,919,726	–	–
Total revenue from contracts with customers	**47,200,919**	**58,483,029**	**29,156,494**	**30,255,829**

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

The Company facilitates export sales for a related company – Nutricima Ltd which is also domiciled in Nigeria. Proceeds of such export activities are repatriated back to the country in line with government policy guidelines.

19.6 Information about major customers

No single external customer either within or outside Nigeria contributed up to 10% of the revenue for the year. Therefore, information on major customers is not presented.

20. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

	Group		Company	
	2019	2018	2019	2018
Profit attributable to equity holders of parent company (N'000)	1,011,420	1,845,214	578,355	1,630,557
Weighted average number of ordinary shares in issue ('000)	3,970,477	3,970,477	3,970,477	3,970,477
Basic earnings per share (Naira/share)	0.25	0.46	0.15	0.41

Diluted EPS is the same as basic earnings per share as there are no potential dilutive ordinary shares or transactions.

21. DIRECTORS AND EMPLOYEES EMOLUMENTS

21.1 Chairman and directors' emoluments:

	Group		Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Chairman	9,050	8,800	9,050	8,800
Directors	226,853	315,021	226,853	315,021
Total	**235,903**	**323,821**	**235,903**	**323,821**
As fees (As per Non Executive Directors)	7,000	7,000	7,000	7,000
Other emoluments (As per Non Executive Directors)	27,050	25,800	27,050	25,800
Emoluments as per Executive Directors	201,853	291,021	201,853	291,021
Total	**235,903**	**323,821**	**235,903**	**323,821**

Included in emoluments to Executive Directors is pension paid to them during the year.

21.2 Number of directors excluding the chairman, whose emoluments fell within the following ranges were:

	Group		Company	
21.2.1 Executive Directors	2019 Number	2018 Number	2019 Number	2018 Number
N10,000,000–N20,000,000	2	1	2	1
N20,000,001–N30,000,000	1	1	1	1
N30,000,001–N40,000,000	–	1	–	1
N80,000,001–N90,000,000	1	–	1	–
N90,000,001–N100,000,000	1	–	1	–
N100,000,001–N125,000,000	–	2	–	2
Directors with salaries and allowances as emoluments	**5**	**5**	**5**	**5**
21.2.2 Non Executive Directors				
N1,000,000–N5,000,000	–	–	–	–
N5,000,001–N10,000,000	5	5	5	5
Directors with fees and emoluments	**5**	**5**	**5**	**5**
Directors with no emoluments	–	–	–	–
Total	**5**	**5**	**5**	**5**

21. DIRECTORS AND EMPLOYEES EMOLUMENTS *CONTINUED*

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
21.3 Highest paid director received	**96,910**	**120,471**	**96,910**	**120,471**

21.4 Personnel expenses

(a) Personnel expenses for the year comprise of the following:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Salaries, wages and other employee expenses	6,917,670	6,283,106	5,423,486	4,978,224
Pension costs – defined contribution plan	552,215	499,042	426,072	380,718
Pension costs – gratuity scheme	327,614	399,208	273,248	373,152
Total	**7,797,499**	**7,181,356**	**6,122,806**	**5,732,094**

Other employee expenses include incentives, medical and other employee benefits.

(b) Number of employees of the Group and Company as at 31 May, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges.

	Group		Company	
	2019 Number	2018 Number	**2019 Number**	2018 Number
N300,001 – N400,000	31	1	26	–
N400,001 – N500,000	39	29	4	–
N500,001 – N600,000	26	63	4	35
N600,001 – N700,000	58	265	3	204
N700,001 – N800,000	108	423	1	332
N800,001 – N900,000	273	208	3	134
N900,001 – N1,000,000	255	83	4	42
N1,000,001 – N1,100,000	145	41	–	13
N1,100,001 – N1,200,000	73	43	1	39
N1,200,001 – N1,300,000	49	14	1	9
N1,300,001 – N1,400,000	22	3	1	1
N1,400,001 – N1,500,000	11	9	4	3
N1,500,001 and above	302	337	957	276
Total	**1,392**	**1,519**	**1,009**	**1,088**

(c) The number of full-time persons employed per function as at 31 May was as follows:

	Group		Company	
	2019 Number	2018 Number	**2019 Number**	2018 Number
Production	1,016	1,095	734	778
Sales and distribution	237	280	147	179
Administration	139	144	128	131
Total	**1,392**	**1,519**	**1,009**	**1,088**

22. CONTINGENCIES

Pending litigation and claims

The Group is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of these pending litigations amounted to N166.19 million as at 31 May 2019 (2018: N30 million). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus no provision has been made in these financial statements.

