PZ Cussons

PROGRESS & AGILITY

ANNUAL REPORT & ACCOUNTS 2020

Last year, we announced our new strategy to return the Group to sustainable, profitable growth, which articulated three success factors: Focus, Scale, Accelerate. This year we have made progress, by increasing marketing support behind our Focus Brands, starting to simplify our Nigerian activities, and disposing of non-core brands and activities.

Progress & Agility

Throughout its history, PZ Cussons has successfully evolved and adapted to constantly changing consumer, market and economic environments. Our agility and ability to manage change effectively has served our business well following the outbreak of the COVID-19 pandemic. We have seen dramatic changes in the consumption of our Personal Care and Beauty products as consumers' habits have changed in response to COVID-19 and the associated restrictions on movement and social interactions. Our rapid response to COVID-19 helped us to cement already strong relationships with key customers, but also facilitated a step up in charitable donations to help the most vulnerable in our society in all our key markets, reflecting our core value of providing sustainable benefits and value to a wide group of stakeholders.

We have also made progress on our environmental, social and governance (ESG) journey through our various Good4Business initiatives, creating a pipeline of plastic reduction initiatives, and on our Palm Oil Promise. ESG remains a key priority for the business as we look into the future.

Financial Highlights

Revenue
£587.2m
(2019: £603.0m)

Adjusted Profit Before Tax
£62.0m
(2019: £72.3m)

Average Net Working Capital as % of Revenue
17.5%
(2019: £19.0%)

Reported Profit Before Tax (IFRS)
£29.3m
(2019: £43.6m)

Net Debt
(£49.2)m
(2019: (£153.8)m)

Adjusted Basic EPS
£11.59p
(2019: 12.91p)

Dividend Per Share
5.80p
(2019: 8.28p)

Adjusted Operating Margin
11.3%
(2019: 12.8%)

Please refer to page 44 for reconciliation of Alternative Performance Measures to Reported (IFRS) Results.

FOCUS
p.24

SCALE
p.26

ACCELERATE
p.28

Key highlights

- Progress on strategy with three disposals announced this year, growth in Focus Brand revenue and reduction in organisational complexity.
- Moderate decline in revenue of 2.4% largely driven by Nigeria and the mixed impact of COVID-19 on our business.
- Focus Brand revenue grew compared to last year by 3.3% principally driven by Carex performance in Q4.
- Adjusted operating profit of £66.1m, 16.0% lower, resulting from losses in Nigeria, decline in Beauty and lower profits in Australia offsetting excellent results in the UK and Indonesia.
- Adjusted profit before tax of £62.0m, a reduction of 14.5% reflecting the reduced adjusted operating profit partially offset by a lower interest charge.
- Reported profit before tax declined by 32.8% to £29.3m, largely due to the non-cash impairment of five:am and Rafferty's Garden offsetting profits on disposal of our operations in Greece and brand in Poland.
- Balance sheet significantly strengthened, with net debt of £49.2m versus £153.8m compared to last year, a net debt to adjusted EBITDA ratio of 0.6 times and external financing headroom at 31 May 2020 of £198m.
- Full year dividend at 5.80p to enable a more sustainable level and provide the capacity for investment in our key brands and in new opportunities such as hygiene amid COVID-19 related uncertainty.

OUR PURPOSE

- Enhancing everyday life, creating moments of delight.

OUR AMBITION

- Grow our business while staying true to our authentic family spirit.
- Focus on our consumers and local markets better than anyone else, so we can respond quickly.
- Leave a legacy for the next generation that we can all be proud of.

OUR PLAN

Building on our competitive advantage, we will look to accelerate our growth by focusing on key categories, brands and geographies, further simplifying our business and scaling those ideas with the best potential. Our streamlined Group will seek to maximise the value of our brands in our existing key geographies as well as in any high-potential new geographies where we see strong growth opportunities.

In Nigeria, we will continue to simplify and streamline our operations, control our costs and focus on a few core brands in Personal Care and Home Care. Additionally, we will focus on our partnerships with Haier and Wilmar, with a view to maximising the potential for disproportionate growth as the Nigerian economy recovers.


EST 1996
ZESTY
100%

Message from the CEO

Evolving and adapting to a changing marketplace.

2020: New Challenges and New Opportunities

Results: Along with many other businesses, we saw underlying performance trends significantly disrupted in the second half of our financial year by COVID-19. The overall top and bottom line results were disappointing but our focus on liquidity delivered strong improvement in net debt. Carex in the UK and Morning Fresh in Australia saw strong uplifts in demand but Beauty and our Nigerian business were severely impacted by measures to close retail outlets. Group revenue declined by 2.4% and adjusted profit before tax by 14.5%. Our focus on liquidity reduced net debt to £49.2m. Additional information on our financial results including explanation of alternative performance measures is discussed throughout the report and in particular page 44. In Europe & the Americas revenue grew driven by an excellent performance by Carex in the UK, offsetting the lower contribution from Beauty which saw its main retail partners forced to close their stores in Q4. In Asia another year of revenue and profit growth in Indonesia was offset by weaker performance in Australia in the Food and Beauty categories and adverse exchange effects. Our African business posted a loss with a disappointing performance in the year exacerbated in Q4 by the impact of COVID-19.

Strategic Progress

We have worked hard over the past 12 months to make progress on strategic initiatives despite the obvious disruption that came with the impact of COVID-19. We have taken action on reshaping our portfolio, we have prioritised investment in top brands and we have begun to simplify our structure and our ways of working.

Focused investment on core brands

Returning the Group to sustainable growth remains the key to delivering our strategy. Our ambition is to grow our revenue from our Focus Brands on an annual basis by between 2 and 4%. They receive the majority of our marketing investment and account for roughly two-thirds of our revenue. By region they are:

- Europe & the Americas: Imperial Leather, Carex, Original Source, St.Tropez and Sanctuary.
- Asia Pacific: Cussons Baby, Morning Fresh and Rafferty's Garden.
- Africa: Premier, Cussons Baby, Morning Fresh and Electricals.

This financial year our Focus Brands achieved revenue growth of 3.3% compared to last year. This was driven largely by excellent performance of Carex in the UK and the continued growth of Cussons Baby and Morning Fresh in their key markets.

We began the process of simplifying our business in Nigeria over the course of this financial year. We have introduced a new leadership team and structure which will cover all of our Nigerian business units. We believe this will streamline decision-making and foster collaboration while also reducing overheads. Our simplification efforts have also included cutting the number of products and pack sizes that we manufacture while reducing working capital, driving down inventory levels and improving trade receivables.

Looking at our subsidiaries in Nigeria we saw a stable revenue performance but a decline in profits for Electricals. This was attributable to higher costs in connection with issues at Lagos Port along with more competitive pricing. In our Wilmar JV, where we account for our share of profit after tax only, we saw an increase in profitability driven by higher sales.

Disposal of non-core brands and activities

Progress was made on the reshaping of our activities with the disposal of the business in Greece for £40.9m and our Polish Personal Care brand Luksja for £9.2m. We also announced the disposal of Nutricima, our Nigerian milk business, for $20.3m (£15.6m) which we expect to complete in the first half of the financial year following competition clearance. We also completed smaller brand sales in Ghana and the Middle East and we continue to explore opportunities to further reshape our portfolio.

Impact of COVID-19

In the face of unparalleled business and social disruption, our priorities to manage through the COVID-19 crisis were to ensure the protection and wellbeing of our employees and their families while also meeting the needs of consumers and customers around the world.

The response of our employees to the COVID-19 pandemic has been fantastic. Our factories continued to manufacture during the height of the crisis and maintain supply to our customers when they needed it most. Innovation and supply chain agility meant we were able to supply new pack sizes and product formats in response to the changing needs of consumers as the weeks and months unfolded. At the same time, ensuring safe and secure conditions for our employees in their place of work, whether in factories, distribution centres or at home, was a key priority and our teams around the world worked tirelessly to deliver on it.