Financial commitments

In the normal course of business, the Group uses letters of credit to import materials. The total value of open letters of credit as at 31 May was N13.65 billion (2018: N8.41 billion).

Capital commitments

Below represents capital commitments for the acquisition of property, plant and equipment not provided for in the financial statements:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Authorised and contracted	1,271,077	690,310	1,243,747	679,223
Authorised but not contracted	122,449	534,915	81,981	478,205
Total	**1,393,526**	**1,225,225**	**1,325,728**	**1,157,428**

23. TECHNICAL SERVICE FEE

The amount payable for Technical Knowhow, R & D support and Trademark (Royalty) represents a total of 4.5% (2018: 4.5%) of the Net Invoice Value for the year while Management fee licensing agreement is based on 4% (2018: 4%) of the Profit before tax. For the year ended 31 May 2019, the total technical service fee of N3,035,091,420 (2018: N3,597,267,400) was recognised in these financial statements inclusive of 5% VAT. The agreements were made with the approval of the National Office for Technology Acquisition and promotion (NOTAP). They were renewed in 2016 for a period of three (3) years with effect from 1 June 2016 to 31 May 2019 (See Note 26.2).

24. OPERATING LEASES

The Group leases motor vehicles under operating leases. The leases typically run for a period of three to four years, with an option to renew the lease after that date. Lease payments are usually increased at the expiration of the lease term and consequent renewal to reflect market rentals. Advance payments outstanding in respect of these leases at year end amounts to N796.3 million (2018: N801.6 million).

During the year ended 31 May 2019 an amount of N626.6 million (2018: N633.4 million) was recognised as an expense in profit or loss in respect of operating leases.

Since the motor vehicles title does not pass to the Group, it was determined that substantially all the risks and rewards of the motor vehicles are with the owners. As such, the Group determined that the leases are operating leases.

25. EXPORT EXPANSION GRANT SCHEME (EEG)

The Export Expansion Grant ('EEG' or 'the Scheme') is one of the export incentives introduced by the Federal Government of Nigeria through the Export (Incentives and Miscellaneous Provisions) Act, No. 18 of 1986 as amended by the Export (Incentives and Miscellaneous Provisions) Act, No.65 of 1992, Cap E19, Laws of the Federation of Nigeria (LFN). It is a post-shipment incentive designed to improve the competitiveness of Nigerian products and commodities and expand the country's volume and value of non-oil exports.

The 'Export Expansion Grant scheme (EEG)' is a very vital incentive of the Federal Government of Nigeria required for the stimulation of export oriented activities that will lead to significant growth of the non-oil export sector. Having met the eligibility criteria and registered under the scheme by the Nigerian Export Promotion Council (NEPC), the Group is entitled to a rebate on export sales in as much as the Group can demonstrate that all the conditions precedent have been met.

Export rebate receivable is recognised at the rate of 15% on the related export proceeds. The weighted eligibility criteria has 4 bands: 15%, 7.5% and 5%. Approval of the rebate is subject to meeting thresholds of the following eligibility criteria: local value added, local content, employment (Nigerians), priority sector, export growth and capital investment.

The grant is recognised as a credit to cost of sales and as a receivable from the Government (Note 6). The related receivable balances with respect to the EEG scheme are:

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Export Expansion Grant Receivable (Note 6)	1,663,118	1,663,118	1,643,659	1,643,659
Export Credit Certificates (ECC) – Note 6	297,491	297,491	271,913	271,913
Total	**1,960,609**	**1,960,609**	**1,915,572**	**1,915,572**

25. EXPORT EXPANSION GRANT SCHEME (EEG) *CONTINUED*

Negotiable Duty Credit Certificate (NDCC): The NDCC now called Export Credit Certificate (ECC) in line with the revised guidelines for Export Expansion Grant (EEG) scheme can be used to settle all Federal government taxes such as company income tax, VAT, WHT, etc., and the following:

(a) purchase of Federal Government Bonds,
(b) settlement of credit facilities by Bank of Industry (BOI), Nigerian Export-Import Bank (NEXIM) and Central Bank of Nigeria (CBN) intervention facilities,
(c) settlement of Asset Management Corporation of Nigeria (AMCON) liabilities.

With respect to the EEG receivable, below is the ageing analysis:

	EEG ≤1 year N'000	1≥ EEG ≤ 2 years N'000	EEG > 2 years N'000	Total N'000
Group – 31 May 2019	**–**	**–**	**1,663,118**	**1,663,118**
Group – 31 May 2018	–	–	1,663,118	1,663,118
Company – 31 May 2019	**–**	**–**	**1,643,659**	**1,643,659**
Company – 31 May 2018	–	–	1,643,659	1,643,659

Though a significant component of the NDCC and EEG receivable have been outstanding for more than 1 year, no impairment charges have been made because they are regarded as sovereign debts. Moreover, the Government have not communicated or indicated unwillingness to honour the obligations. Thus, the outstanding balances have now been classified as non current assets in 2019.

In March 2017 NEPC issued a circular requesting exporters to submit EEG baseline data and then in December 2017 retrieved all the NDCC in hand. With the revised Export Expansion Grant (EEG) scheme, these NDCC and export incentives would be settled via the issuance of promissory notes with tenor of between 5–7 years to beneficiaries. In view of these government policy measures, the directors believe that government has shown interest in revitalising the EEG scheme thus, a further boost to the recoverability of both the EEG and unutilised NDCC.

The unutilised NDCC is an instrument with no specific expiry date hence, the recoverability of the instrument is not in doubt.

26. RELATED PARTY TRANSACTIONS

26.1 Group and Company

The Group and Company are controlled by PZ Cussons (Holdings) Limited, incorporated in the UK, which owns 73.27% (2018: 73.27%) of the Group and Company's shares. The remaining 26.73% (2018: 26.73%) of the shares are widely held. The Group's parent is PZ Cussons (Holdings) Limited (incorporated in the UK) and its global ultimate parent is PZ Cussons Plc.

All intercompany trading balances are settled in cash. There was no provision for doubtful related party receivables at 31 May 2019 (31 May 2018: Nil) and no charges to the income statement in respect of doubtful related party receivables for the years then ended.

The Company controls HPZ Limited in which it has controlling interest. These are detailed in Note 5.

26. RELATED PARTY TRANSACTIONS *CONTINUED*

26.2 Transactions with related parties

Purchase of goods and services

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Purchases of goods from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (parent company):				
• PZ Cussons International Limited	–	–	–	–
• Seven Scent Limited	3,679,661	5,957,647	3,679,661	5,957,647
• PZ Cussons Singapore Private Limited	32,545,694	33,583,333	11,312,817	18,514,460
• PZ Cussons Indonesia	3,003	–	3,003	–
• PZ Cussons Thailand	18,145	–	18,145	–
	36,246,503	**39,540,980**	**15,013,626**	**24,472,107**
Purchases of services from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (parent company):				
• R& D Support – PZ Cussons International Limited	488,154	626,856	488,154	626,856
• Technical Know how fees – PZ Cussons International Limited	2,284,129	2,600,982	2,284,129	2,600,982
• Trademark (Royalty) – PZ Cussons International Limited	232,455	298,503	232,455	298,503
• Management fees – PZ Cussons International Limited	30,353	70,926	30,353	70,926
	3,035,091	**3,597,267**	**3,035,091**	**3,597,267**
Recharge of services from PZ Cussons (Holdings) Limited (parent company)				
• Global shared services support	–	1,562,967	–	1,562,967
Total	**39,281,594**	**44,701,214**	**18,048,717**	**29,632,341**
Sales of goods				
• PZ Cussons Ghana Limited	759,495	1,919,726	759,495	1,919,726
• PZ Cussons East Africa Limited, Kenya	–	–	–	–
	759,495	**1,919,726**	**759,495**	**1,919,726**
Recharge of service cost recovery – Distribution fees				
• HPZ Limited (Subsidiary)	–	–	2,184,784	1,728,471
• Harefield Industrial Nigeria Limited	630,205	543,315	630,205	543,315
• Nutricima Limited	793,366	1,501,697	793,366	1,501,697
• PZ Coolworld Limited	55,838	62,017	55,838	62,017
• PZ Wilmar Limited	–	–	–	–
• PZ Wilmar Food Limited	13,036	11,494	13,036	11,494
Sub Total – (A)	**1,492,445**	**2,118,523**	**3,677,229**	**3,846,994**
Recharge of local shared services by PZ Cussons Nigeria Plc				
• HPZ Limited (Subsidiary)	–	–	2,031,697	1,232,478
• Harefield Industrial Nigeria Limited	586,047	387,408	586,047	387,408
• Nutricima Limited	737,775	1,070,778	737,775	1,070,778
• PZ Coolworld Limited	51,925	44,221	51,925	44,221
• PZ Wilmar Limited	–	–	–	–
• PZ Wilmar Food Limited	12,123	8,196	12,123	8,196
Sub Total – (B)	**1,387,870**	**1,510,603**	**3,419,567**	**2,743,081**
Net Recharge/Recovery of service cost (A–B)	**104,575**	**607,920**	**257,662**	**1,103,913**
Total	**864,070**	**2,527,646**	**1,017,157**	**3,023,639**

26. RELATED PARTY TRANSACTIONS *CONTINUED*

Key management personnel compensation

Key management have been determined as directors (executive and non-executive) and the chairman. Details of their compensation is as shown in Note 21. No loans were advanced to any key personnel management during the year.