The impact of COVID-19 across our businesses was significant, although very different by business unit and market. In the UK we were met with, and able to supply, exceptional demand for our Carex hand wash and sanitiser gel products. However, our Beauty business was severely impacted. St.Tropez was hit hard by the social distancing measures in place in the UK, US and across Europe. In Asia, our Indonesian business continued to trade largely as normal with increased customer demand for our hygiene-related products offsetting a reduction in other parts of the portfolio. Australia saw a spike in demand for Morning Fresh and Rafferty's Garden but also a reduction in Beauty sales. Our business in Nigeria was adversely hit by both the physical impact of the COVID-19 crisis, especially the closure of the open markets, and the resulting drop in oil prices.

Since the foundation of PZ Cussons over a century ago, a sense of purpose has always been at the heart of the organisation and our actions to support the wider community over the last six months as a result of COVID-19 have reinforced this. Our approach has been targeted to the specific needs of each market, with a focus on programmes to distribute free soap, sanitiser and hand wash to those who are vulnerable and in need. For example, in the UK, our 'That's why we Carex' programme is working with the homeless, elderly and other vulnerable groups. In Nigeria, the PZ Cussons Foundation is distributing soap in the north of the country while in Asia we support those communities close to our manufacturing sites.

Looking Forward

I started my role as CEO of PZ Cussons in the midst of the lockdown triggered by the COVID-19 crisis. I regard it as a huge privilege and responsibility to take the lead of a business with such a rich and long history, and even more so to do it now – as consumers demand many of our products more than ever and consumer habits change as we all work through the evolving demands of the crisis, wherever we live around the world. We will examine our strategy and continue to sharpen our focus on consumer needs and behaviours, building stronger brands that will meet those existing and emerging needs. As we do so we will strive to serve our consumers and customers better so they will reward us with their loyalty and we will grow our business. We must look ahead at the uncertain future but also look back, building on the courage of PZ Cussons people in the past and reigniting their pioneering spirit in the future.

Jonathan Myers
Chief Executive Officer

Our Brands at a Glance

PZ Cussons is a dynamic consumer products group. We've created some of the world's best-loved and most trusted brands.

St.Tropez
Having built strong brand equity in the UK self-tanning market through high-profile endorsements and market leading innovation, St.Tropez is now America's number one premium tanning brand.

Original Source
Original Source is the UK's no 1 vegan shower gel brand and leads the way in delivering intense natural sensorial experiences. We are proud to have carried the Vegan logo since 2003.

Imperial Leather
Our 'Full of Wonderful' positioning allows consumers to escape the ordinary with our fantastical range of shower gels, bath creams, foaming products and bar soaps.

Premier Cool
Nigeria's number 1 and most trusted family soap, Premier Care Naturals provides superior 2 in 1 Care and Protection with natural skin care ingredients. Launched in 2010, Premier Cool Deo antibacterial soap delivers all day freshness and confidence, targeting the growing young male population.

Sanctuary Spa
With the highest loyalty and repeat purchase in its category, Sanctuary Spa is one of the UK's most loved bodycare brands.

Rafferty's Garden
Rafferty's Garden is the leading pre-prepared baby food brand in Australia, with the highest brand awareness. Our healthy, nutritious, natural food with nothing else added is ideal for baby's development at every important stage.

Morning Fresh
Market leader in dish wash in Australia and Nigeria, Morning Fresh offers superior cleaning power, transforming the dirtiest of dishes to deliver outstanding clean and sparkling results first time, every time.

Cussons Baby
Market leader in baby care in Indonesia, Cussons Baby is mildly formulated with natural goodness for skin and hair. Cussons Baby is known for offering solutions for all baby's needs, including baby wash, shampoo, cologne, lotion and cream.

Haier Thermocool
With almost 50 years' experience, Haier Thermocool continues to be the most trusted premium brand of home appliances in Nigeria; promising stylish, convenient, affordable and energy saving benefits.

Carex
As the UK market leading hand wash and hand sanitiser, Carex has built a trusted reputation for over 26 years to care for and protect people's hands, keeping them protected in the home and on the go.

To discover all our brands visit

www.pzcussons.com/brands/discover-brands

Our Presence

We operate in a mixture of developed and emerging geographies.

We have years of experience in these markets, operating where we believe we can harness our local knowledge and apply global know-how and best practice.

EUROPE & THE AMERICAS

UK, US

See page 45

ASIA PACIFIC

Indonesia, Australia, Thailand

See page 46

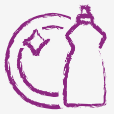
AFRICA

Nigeria, Ghana, Kenya

See page 47

We operate in four categories:

Personal Care, including Beauty
(Europe & the Americas, Asia Pacific and Africa)



Home Care
(Asia Pacific and Africa)

Food & Nutrition
(Asia Pacific and Africa)

Electricals
(Africa)

EUROPE & THE AMERICAS

The UK is home to our Corporate Headquarters in Manchester as well as our Personal Care and Beauty businesses, including a manufacturing centre of excellence and our fragrance house, Seven Scent. Our main market in Europe is the UK, and we also distribute our brands in several other European countries. In our Beauty division we are passionate about creating best in class and affordable products in the self-tanning, hair care and spa at home markets. Whilst based in London, with an office in the US, our Beauty division is a global business, with St.Tropez already available in multiple counties worldwide.

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AFRICA

Africa is one of our longest-established and largest markets. We operate in Personal Care and Home Care. Our joint venture businesses with PZ Wilmar (Food & Nutrition) and our subsidiary HPZ (Electricals) are also based here. Our three main African markets are Nigeria – Africa's most populous country and our biggest single market – Ghana and Kenya.

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ASIA PACIFIC

Our Asia Pacific business is an exciting balance of developed and emerging markets with an excellent opportunity for growth. We operate in Personal Care including Beauty across the region with some Home Care and Food & Nutrition brands in selected markets. Our main Asia Pacific markets are Indonesia, Thailand and Australia with offices and manufacturing in each of these geographies. We also have a corporate office in Singapore which, among other things, is home to our global Procurement function.

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Chair's Statement

A challenging year from which we emerge stronger.

Overview

There is no doubt that this was one of the most challenging periods that our Company has faced across its long history. Having reviewed our strategy last year, we expected there to be a period of transition and change as we moved to reset our business model and create the conditions to improve performance. Onto this however was added the immense challenges of responding to the global COVID-19 pandemic, which fully encompassed the final quarter of our financial year. We could not be more proud of the way that all our people responded, and on behalf of the Board I thank them for their incredible hard work, commitment and efforts.

Overall, it was a mixed year in terms of performance. We have taken key steps towards returning the Group to growth, including welcoming Jonathan Myers, our new Chief Executive Officer on 1 May 2020. We have made progress against the strategy that we set out last year, but there is more to do. We have shown that we can be swift to see opportunities, move fast and are willing and able to take action. We saw extraordinary outperformance for Carex tempered with very difficult conditions in Beauty, both as a result of the coronavirus pandemic. Indonesia continued to perform well, but results in Nigeria remained very disappointing.

We enter this year with a stronger base to work from and new leadership. Our financial position, in terms of net debt and working capital management, is robust. We have significant opportunities in the increasingly important hygiene category and across Beauty as our business recovers. The restructuring of our Nigerian business, also under new leadership, is underway. There are plenty of uncertainties in the macroeconomic environment, but we have taken, and will continue to take, decisive actions to drive our return to growth.

Update on Strategy

Following on from last year's strategic review, the Group continued to implement the Focus, Scale, Accelerate strategy. Focus Brands revenue grew by 3.3% driven by Carex and Morning Fresh.

Disposal of non-core activities – during the year we disposed of our Greek food business and our Polish skin care brand, Luksja. In addition, we announced the sale of Nutricima, our Nigerian milk business, and a number of other small African brands. The review of our portfolio of activities and brands continues.

Simplification – the changes necessary to our Nigerian business initially proceeded more slowly than desired, but in the second half of the financial year good progress has been made on matching the scale and focus of our operations to the opportunity available to us as the Nigerian economy recovers.

This year, we will continue to review our strategy in light of the rapidly changing economic conditions and consumer behaviours we are seeing across all our businesses. Driving profitable growth in our key brands will continue to be a strong indicator of our success, and the resetting of Nigeria remains a priority.

Dividend and balance sheet

We have remained committed to maintaining the strength of the Group's balance sheet. We entered the year in good order on that front, and have succeeded in strengthening our position further as a result of a clear focus on cash, tight working capital management and reducing discretionary capital expenditure where possible. We will continue this discipline, which the Board considers to be even more important given the economic uncertainty across our markets.

In recent years, our operating results have declined but our dividend has been held. This year has been exceptionally challenging, and considerable uncertainties remain as we look forward. Our adjusted profit before tax, at £62.0m, whilst in line with expectations, has declined over past years.

The Board is recommending a final dividend of 3.13p (2019: 5.61p) per share, making a total of 5.80p (2019: 8.28p) per share for the year. The decrease primarily reflects the need to reset our dividend coverage to a more sustainable level. This will provide the business with the capacity for incremental investment in our key brands and in new opportunities such as hygiene amid COVID-19 related uncertainty. Subject to approval at the AGM, the final dividend will be paid on 3 December 2020 to shareholders on the register at the close of business on 9 October 2020.

Corporate governance

Good corporate governance remains an essential characteristic of a sustainable and well run business. Your Board is pleased with the standards of governance we were able to maintain throughout a year of exceptional turbulence and challenge. We saw unprecedented levels of change in the membership of the Board and the senior executive team, which included the departure of our former CEO Alex Kanellis, my assumption of a temporary executive Chair role and the onboarding of our new CEO Jonathan Myers. Looking forward to FY21, the Board is aiming to significantly improve the Group's internal controls environment and establish a reinvigorated 'tone from the top' that demonstrates the importance that we place upon governance. More information on our plans to improve internal controls is set out on page 107.

Board changes

During the course of this year, there have been a number of significant changes to your Board.

In December, we announced the retirement of Chief Executive Officer Alex Kanellis. After an externally-led search, we were delighted to announce the appointment of Jonathan Myers as our new CEO. Jonathan joined us on 1 May, and brings deep leadership experience in the global FMCG sector. The positive impact of his arrival was immediately visible across the organisation, despite the constraints imposed upon him due to the pandemic lockdown. The Board is delighted with the energy, drive and clarity that he is already bringing to his new role, and the response across the whole Group to his arrival has been enormously positive.

During the short period between Alex's retirement (1 February) and Jonathan's arrival, I assumed the role of Executive Chair. I am enormously grateful for the support of the leadership team during that period, and in particular, from my 'Chairman's Committee', comprising our interim Chief Financial Officer Alan Bergin, and our Chief Human Resources Officer Matt Stripe. Our focus was on stabilising the business and on making sure that we promptly took important restructuring steps across all our businesses consistent with being in the best position possible when our new CEO arrived and for the next financial year.

As regards Non-executive Directors, we were pleased to welcome Kirsty Bashforth to our Board. Kirsty assumed the Chair of the Remuneration Committee on 1 July 2020 in anticipation of Helen Owers' retirement from the Board at this year's Annual General Meeting. We also welcomed Jeremy Townsend to the Board as Chair of Audit & Risk, following the retirement of Jez Maiden. Both Kirsty and Jeremy bring extensive and relevant PLC experience and are already bringing fresh perspectives to our Board discussions. I would like to take this opportunity to thank Helen and Jez for their considerable efforts on behalf of PZ Cussons.

With our new CEO and Chair of Audit & Risk both now in situ, we have been able to progress the search for our new Chief Financial Officer. In the meantime, Alan Bergin has continued to perform the role on an interim basis. We are extremely grateful to him for his hard work, diligence and professionalism throughout this period.

Earlier this year Tamara Minick-Scokalo took a leave of absence from the Board for personal reasons. Unfortunately, Tamara has recently notified the Board that she will be unable to return and is therefore stepping down from the Board at the upcoming AGM. The Board is very grateful to Tamara for the contributions she has made to the Company.

This has clearly been a year of transition for the Board. We have a strong suite of Non-executive Directors, and the right executive leadership in place to deliver on our strategy.

Response to the COVID-19 Pandemic

Despite the number of changes ongoing, PZ Cussons responded well to the challenges suddenly created by COVID-19. An executive Crisis Management Team was established in February 2020 to drive the Group's response to the then emerging pandemic. The Board was fully briefed on a weekly basis and met (virtually) every two weeks, or more frequently when necessary, to keep a full line of sight during the crisis. Of paramount importance was ensuring the safety and wellbeing of our people. We rapidly deployed the technology to allow our people to work remotely wherever possible, and materially stepped up our levels of communication within the Group.

We were very aware of the importance of our hygiene products, most particularly Carex hand sanitiser and hand wash, and the role that they could play in reducing the spread of the virus. During this period, we significantly increased our production of Carex in the UK and Europe. This could not have been achieved without an incredible team effort across the business, by our supply chain teams, our factory staff, our sales and marketing professionals, and many more. We were also conscious of our broader social responsibilities and made significant product donations across our markets.

Priorities for the Board

We have both a new leadership team and new Non-executive Directors on the Board. We also face the ongoing challenges of remote working in some of our operations. There will be a focus this year on ensuring that we work together as an effective team and that we bring the considerable and varied experiences of the Non-executive Directors to bear in supporting our new executive leadership group. The changes we have made offer us the opportunity to review our practices and examine our culture to ensure it supports our future ambitions. Ensuring that the 'tone from the top' reinforces the importance of good business behaviours and well understood and embedded controls will be a priority for the Board.

We will also reinvigorate talent and succession planning. We intend to broaden our contact with our people, to ensure that we know our future leaders but also to enable our colleagues to know us better. The Non-executive Directors have always travelled to our major markets, to share what we do with our people and also to enable us to listen and learn and I look forward to that resuming as soon as it is safe and practicable to do so.

A further priority will be to take our Environment, Social and Governance ('ESG') thinking to the next stage. Until now, this has been addressed in a separate standing committee of the Board, the Good4Business Committee. Whilst this has been a good starting point, we believe that ESG matters touch every aspect of our business, will be a key differentiator for all stakeholders in the future and will form a critical part of our strategy. As such, we will be bringing this back into the Board, at least temporarily, and considering afresh what we are looking at, what our long-term strategy is, and how we can weave ESG into all our behaviours and activities. We will reappraise how we measure progress and success, and rethink the metrics we use to ensure that they are clear, challenging and meet our stakeholders' objectives. Once we have completed this review, it may be appropriate to re-establish a committee with a refreshed mandate in line with our new ESG strategy. This will be a major piece of work for the Board during the year ahead, and beyond. I would like to thank John Nicolson for his service as Chair of the Good4Business Committee and I look forward to his continued leadership on our ESG agenda as these important matters come back into the agenda of the main Board.

There has been much change over the course of this year, both inside PZ Cussons and beyond. However, the hard work and enthusiasm of our people remains a constant throughout. Their resilience, hard work and commitment during a very challenging year is very much appreciated by the whole Board, and I would like to offer my heartfelt thanks to every employee. We have taken some hard decisions this year, but have started the journey back to profitable growth.

Caroline Silver
Chair

Market Overview

Consumers prefer trusted and leading brands in a world of accelerating change.

In these uncertain times, consumers reach for trusted market leading brands offering health and wellbeing solutions. PZ Cussons is in a strong position with many of our brands well placed to meet these needs.

Prior to the outbreak of COVID-19, the world was already seeing signs of cautiousness amongst consumers, with consumer confidence in the UK and Australia reaching its lowest level in years. The start of the year was marked by increased political and social turbulence including Brexit trade negotiations along with dramatic climate change events such as floods and fires and the Extinction Rebellion and other climate action campaigns across the world. Digital commerce continued to disrupt the retail world and digital privacy and trust became increasingly important issues. We also saw considerable economic uncertainty reflected by challenges on the high street, and in Nigeria where wages did not keep pace with double digit inflation.

In the latter half of the 2019/20 financial year, the reactions to the outbreak of the COVID-19 pandemic dominated the headlines and had the strongest impacts on consumer behaviours. The impacts of COVID-19 on our way of life, how we work, how we shop and how we socialise are without precedent in recent memory.

As consumer needs around hygiene, health and wellbeing heightened, demand for those of our products that form part of a first line of defence against the spread of infection significantly increased. It is more important than ever to stay close to our consumers, maintain the availability of our products and ensure that our trusted brands continue to take the lead in making people's lives safer and healthier in all our markets.