Year-end balances arising from sales/purchases of goods and services

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Due to:				
• **Subsidiaries of PZ Cussons Nigeria Plc**				
• HPZ Limited	–	–	6,186,173	4,867,624
Sub Total			**6,186,173**	**4,867,624**
• Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK				
• PZ Cussons International Limited	6,198,240	13,016,635	5,354,567	11,899,017
• Seven Scent Limited	1,542,978	3,938,183	1,542,978	3,938,183
• PZ Cussons Singapore Private Limited	8,380,908	9,658,809	1,583,409	3,285,470
• PZ Cussons (Holdings) Limited	7,890	1,385,175	7,890	1,379,295
• PZ Cussons Indonesia	–	17,251	–	17,251
• PZ Cussons (Thailand) Limited	8,830	4,112	8,830	4,112
• PZ Cussons India Private Limited	–	6,155	–	6,155
• Minerva SA Limited, Greece	–	4,269	–	113
• PZ Cussons Ghana Limited	–	50,698	–	–
• PZ Cussons East Africa Limited	–	–	–	–
• HPZ Limited	–	–	–	–
• Nutricima Limited	2,205,539	1,580,568	1,330,539	1,580,568
• Harefield Industrial Nigeria Limited	1,663,094	1,745,054	1,663,094	1,745,054
• PZ Wilmar Limited	29,916	–	29,916	–
• PZ Coolworld Limited	50,000	–	–	–
Sub Total	**20,087,395**	**31,406,909**	**11,521,223**	**23,855,218**
Total	**20,087,395**	**31,406,909**	**17,707,396**	**28,722,842**
Due from:				
• **Subsidiaries of PZ Cussons Nigeria Plc**				
• HPZ Limited	–	–	1,584,419	–
Sub Total	**–**	**–**	**1,584,419**	**–**
• Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK				
• PZ Cussons International Limited	–	–	–	–
• Seven Scent Limited	–	–	–	–
• PZ Cussons Singapore Private Limited	–	63,349	–	63,349
• PZ Cussons Ghana Limited	712,172	1,011,491	712,172	1,011,492
• PZ Cussons East Africa Limited, Kenya	31,444	24,132	31,444	24,132
• PZ Cussons MESA, Dubai	–	–	–	–
• Nutricima Limited	–	324,616	–	324,616
• Harefield Industrial Nigeria Limited	189,900	41,024	189,900	–
• PZ Coolworld Limited	2,127,960	2,078,322	2,127,960	1,339,937
• PZ Wilmar Limited	928,093	486,956	928,093	486,956
Sub Total	**3,989,569**	**4,029,890**	**3,989,569**	**3,250,482**
Total	**3,989,569**	**4,029,890**	**5,573,988**	**3,250,482**

Balances arising from sales/purchases of goods and services are revolving balances settled within 30 days after the end of the month.

26. RELATED PARTY TRANSACTIONS *CONTINUED*

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Included within the closing balances above are short-term cash advances due from related parties as follows:				
• HPZ Limited	–	–	1,580,676	–
• Nutricima Limited	–	46,000	–	46,000
• Harefield Industrial Nigeria Limited	189,900	–	189,900	–
• PZ Coolworld Limited	1,694,000	1,570,000	1,694,000	970,000
	1,883,900	**1,616,000**	**3,464,576**	**1,016,000**
Included within the closing balances above are short-term cash advances due to related parties as follows:				
• HPZ Limited	–	–	–	900,000
• Nutricima Limited	–	–	248,870	–
• Harefield Industrial Nigeria Limited	1,123,870	–	–	1,200,100
• PZ Coolworld Limited	50,000	–	–	–
	1,173,870	**–**	**248,870**	**2,100,100**

** Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited, UK.
*** Included within the Nutricima balance in the prior year, is the allowance for doubtful debts of 385.33m (Group) and N220.05m (Company), which was reclassified to PZ Cussons Nigeria Plc.

The entities categorised as Joint Ventures and subsidiaries of PZ Cussons (Holdings) Limited, UK are:

Local entities: Nutricima Limited, Harefield Industrial Nigeria Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited.