Digital Transformation

The way consumers shop continues to change, with different digital channels emerging. While COVID-19 has certainly accelerated these trends, we anticipate that these changes in habits are likely to continue after the pandemic has subsided. Adapting brand consumer engagement and channel strategies to this changing consumer behaviour will be critical to future success.

Social media is trending away from social, and towards entertainment, product reviews and sales channels. The retail world will continue to be disrupted by digital commerce, and social commerce will continue to be a focus.

Pace and agility will be critical as data is being used to improve customer experience and Artificial Intelligence (AI) improves efficiencies in demand planning. Technology and algorithms will continue to influence price, product range and promotional decisions.

As a Group we are developing a digital transformation programme that will:

- Leverage growth with the current portfolio, in existing markets with current digital retailers with focus on 'always on' digital marketing/ trading and omni-channel campaign execution.
- Explore incremental digital commerce growth opportunities through innovation and expansion in terms of brands, sales channels and territories.
- Accelerate digital business capability – Implement a buy, build, borrow capability strategy to accelerate people, external partners and data/ tech enablers globally.

We are working with digital partners to accelerate our digital transformation and business capability.

Sustainability Focus

In 2019 the climate change debate became more regular headline news. Consumers shifted from being 'aware' to being 'concerned' as large scale fires and floods, along with protests and political and social campaigns, garnered significant media attention amplifying an already growing trend of sustainability awareness. As consumers also become more aware of the impact meat production and consumption has on the environment, plant based trends continue to grow, with veganism becoming more mainstream. This plays well to Original Source's positioning of 'better for you, better for the planet'. See page 27 for more details.

However, the COVID-19 pandemic also saw a noticeable impact on the environment through the significant decline in road and air travel resulting in previously unthinkable carbon emission cuts of between 40% and 60% in Europe. However, the significant increase in demand for hand wash and hand sanitisers during the pandemic has seen an increase in our use of plastics and we will need to consider how to best address this challenge. We anticipate that ESG matters will continue to increase in prominence and environmental credentials will be an increasingly important consideration from investors and consumers.

Opinions on living an ethical or sustainable lifestyle
from 905 respondents

Unimportant
(4% of respondents)

Not very important
(22% of respondents)

Important
(49% of respondents)

Very important
(25% of respondents)

GlobalData 2019 Q3 Consumer survey – UK – Survey results

Mega trends behind our winning brands

Our brands aim to be 'on trend' and 'ahead of the curve' in meeting our consumers' current and future needs.

HEALTH & HYGIENE

Health and hygiene are long-term trends, however the global pandemic dialled up the importance of hand hygiene to unprecedented levels. Government information broadcasts educated consumers on the importance of hand hygiene to levels never seen before. The clear message that washing hands saves lives underpinned huge demand for hand hygiene products. During the peak of the crisis, stockpiling and out of stocks became the new normal.

Although the future is uncertain, predictions are that the hand wash trend will continue to grow into the future. In the UK, as the market leader and most trusted brand with strong equity built up over the years, Carex market share increased significantly and production increased threefold, as consumers turned to our brand during the crisis.

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PLASTIC AND ECO FRIENDLY

Climate change has been the top concern amongst consumers globally, followed by plastic waste. One of the most effective changes we can make to support climate change is to eliminate waste. Our white goods brand Thermocool offers invertor technology which cuts down on waste and meets consumers' energy efficiency needs. Carex has launched plastic reduction initiatives in the UK hand wash market. Our Cussons Baby brand in Asia is aiming to cut plastic by over half by 2025.

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HAPPINESS & MENTAL WELLBEING

Over 40% of consumers believe their health is impacted by moderate to severe stress. Mental wellbeing is becoming increasingly important to consumers worldwide. COVID-19 brought caring, community and mental wellbeing more front of mind. The Imperial Leather purpose is to lift moods and provide moments of happiness through inventive and playful washing and bathing experiences.

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CONVENIENCE

The mega trend of convenience underpins our Morning Fresh brand. With 70% of consumers in Nigeria actively looking for products that save them time and effort, we offer superior grease cutting results for minimum effort.

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NATURAL AND VEGAN

Original Source is the UK's number 1 vegan shower gel. More consumers identify 'natural' as the top indicator of 'high quality' than any other attribute. Our Cussons Baby brand in Asia is mildly formulated with natural goodness for skin and hair needs. In Nigeria, our recently launched Premier Care Naturals range offers germ protection without harshness.

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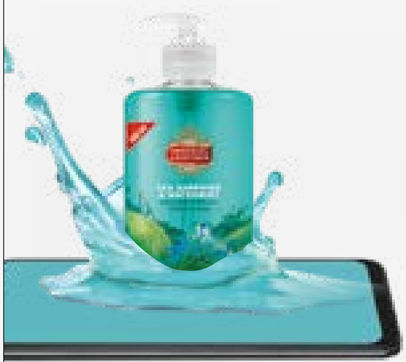
Being ready for the future

The Personal Care and Beauty category experienced dramatic change due to COVID-19. Handwashing has increased significantly with more consumers buying into the category and using hand wash more often. On the other hand, the Beauty category experienced strong headwinds, with demand falling due to closure of stores selling non-essential goods. The challenge is to continue to improve our agility and to prepare well for a volatile environment.

1

Responding to a changing environment

The changing environment presents challenges and many innovative opportunities. It is therefore increasingly important to manage the structure of our branded portfolio to meet these changing needs. Investment is also important during recessionary times, as strong leading brands able to build equity during an economic downturn recover more quickly.



2

Big data technology

The global lockdown accelerated our use of technology. Social distancing kept people apart, however social media brought people together, and opened up more and more communities for brands to engage. Big data and technology enable mass customisation of goods and services, which will fragment product categories and lead to more choice and purchase decision complexity. During the COVID-19 peak, there was a spike in online grocery sales as social distancing measures impacted on bricks and mortar shopping and more consumers experienced the benefits of the high-tech features of online shopping. The retail landscape will continue to evolve, as omni-channel shopping is predicted to become the norm.

3

Developing relationships and understanding

Our close relationships with our retail customers and deep understanding of consumer needs help us prepare for what the future will look like. We believe that offering brand and product experiences that stand out, have a clear purpose, and deliver real value will help us keep ahead of the game, and secure ongoing consumer loyalty.

Challenges and Opportunities

1

Added value benefits
Recent changes in consumer behaviours have been significant. In Nigeria and Ghana we have seen local neighbourhood and convenience stores benefiting from consumers making smaller, more frequent and locally based purchases to manage smaller budgets. Elsewhere, we have seen consumers switching to online channels and away from physical shops.

In this environment it is important to manage the pricing and pack configuration of our products carefully, to enable all our consumers to access the essential health and hygiene products in our portfolio. It is also important to offer real added value benefits to secure ongoing brand loyalty. This appeals strongly to the middle classes. For example: although washing dishes is a 100% penetration habit, only 40% of households currently enjoy the efficacy and convenience of dishwash in a liquid format. This is an opportunity for our market leading brand Morning Fresh, which offers more value (7 times more dishes) and superior quality than the competition. Indeed, this year smaller pack sizes underpinned an increase in penetration and double digit growth. It is also predicted that the antibacterial handwashing habit will increase in our key African markets opening up further longer term growth opportunities for our antibacterial brands such as Carex.

2

Confidence relatively positive
Prior to COVID-19, consumer confidence in Indonesia was positive, with the total Personal Care market growing. Baby and child-specific products were seeing accelerated growth, as the number of young married couples and demand for baby and child specific products increased.

The Indonesian government's targeted lockdown strategy to minimise the disruption to manufacturing and construction is expected to temper the impact on the economy. As such the social media chatter surrounding COVID-19 and the country's ability to recover economically has remained relatively positive.

As with Nigeria, smaller local retail channels and mini markets have benefited during the pandemic as consumers stayed closer to home, with imposed rules for maximum purchasing of staple goods helping to manage supply chains.

The Asia Pacific antiseptic and disinfectant market is growing compared to the pre-COVID-19 period. Carex has grown in Indonesia and will be launched in Australia.

3

Demand for natural ingredients
The natural trend also continued to drive growth in the baby category, with consumers demanding more natural ingredients. Strong promotional activity continued to attract newlyweds and young mothers to digital channels.

The COVID-19 situation has also helped the growth of digital commerce in the last few months.

As market leader in Indonesia, Cussons Baby is in a strong position to spearhead market growth. Our deep understanding of our regional and local markets enables us to tailor our offering to meet local needs and recognise trends early, working with external partners to develop innovation and bring products to market fast.

Source: Trading Economics Consumer Confidence 2019, Nielsen

Our Business Model

Our people, brands, geographies and partnering capabilities combine to deliver competitive advantage and differentiate us in our chosen markets.

OUR KEY INPUTS

Our people
Diverse, skilled, and passionate employees.

See pages 36 to 39

Our brands
High-quality, trusted and well-loved brands.

See pages 6 and 7

Our supply chain
World-class manufacturing facilities and owned distribution facilities in selected geographies where in-house manufacturing is a competitive advantage and strong contract manufacturing relationships in other territories.

See pages 48 and 49

Our relationships
Business, supply and innovation partners that enhance our offering and share our values.

See pages 34 and 35

Our financials
Strong balance sheet reflecting our disciplined approach.

See pages 40 to 44

HOW WE CREATE VALUE

Our purpose

Enhancing everyday life, creating moments of delight.

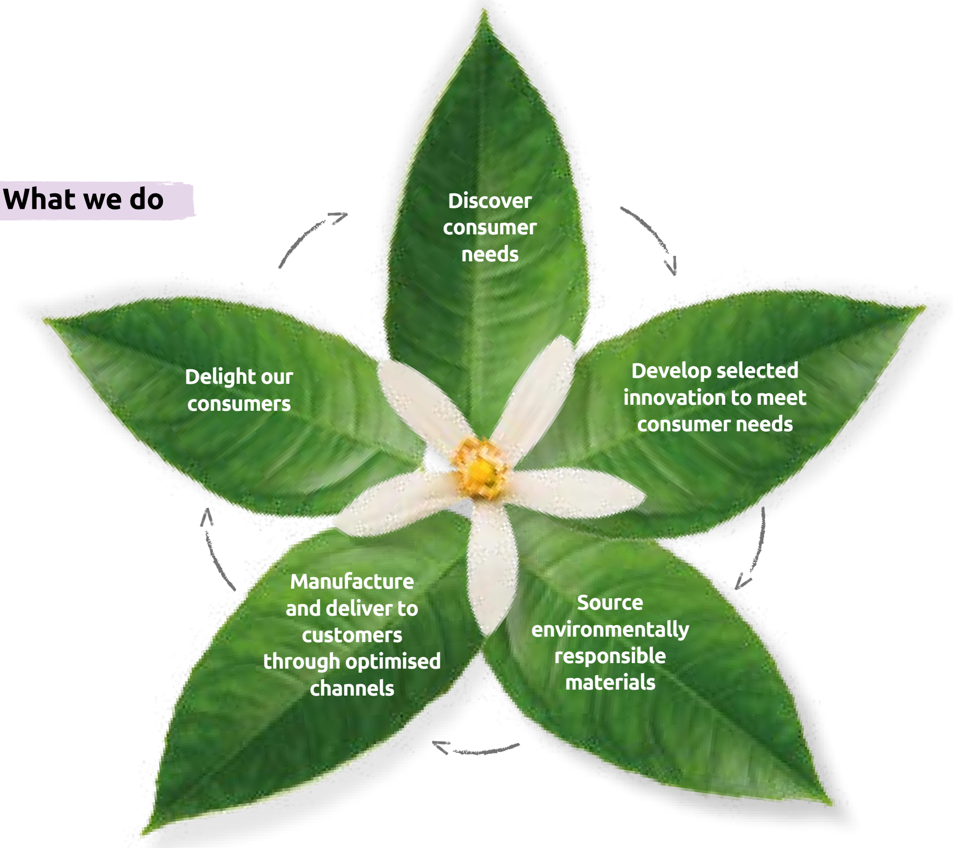
Our ambition

Grow our business while staying true to our pioneering spirit.

Focus on our consumers and local markets better than anyone else, so we can respond quickly.

Leave a legacy for the next generation that we can all be proud of.

What we do



Underpinned by our culture, values, strong governance and ethics

Our unique business model incorporates our new strategy to help us create shared, sustainable value for all our stakeholders and is supported by our CANDO! and ONE PZC values.

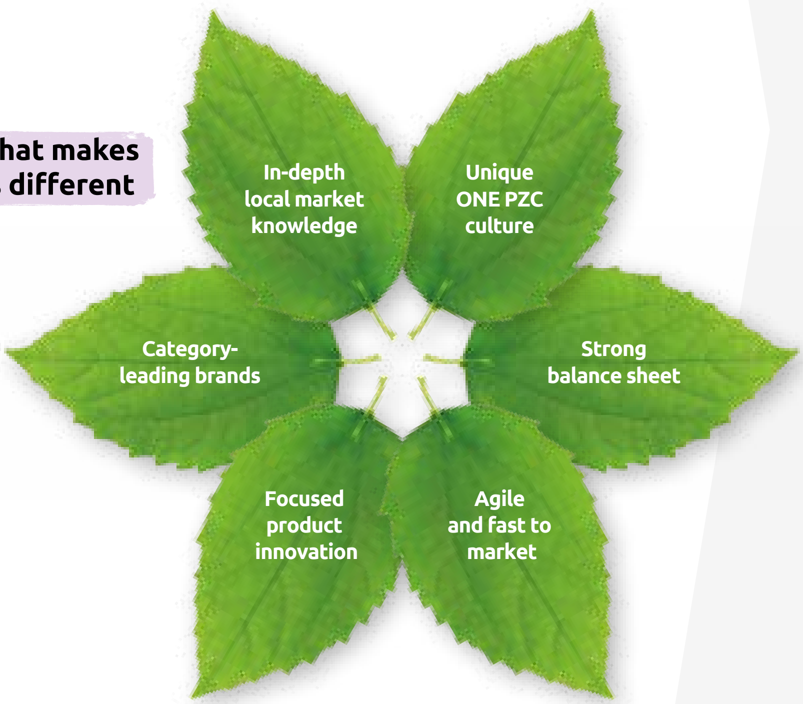
Our strategy

FOCUS
See pages 24 and 25

SCALE
See pages 26 and 27

ACCELERATE
See pages 28 and 29

What makes us different



CANDO! **ONE PZC** **Good4Business**

CREATING SHARED VALUE

For investors
Strong balance sheet and 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.

Our Strategy for Growth

Sustainable profitable growth is essential to the future of our business.

Throughout its history, PZ Cussons has successfully evolved and adapted to constantly changing consumer, market and economic environments. Never has the culture of being able to rapidly adapt been more valuable than during the global pandemic crisis.

Last year, we announced our strategy that focuses our resources on key categories and core Focus Brands across selected geographies in Europe & the Americas, Asia Pacific and Africa that offer the best potential for scale and can return the Group to sustainable, profitable growth. This year we have started to make progress, and we will continue to revitalise our strategy and respond with agility during these changing times.

Personal Care and Beauty in all our existing geographies should deliver more than 80% of our revenue within five years, and partnerships will deliver additional growth in Nigeria.

As part of the strategy, we will maintain some Home Care brands in selected local geographies to provide in-market scale where necessary, supported by targeted investment.

Our strategy articulates three key success factors: Focus, Scale, Accelerate, and successful application of these principles will be key to our success.

FOCUS

- Place the consumer at the centre of our innovation strategy.
- Simplify the business and channels to better focus on our core brands.
- Focus on our high-margin brands in core categories and geographies:
  - Beauty and Personal Care focus
  - Home Care in selected geographies to provide in-market scale
  - Continue to invest in our partnerships that offer disproportionate growth
  - Divest non-core brands and activities.

ACCELERATE

- Beauty and Personal Care to drive largest share of revenue and profit growth.
- UK, US and Asia Pacific to create biggest opportunity for revenue growth.
- Increase UK and Australia profitability through premium innovation across Beauty and Personal Care.
- Leverage our knowledge and expertise in Nigeria to rebuild scale in selected categories and brands and through business partnerships.

SCALE

- Selectively innovate to scale brands in existing markets.
- Scale brands in high-potential new markets.
- Leverage distribution partnerships to scale in selected channels.
- Add scale through digital commerce.
- Match scale to opportunity.