Foreign entities: PZ Cussons International Limited, PZ Cussons Singapore Private Limited, PZ Cussons (Thailand) Limited, PZ Cussons Ghana Limited, PZ Cussons East Africa Limited, PZ Cussons Mesa, PZ Cussons Indonesia, PZ Cussons India Private Limited and Seven Scent Limited.

27. INTEREST ON ADVANCES FROM RELATED ENTITIES AND SHORT-TERM BORROWINGS FROM BANKS

During the year, the Group and Company obtained and gave short-term advances at 13% p.a. from and to related parties. These advances were drawn down or disbursed in various amounts and ran throughout the twelve months duration of the financial years ended 31 May 2019 and 31 May 2018.

The Group and Company incurred interest cost of N304 million (2018: N832.4 million) and N175.9 million (2018: N912 million) as well as earned N295 million (2018: N180.7 million) and N393.5 million (2018: N106.1 million) respectively on short-term advances to related parties. All inter-company interest has been eliminated on consolidation. The uneliminated interest income and interest expense on consolidation relates to interest earned and interest paid on transactions with other related parties (i.e. Nutricima Limited, Harefield Industrial Nigeria Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited) outside of the PZ Cussons Nigeria Plc Group.

	Group		Company	
	2019 N'000	2018 N'000	**2019 N'000**	2018 N'000
Interest paid to related companies				
HPZ Limited	–	–	–	(157,974)
Nutricima Limited	(197,954)	(264,467)	(126,315)	(264,467)
Harefield Industrial Nigeria Limited	–	(122,510)	–	(122,510)
PZ Coolworld Limited	–	(1,263)	–	–
	(197,954)	**(388,240)**	**(126,315)**	**(544,951)**
Net interest paid to third parties/Banks	**(106,073)**	**(444,133)**	**(49,553)**	**(367,075)**
Total Interest cost	**(304,027)**	**(832,373)**	**(175,868)**	**(912,026)**
Interest earned from related companies				
PZ Coolworld Limited	108,247	17,193	91,991	17,193
Nutricima Limited	–	60,242	–	–
HPZ Limited	–	–	170,077	–
Harefield Industrial Nigeria Limited	55,769	247	16,103	–
PZ Wilmar Limited	115,341	88,892	115,341	88,892
	279,357	**166,574**	**393,512**	**106,085**
Net interest earned from third parties/Banks	**15,640**	**14,083**	**–**	**–**
Total Interest income	**294,997**	**180,657**	**393,512**	**106,085**
Net finance (cost)/income	**(9,030)**	**(651,716)**	**217,644**	**(805,941)**

28. DIVIDENDS

Amounts recognised as dividends to ordinary shareholders in the year:

Final dividend for the year ended 31 May 2018 was paid during the year ended 31 May 2019 while final dividend for the year ended 31 May 2017 was paid during the year ended 31 May 2018. This is consistent with the Group's policy of recognising dividend as a liability in the period it is approved by the shareholders.

As disclosed in Note 30, final dividend in respect of the year ended 31 May 2019 of 15 kobo per share amounting to a total dividend of N595,571,550 is subject to the approval of the shareholders at the Annual General Meeting of the Company for the year then ended. Accordingly, there is no provision for the dividend in these financial statements. This dividend is being funded from the earnings of the year.

29. RECLASSIFICATIONS

Prior year amounts have been re-grouped to align with current year presentation. This does not have any material impact on the results.

30. EVENTS AFTER REPORTING DATE

A dividend in respect of the year ended 31 May 2019 of 15 kobo per share amounting to a total dividend of N595,571,550 was declared at the Board meeting held on 27 August 2019. No provision for the dividend is recognised in the financial statements for the year then ended because dividend is recognised as a liability in the period it is approved by shareholders.

There are no other events after reporting date which would have had any material effect on the statement of financial position as at 31 May 2019 and on the profit for the year then ended.

OTHER NATIONAL DISCLOSURES
Statement of value added
Year ended 31 May 2019

	Group				Company			
	2019 N'000	%	2018 N'000	%	**2019 N'000**	%	2018 N'000	%
Revenue	74,336,468		80,552,808		47,200,919		58,483,029	
Other income	122,742		128,748		263,313		269,320	
Interest income	294,997		180,657		393,512		106,085	
Brought-in-materials and services:								
• Imported	(45,640,740)		(49,183,379)		(28,083,395)		(35,027,355)	
• Local	(16,419,679)		(18,688,470)		(9,893,667)		(12,931,132)	
VALUE ADDED	**12,693,788**	**100**	**12,990,364**	**100**	**9,880,682**	**100**	**10,899,947**	**100**
APPLIED AS FOLLOWS:								
To pay employees:								
• Salaries, wages and other benefits	7,797,499	62	7,181,356	55	6,122,806	62	5,732,094	52
To pay government:								
• Income and education taxes	(6,384)	0	363,945	3	(6,384)	0	400,347	4
To pay providers of capital:								
• Interest cost	304,027	2	832,373	6	175,868	2	912,026	8
Retained for replacement of assets and business growth:								
• Deferred taxation	792,980	6	22,444	0	555,420	6	(294,164)	(3)
• Depreciation	2,543,853	20	2,557,164	20	2,348,655	23	2,413,125	23
• Amortisation (Intangible assets)	105,962	1	105,962	1	105,962	1	105,962	1
• Non controlling interest	144,431	1	81,906	1	–	–	–	–
• Profit attributable to equity holders of parent company	1,011,420	8	1,845,214	14	578,355	6	1,630,557	15
	12,693,788	**100**	**12,990,364**	**100**	**9,880,682**	**100**	**10,899,947**	**100**

Value added represents the additional wealth which the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, government, providers of capital and the amount retained for the future creation of more wealth.

This report is not prepared under IFRS. Instead it has been prepared in compliance with the Companies and Allied Maters Act of Nigeria, CAP C20 LFN 2004.

Five year financial summary – Group
Year ended 31 May 2019

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Non-current assets	30,179,025	31,369,077	29,531,602	26,504,924	25,217,847
Current assets	49,757,715	57,246,893	60,555,923	47,925,250	42,170,067
Total assets	**79,936,740**	**88,615,970**	**90,087,525**	**74,430,174**	**67,387,914**
Equity attributable to equity holders of parent	42,660,739	42,161,471	42,272,665	40,900,644	41,436,794
Non-controlling interest	3,091,549	2,947,118	2,865,212	2,502,326	2,235,650
Non-current liabilities	3,291,133	2,525,349	2,583,604	3,931,549	4,152,489
Current liabilities	30,893,319	40,982,032	42,366,044	27,095,655	19,562,981
Total equity and liabilities	**79,936,740**	**88,615,970**	**90,087,525**	**74,430,174**	**67,387,914**

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Turnover	74,336,468	80,552,808	78,215,660	69,527,537	73,126,070
Profit before taxation	1,942,447	2,313,509	4,811,169	3,148,196	6,556,814
Profit after taxation (attributable to owners of the company)	1,011,420	1,845,214	3,323,711	1,863,013	4,053,284
Per 50K Share					
Earnings per share (Naira)	0.25	0.46	0.84	0.47	1.02
Net assets per share (Naira)	10.74	10.62	10.65	10.30	10.44

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

This report is not prepared under IFRS. Instead it has been prepared in compliance with the Companies and Allied Maters Act of Nigeria, CAP C20 LFN 2004.

Five year financial summary – Company
Year ended 31 May 2019

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Non-current assets	29,156,494	30,255,829	28,582,245	25,844,128	19,766,079
Current assets	35,159,182	44,320,290	44,457,365	32,435,474	28,340,582
Total assets	**64,315,676**	**74,576,119**	**73,039,610**	**58,279,602**	**48,106,661**
Equity attributable to equity holders of parent	33,816,582	33,750,379	34,076,230	33,792,289	26,584,929
Non-controlling interest	–	–	–	–	–
Non-current liabilities	4,221,430	3,666,010	3,960,174	4,108,185	3,757,845
Current liabilities	26,277,664	37,159,730	35,003,206	20,379,128	17,763,887
Total equity and liabilities	**64,315,676**	**74,576,119**	**73,039,610**	**58,279,602**	**48,106,661**

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Turnover	47,200,919	58,483,029	54,761,729	45,097,194	45,997,411
Profit before taxation	1,127,391	1,736,740	2,817,164	776,880	3,147,400
Profit after taxation (attributable to owners of the company)	578,355	1,630,557	2,235,631	389,999	2,168,867
Per 50K Share					
Earnings per share (Naira)	0.15	0.41	0.56	0.10	0.55
Net assets per share (Naira)	8.52	8.50	8.58	8.51	6.70

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

This report is not prepared under IFRS. Instead it has been prepared in compliance with the Companies and Allied Maters Act of Nigeria, CAP C20 LFN 2004.