FOCUS

Increased marketing investment and resource allocation on Focus Brands

Our current focus is on our high-margin Beauty and Personal Care brands; and key Home Care brands in selected geographies.

To deliver growth, the strategy prioritises marketing investment on our Focus Brands based on growth opportunity, brand proposition and presence.

CUSSONS BABY

Strengthening leadership and reach in 2020

Cussons Baby has maintained and strengthened its leadership position in baby care, with market share over 30%. Overall brand margin has also improved, driven by a focus on the higher margin categories such as hair lotion, cream, wash and shampoo.

Our recent launches into these categories, such as Happy Fresh and Newborn are showing steady sales increases, and serve to expand our consumer base by including new 'first time' and expectant mum segments.

Continuous marketing investment has supported brand equity and increased consumer awareness of these added value products, and of loyalty building haircare products such as 'Thick and Dark Hair in 2 Steps'.

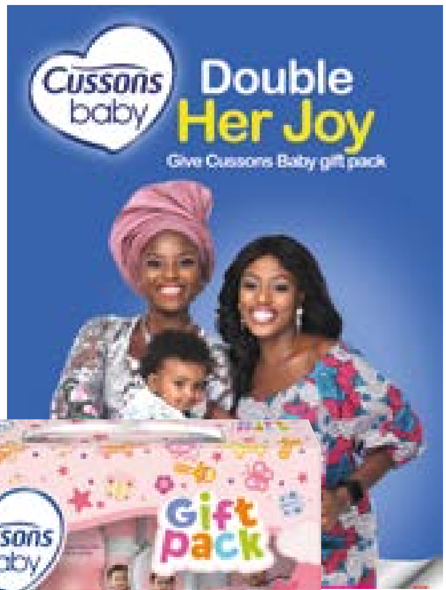
CUSSONS KIDS

Cussons Kids launched a popular character campaign featuring Hot Wheels, Indonesian Kids Celebrity, Princess and Unicorn variants.

The successful heavyweight campaign included television advertising, digital media and shopper promotions.

The campaign delivered an increase in market share and double digit year-on-year sales growth.

In Nigeria, advertising and consumer promotions supported the Cussons Baby gift pack range, delivering year-on-year sales growth.



MORNING FRESH

Number 1 dish wash liquid brand

For over 30 years Australia's #1 dishwashing liquid Morning Fresh has brought the power of fresh and the feeling of clean to Australian households. With powerful enzyme technology, just one squirt delivers superior grease cutting power performance, first time, every time. Morning Fresh has proven time and time again why we're the most trusted dishwashing liquid brand in Australian kitchens. Throughout the recent COVID-19 pandemic our supply chain responded rapidly to the unprecedented increase in consumer demand. This response has propelled our market share during the last quarter to 45%.

As the clear brand leader in Nigeria, the brand has delivered high double digit sales growth and margin growth this year helped by increased pricing and availability. This year saw the launch of a new environmentally friendly lighter weight pack, and a double tamper-proof seal which protects the integrity of the brand and product. In addition, tactical opportunities are being pursued in Asia.

SANCTUARY SPA

Highest loyalty

With the highest loyalty and repeat purchase in its category, Sanctuary Spa is one of the UK's most loved body care brands. With social media and television advertising support, our Sanctuary Spa gift box was one of the bestselling gift brands on Amazon in 2019.

Our new Vitamin C Daily Super Serum takes the lead with on trend ingredients, and promises brighter and smoother skin after one use.

SCALE

The second element of our strategy is to scale growth of selected categories and brands.

Focusing on fewer brands will enable us to scale growth in our key existing markets and selected high-potential new markets and channels.

In our existing markets, we will invest in products with strategic growth propositions for both consumers and customers, primarily in Personal Care and Beauty. This will include leveraging trends across health and wellbeing, fragrance, formats and ingredients, incorporating our Plastic Promise, Palm Oil Promise and carbon reduction strategy. By leveraging our local expertise and strong customer partnerships we will maximise our distribution in key established markets.

IMPERIAL LEATHER

Bringing in new customers every year

A reinvigorated range of products targeting different needs and consumer segments resulted in increased brand awareness, consideration, and market share this year. However, towards the end of the year, sales were impacted as manufacturing resources and componentry were redirected to meet hand hygiene and Carex needs.

Our consumers are able to escape the ordinary with Imperial Leather's fantastical range of shower gels, bath creams, foaming products and bar soaps. A record number of delighted consumers created organic content to share with their online communities, and an additional 1.5 million shoppers were attracted to the brand this year. As coronavirus hit, and attention focused more sharply on mental wellbeing, the brand's ability to create moments of positivity and joy were never more relevant. Social media communities recorded unprecedented engagement rates, as consumers and key workers reacted positively to the product experience, self-care packages and words of encouragement during stressful times. The brand is now able to credibly build on the 'moments of joy' positioning with the Young Minds Charity partnership.

Earlier in the year, the new Ultimate Foamburst launch reached 23 million consumers online, and prompted 2.6 million of them to engage directly with the brand, with thousands clicking through to retailer platforms.

Imperial Leather's positioning was further enhanced with the relaunch of the vibrant new Escape range, Sweet Treat soap bars and trending icon themed Shower Gels. The launches showed positive early signs of growth prior to the COVID-19 impact from March onwards.

During the year, our Sweet Treat mists range was launched in Indonesia, rapidly gaining share and widely distributed in mini markets and supermarkets.

in support of
YOUNGMINDS

PREMIER COOL

Number 1 male grooming brand in Nigeria

Targeting Nigeria's growing young male population, and endorsed by Manchester City FC, Premier Cool Deo provides all day freshness and confidence. The real menthol extracts give an icy-cool feel, refreshing long-lasting fragrance and an antibacterial ingredient that helps preserve freshness all day long.

In a highly competitive Nigerian bar soap market, earlier in the year, our Premier Cool brand was strengthened with improved fragrance and cooling effects. The introduction of two new variants, 'Odour Defence' and 'Sports' added to our existing core variant Ultimate. The newly improved range features better cooling delivery, improved fragrances and a more aspirational pack design, as well as the addition of a new 150g pack size.

The relaunch campaign featured television advertising, outdoor posters, digital media, and national university football competitions run by the Manchester City coaching team. Significant consumer penetration gains were achieved in the South East, which is the largest soap region in Nigeria.

To help drive awareness of the importance of handwashing, a 'how to wash your hands with soap' instructional campaign, aligned with WHO guidelines, was launched during the COVID-19 pandemic.

100% NATURAL FRAGRANCE

ORIGINAL SOURCE

Leading on vegan

Original Source is the UK's number 1 vegan shower gel, doubling sales over the last 10 years. Packed with 100% natural fragrances, moisturisers and extracts, Original Source leads the way in delivering intense natural sensorial experiences. We are proud to have carried the Vegan logo since 2003.

New launches in 2019, such as Hydrating Water Infusions, Energising Hemp, and Fresh Sea Salt & Samphire have contributed to an increase in market share in the UK.

Internet sales increased, attracting more new buyers compared to last year, supported by the success of the #PackMoreIn consumer promotion which achieved record levels of consumer engagement.

In Asia, our uniquely scented Vanilla & Raspberry body mist drove significant sales increases from an expanded distribution base in mini markets in Indonesia.

Towards the end of the financial year, sales were impacted as manufacturing resources and componentry were redirected in the effort to meet the extraordinary demand for hand hygiene and Carex. The shower category was also impacted as less outdoor activity meant fewer showering occasions. However, due to strong equity and consumer loyalty, it is anticipated that Original Source will recover once the supply chain stabilises and lockdown measures are eased.

ACCELERATE

Our strategy will accelerate the transformation of our business, enabling growth from our highest margin, highest potential brands.

Personal Care, including Beauty, will drive the largest share of revenue and profit growth in all of our geographies, as we increase our focus on high-margin brands.

In the UK, the US and Asia Pacific we will therefore build on our existing presence and experience to drive growth, both from established brands and from the launch of carefully selected additional brands from our portfolio, with Carex presenting a clear opportunity for accelerated growth.

We will accelerate growth through digital commerce for high-value brands that consumers want and need, through increased use of influencers and digital marketing strategies, by leveraging the successful digital partnerships that we already have, and by selectively developing new partnerships.

CAREX

Caring and protecting hands for 26 years

As the market leading hand wash and hand sanitiser, Carex has built a trusted reputation for over 26 years to care for and protect people's hands, keeping them protected in the home and on the go.

As a result of the brand equity built up over the years, when concern for hand hygiene peaked in the UK shoppers naturally turned to the brand they trusted the most. Sales and market share increased significantly due to this trust, and the extraordinary and creative supply chain efforts were able to meet unprecedented demand. Resources and componentry were diverted from our other brands, new packaging options were developed in record breaking time, and alternative channels for raw materials were sourced. Our rapid response during these challenging times cemented already strong relationships with retail customers, and facilitated a step up in charitable donations to help the most vulnerable in our society. During the pandemic peak, 500,000 units of hand wash and hand sanitiser were donated. See page 39 for more details.

The effectiveness of Carex hand wash and hand gel against a surrogate coronavirus to COVID-19 were rapidly established. This enabled the claim 'kills viruses such as Coronaviruses, and 99.99% of bacteria' on hand gel packs.

Handwashing literally saves lives, and as a result, Carex has a critical role in helping consumers feel safe and protected in all work and social environments.

It is anticipated that the hand hygiene category will grow over the longer term, with competition intensifying. However as category leader, and the brand consumers trusted at the time of crisis, Carex is in a strong place to defend and strengthen its position. Demand for Carex is also growing in our other key geographies Europe, Africa and Asia Pacific.

HAIER THERMOCOOL

Most trusted premium home appliance brand in Nigeria
With almost 50 years' experience, Haier Thermocool continues to be the most trusted premium home appliance brand in Nigeria; promising stylish, convenient, affordable and energy saving benefits.

Our increased focus on the three core categories, refrigerators, freezers and air-conditioners, delivered strong sales growth in the year up to the COVID-19 breakout.

In 2019 we successfully launched the Haier Thermocool GenPAL Inverter Air Conditioning Unit, which is noticeably superior to the competition, and provides super energy efficiency. Consumer response has been very positive, and sales have gone from strength to strength this year.

With our leading multi-channel strategy we continue to stand out in the marketplace. We offer market leading differentials in product innovation, after sales and customer service. Our close relationships with our retail customers and deep understanding of customer needs help us prepare for what the future will look like.

KANTAR reported Haier Thermocool among the brands that built stronger connections through mobile engagement in Nigeria during and after the COVID-19 lockdown. Most Thermocool stores were closed following the national lockdown directive, so the brand launched a campaign to share relevant DIY guides to engage consumers at home.

Haier Thermocool's unique antibacterial treatment technology (ABT) available in the WM, Fridges and AC brands created compelling and relevant solutions to drive purchases via the growing third-party e-commerce channels.

Carex is providing consumers with opportunities to reduce plastic, using the principles of the circular economy and focusing on 'reduce, reuse, refill'. Our hand wash refill pouches first launched in 2015 with up to 80% less plastic, and saved over 5 million pumps in 2019. We relaunched Carex earlier in the year with our ECO Refill System including bottles made from 30% recycled plastic that are 100% recyclable, and introduced an Eco Refill Bottle to encourage consumers to keep and reuse the pump many times.

ST.TROPEZ

A focus for growth
St.Tropez is America's leading premium tanning brand, with an increasing market share and, in the year up to the global pandemic, growing EPOS sales.

The successful launch of our Purity range last year contributed to a double digit increase in sales from new products this year. In the UK, our focus on digital sales delivered a strong increase in revenue.

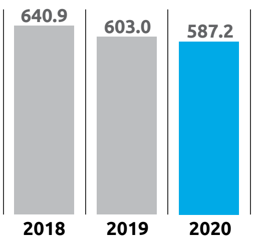
The Purity range has also been extended this year with the new Purity Vitamins Face Serum and Body Mist range. The vitamin-enriched Bronzing Water Serum is infused with our unique Sunshine Complex: a blend of 100% natural tanning active and 93% natural skincare ingredients. It is packed with hyaluronic acid, refreshing green mandarin water and Vitamin C and D boosters – known to mimic the effects of the sun, without the harmful effect of UV rays.

Our exciting 2020 marketing campaign was at the point of launch when the global pandemic put the brakes on, as sales of non-essential products halted with store closures. Plans will be reignited during the post-lockdown phase as demand for beauty products returns.

How we measure our progress

FINANCIAL

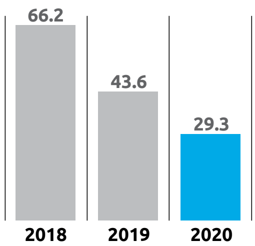
Revenue £m



Definition
Revenue net of discounts, rebates and sales taxes (does not include JV revenue)

Why we measure
Revenue growth is a key strategic aim

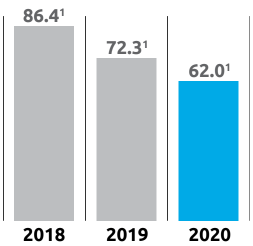
Reported Profit Before Tax (IFRS) £m



Definition
Profit before tax after exceptional items

Why we measure
Measures operating performance after exceptional items prior to taxation costs

Adjusted Profit Before Tax £m



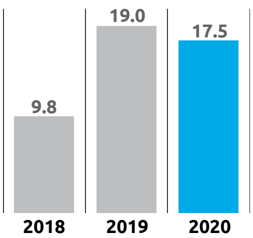
Definition
Profit before taxation and exceptional items

Why we measure
Measures operating performance prior to exceptional items and taxation costs

Basis of calculation

	2018 £m	2019 £m	2020 £m
Profit before tax (IFRS)	66.2	43.6	**29.3**
Exceptional items	20.2	28.7	**32.7**
Adjusted profit before tax	86.4[1]	72.3[1]	**62.0[1]**

Average Net Working Capital as % of Revenue



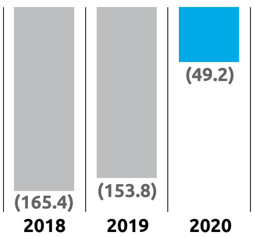
Definition
Average net working capital (defined as trade receivables and inventory less trade payables) as a % of revenue

Why we measure
Indicator of the working capital (stock, debtors, creditors) required to support the sales that we make

Basis of calculation

	2018 £m	2019 £m	2020 £m
Average net working capital	62.9	114.1	**102.5**
Total revenue	640.9	603.0	**587.2**
Average NWC as % of revenue	9.8%	19.0%	**17.5%**

Net Debt £m



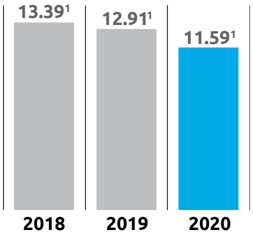
Definition
Cash, short-term deposits and current asset investments, less bank overdrafts and borrowings

Why we measure
Indicator of the overall debt position of the Company and a way to evaluate the financial fitness of the Group

Basis of calculation

	2018 £m	2019 £m	2020 £m
Cash and short-term deposits	101.1	51.9	**78.7**
Overdrafts	(16.5)	–	**(1.2)**
Current asset investments	0.3	0.3	**0.3**
Borrowings	(251.9)	(206.0)	**(127.0)**
Net debt	(167.0)	(153.8)	**(49.2)**

Adjusted Basic EPS pence



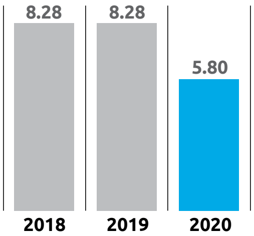
Definition
Basic earnings per share adjusted for the impact of exceptional items

Why we measure
A key indicator of value enhancement to shareholders

Basis of calculation

	2018 pence	2019 pence	2020 pence
Basic earnings per share	9.63	6.14	**4.61**
Impact of exceptional items	3.76	6.77	**6.98**
Adjusted basic earnings per share	13.39[1]	12.91[1]	**11.59[1]**