OTHER INFORMATION

Share Certificate Issued		Dividends declared in the last 12 years	
Date issued	Basis	Year to 31 May	Payment number
13 November 1973	Bonus of 1 for 4		
19 November 1974	Bonus of 1 for 5		
6 April 1976	1 AIL for 1 PZNL share		
7 February 1977	Bonus of 1 for 2		
28 October 1977	Public issue for cash		
31 March 1978	Bonus of 1 for 4		
23 December 1980	Bonus of 1 for 4		
21 December 1981	Bonus of 1 for 4		
17 January 1983	Bonus of 1 for 4		
16 December 1988	Bonus of 1 for 4		
31 December 1990	Bonus of 1 for 4		
31 December 1991	Bonus of 1 for 4		
28 November 1992	Bonus of 1 for 4		
25 November 1993	Bonus of 1 for 4	2006	40
24 November 1994	Bonus of 1 for 4	2007	41
23 November 1995	Bonus of 1 for 4	2008	42
19 February 1997	Bonus of 1 for 4	2009	43
4 September 2000	Rights issue for cash	2010	44
25 November 2002	Bonus of 1 for 5	2011	45
18 November 2004	Bonus of 1 for 4	2012	46
28 March 2006	Rights issue for cash	2013	47
20 September 2007	Bonus of 1 for 4	2014	48
15 September 2011	Bonus of 1 for 4	2015	49
		2016	50
		2017	51
		2018	52

FORFEITURE OF UNCLAIMED DIVIDEND

By section 385 of the Companies and Allied Matters Act, dividends are special debt due to and recoverable by shareholders within 12 years. Dividends declared up to 31 May 2005 and payable from 2006 (dividend number 40) which remained unclaimed will therefore cease to be recoverable by this year (2018/2019). This unclaimed dividend will be credited to the general reserves in 2019/2020. The dividend payment and value of unclaimed dividend in this category are as follows:

Dividend number	Value (N)
Dividend number 40	N160,124,354

SHARE CAPITAL HISTORY
for the year ended 31 May 2019

The Company was incorporated with an authorised share capital of £40,000 Ordinary Shares of £1 each. The Company became a public limited liability company and had its shares subdivided into Ordinary Shares of 50 Kobo each on 19 July 1972, following which its shares were quoted on the Exchange in the same year.

The following changes have since taken place in the Company's authorised capital:

On 27 April 1951 by	£60,000 to	£100,000 in shares of £1
On January 1968 by	£150,000 to	£250,000 in shares of £1
On 14 May 1970 by	£350,000 to	£600,000 in shares of £1
On 09 February by	£400,000 to	£1,000,000 in shares of £1
On 19 July 1972, the shares of £1 each were subdivided into 4 shares of 5/- each. At that date, the capital of the Company was £1,000,000 in 4,000,000 ordinary shares of 5/- each.		
On 12 November 1973 by	N500,000 to	N2,500,000
On 18 November 1974 by	N500,000 to	N3,000,000
On 08 January 1976 by	N2,500,000 to	N5,500,000
On 24 November 1976 by	N2,500,000 to	N5,500,000
On 13 April 1977 by	N4,000,000 to	N12,000,000
On 17 March 1978 by	N3,000,000 to	N15,000,000
On 26 November 1980 by	N3,500,000 to	N18,500,000
On 24 November 1981 by	N5,000,000 to	N23,500,000
On 23 November 1982 by	N5,500,000 to	N29,000,000
On 24 November 1988 by	N11,000,000 to	N40,000,000
On 23 November 1989 by	N35,000,000 to	N75,000,000
On 22 November 1990 by	N75,000,000 to	N150,000,000
On 24 November 1994 by	N135,000,000 to	N285,000,000
On 23 November 1995 by	N265,000,000 to	N550,000,000
On 21 November 1996 by	N300,000,000 to	N850,000,000
On 16 November 2000 by	N150,000,000 to	N1,000,000,000
On 31 October 2002 by	N250,000,000 to	N1,250,000,000
On 21 October 2004 by	N100,000,000 to	N1,500,000,000
On 20 September 2007 by	N100,000,000 to	N1,600,000,000
On 15 September 2011 by	N400,000,000 to	N2,000,000,000

71ST ANNUAL GENERAL MEETING
29 October 2019

Shareholders' admission form

Please admit Shareholder ____

Or in his/her place Mr/Mrs/Miss ____

To represent him/her at the 71st ANNUAL GENERAL MEETING of this Company to be held at 11.00 a.m. on Tuesday, 29 October 2019 at the Bristol Palace Hotel, Kano.

THIS FORM SHOULD BE COMPLETED, TORN OFF, AND PRODUCED BY THE SHAREHOLDER OR HIS/HER NOMINEE IN ORDER TO GAIN ENTRANCE TO THE MEETING.

A O Laseinde
Company Secretary


Cook with
mamador
mamador
PURE VEGETABLE OIL
Your Heart Will
Thank You
Mamador 100% Pure Cooking Oil is cholesterol free and contains omega 6&9 proven to keep heart healthy. It also contains Vitamins A & E for bright eyes and healthy skin
Mamador 100% Pure Cooking Oil "Heart Health" benefits have been tested and approved by the Nigerian Heart Foundation. Not only that, our products are of the highest quality, bringing out the natural taste of great food and delicious recipes.
NIGERIAN HEART FOUNDATION
APPROVED
Omega 6&9
Cholesterol Free
Vit. A&E

PZ Cussons

Proxy form

Please tear off and complete

I/We____

Of____

Being a member/members of PZ CUSSONS NIGERIA PLC
Hereby appoint*

Of ____

or failing him/her, the Chairman of the meeting as my/our proxy to act and vote for me/us and on my/our behalf at the 71st Annual General Meeting of the Company to be held at 11.00a.m. on Tuesday, 29 October 2019 and of any adjournment thereof.

	Resolution**	For	Against	Abstain
1	To receive the Annual Report and Accounts			
2	a) To re-elect Mr. P. Usoro as a Director			
	b) To re-elect Ms. J.F. Coker as a Director			
	c) To re-elect Mallam D. Muhammad as a Director			
3	To authorise the Directors to fix the remuneration of the auditors			
4	To elect members of the Audit Committee			
5	To approve the remuneration of the Directors			
6	To authorise the Group to procure goods and services necessary for its operations from related companies in compliance with the NSE Rules Governing Transactions with Related Parties or Interested Persons			
7	To authorise the Group to alter its Articles of Association to allow for the dispatch of its Annual Report to members in printed or electronic form			
** Please indicate with an "X" in the appropriate space how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain at his/her discretion.				

As witness my/our hands(s) this __________ day of ______________________________ 2019

Signed: ____

NOTE:

(i) **THIS PROXY FORM SHOULD NOT BE COMPLETED/RETURNED IF THE MEMBER IS ATTENDING THE MEETING.**

(ii) A member entitled to attend and vote at the General Meeting is entitled to and may, if he/she wishes appoint a proxy to act for him/her. All proxy forms must be deposited at the registered office of the Company shown overleaf not less than 48 hours before the time for holding the meeting. A proxy need not be a member of the Company.

(iii) The Chairman of the meeting has been printed on the form to ensure that someone will be at the meeting to act as your proxy but if you wish you may appoint anyone else instead, by entering the person's name in the blank space (marked*) above.

(iv) In the case of joint shareholders, anyone of such may complete the form but the names of all joint shareholders must be stated.

(v) It is a requirement of the law under the Stamp Duties Act, Cap. 411 Laws of the Federation of Nigeria, 1990 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholder must be duly stamped by the Commissioner or Stamp Duties.

(vi) If the shareholder is a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

The Company Secretary
PZ Cussons Nigeria Plc
45/47 Town Planning Way
Ilupeju Industrial Estate
P.M.B. 21132
Ikeja

E-Bonus mandate form

Please credit my account at the Central Securities Clearing System Limited (CSCS) with all subsequent allotments and bonuses due to me from holdings in PZ Cussons Nigeria Plc.

Instructions
Please fill the form and return to the address below:
The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road, Iganmu,
P.M.B 12692 Lagos, Nigeria.

Shareholder account information

Surname (in block letters)

First name	Other names

Address

City	State

Country	Postal code

Mobile telephone	E-Mail address

Signature	Corporate seal

CSCS details

Authorised signature and stamp of stockbroker

Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.

The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu
P.M.B. 12692 Lagos
Nigeria

E-Dividend mandate form

Only clearing Banks are acceptable.

Instructions
Please complete the form and return to the address below:
The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road, Iganmu,
P.M.B 12692 Lagos, Nigeria.

We hereby request that from now on, all my/our dividend warrant(s) due to me/us from my/our holdings in PZ Cussons Nigeria Plc be paid directly to my/our bank account details named below:

Bank name

Bank address

Bank account number

Shareholder account information
Surname (in block letters)

First name

Other names

Address

Country

State

Mobile telephone number

Email address

Signature

Joint/Company signature

Company seal

Sort code (very important)

Authorised signature and stamp of banker

The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu
P.M.B. 12692 Lagos
Nigeria


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INVERTER AIR CONDITIONER
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Oil
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Soap
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120

PZ Cussons Nigeria Plc
45/47 Town Planning Way
Ilupeju Industrial Estate
Ilupeju, Lagos

www.pzcussons.com.ng

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