Dividend Per Share pence



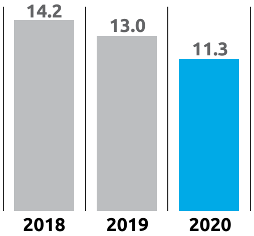
Definition
Dividend per share

Why we measure
Dividend growth is a key performance indicator in terms of tangible return to shareholders

Basis of calculation

	2018	2019	2020
Dividend payment to shareholders (£m)	34.6	34.6	**24.2**
Number of shares (millions)	418	418	**418**
Dividend per share (pence)	8.28p	8.28p	**5.80**

Adjusted Operating Margin %



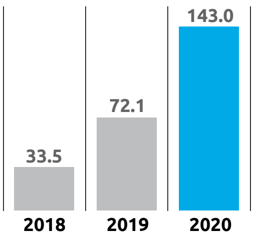
Definition
Operating profit before exceptional items, as a % of revenue

Why we measure
Indicator of the return on sales prior to exceptional items, financing and taxation costs

Basis of calculation

	2018 £m	2019 £m	2020 £m
Adjusted operating profit	91.2	78.5	**66.1**
Revenue	640.9	603.0	**587.2**
Adjusted operating margin (%)	14.2%	13.0%	**11.3%**

Free Cash Flow Conversion %



Definition
Cash generated from operating activities less capital expenditure as a % of adjusted EBITDA

Why we measure
Free cash flow conversion is a key performance indicator in terms of demonstrating the Group's ability to convert earnings into cash

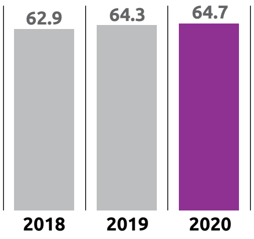
Basis of calculation

	2018	2019	2020
Adjusted EBITDA	110.1	95.4	**91.6**
Free cash flow	36.9	68.8	**131.0**
Free cash flow conversion rate	33.5%	72.1%	**143.0%**

1 Please refer to page 44 for reconciliation of Alternative Performance Measures to Reported (IFRS) Results.

STRATEGIC

Personal Care (including Beauty) as a % of Revenue



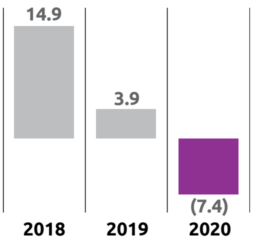
Definition
The revenues generated from the Personal Care category (including Beauty) as a % of overall Group revenue

Why we measure
A key part of our strategy is to increase our Personal Care business including Beauty

Basis of calculation

	2018 £m	2019 £m	**2020 £m**
Personal Care revenue (including Beauty)	403.3	387.5	**380.0**
Revenue for the Group	640.9	603.0	**587.2**
%	62.9%	64.3%	**64.7%**

Africa Adjusted Operating Profit £m



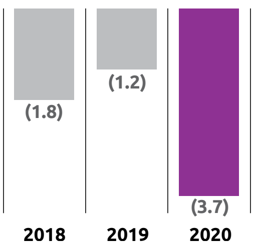
Definition
The adjusted operating profit of Africa

Why we measure
A key focus of our strategy is to recover our operating performance in Africa

Basis of calculation

	2018 £m	2019 £m	**2020 £m**
Africa operating profit / (loss)	6.3	6.1	**(8.3)**
Impact of exceptional items	8.6	(2.2)	**0.9**
Adjusted Africa operating profit	14.9	3.9	(7.4)

Asia Pacific Revenue Growth % at constant rates[1]



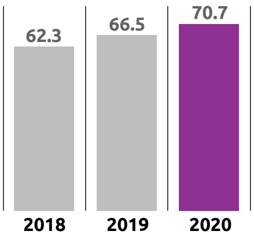
Definition
Revenue growth of Asia Pacific at constant currency

Why we measure
Asia Pacific represents a key opportunity for growth in our business in the future

Basis of calculation

	2018 £m	2019 £m	**2020 £m**
Asia Pacific Revenue growth / (decline) at constant rates	(1.8%)	(1.2%)	(3.7%)

Focus Brands as a % of Revenue



Definition
The revenues generated from the Focus Brands as a % of overall Group revenue

Why we measure
We are focusing on the brands that have the strongest potential for high margin growth

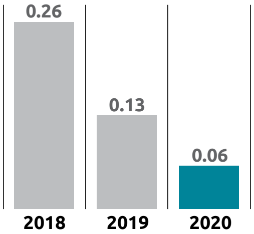
Basis of calculation

	2018 £m	2019 £m	**2020 £m**
Focus Brand revenue	399.3	401.0	**415.2**
Total revenue	640.9	603.0	**587.2**
Focus Brands as a % of revenue	62.3%	66.5%	**70.7%**

1 The constant currency impact has been derived by retranslating the 2019 result using 2020 foreign currency exchange rates.

NON-FINANCIAL

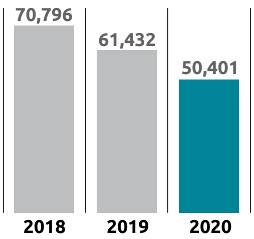
Health & Safety LTIFR[1]



Definition
Lost Time Incident Frequency Rate (LTIFR) is the number of health & safety occurrences which result in one or more days' absence from work (excluding the day of the incident) per 200,000 hours worked

Why we measure
To monitor the safety of our operations

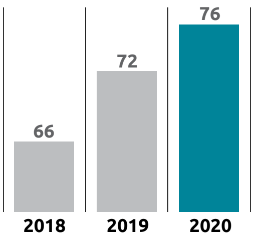
Carbon Emissions Total absolute tonnes of CO_2e



Definition
Total absolute tonnes of CO_2e

Why we measure
To monitor the impact of our operations on the environment

Grams of Plastic per kg Finished Good



Definition
Grams of plastic per kilogram of finished goods sold

Why we measure
To monitor the progress against our Plastics Promise commitment to minimise waste and increase recyclability

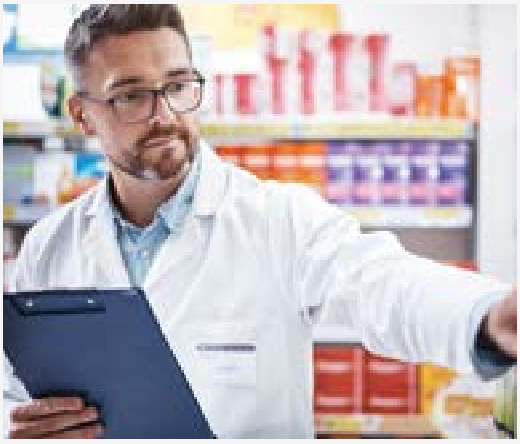
Basis of calculation

	2018	2019	2020
Total plastic (metric tonnes)	20,708	20,983	**20,176**
Total finished goods sold (metric tonnes)	311,825	292,558	**263,809**
Grams of plastic per kg finished good	66	72	**76**

1 The frequency rate is calculated as the number of incidents per 200,000 hours worked.

Creating a dialogue with our stakeholders

Our approach to doing business is founded on the principle of creating sustainable value for all. We believe that PZ Cussons thrives when the interests of different stakeholders are balanced so that they all share in our success.



Customers and consumers

One of our strengths is the ability to build close, long-term relationships with our customer base. Our customers are our key to success and they are at the forefront of any decision the Company makes. Our customers give us their loyalty and their trust which we earn through decades of trading together – in both developed and emerging markets – and in turn we see them not just as customers, but as partners. As we adapt to an ever-changing and increasingly digital market place, we continue to focus on building, enhancing and maintaining our strong links with customers – and building loyalty with the consumers who buy our products. During the year as we saw consumer demand significantly increase for our hand hygiene products, the Board took the decision to divert significant resources and increased production to help keep our customers safe.

Investors

The Chair meets periodically with our major shareholders, including our majority concert-party shareholders, to discuss business performance, to understand their investment objectives and goals and to hear any concerns or advice they might have to help move the Company forward. The CEO and CFO (or interim CFO) deliver the Group's interim and final results in person, with presentations, Q&A sessions and roadshows for our major shareholders.

We also organise ad-hoc investor events and an Annual General Meeting in November to provide an opportunity for shareholders to meet the Directors and discuss the year's results. Our Board members and our Company Secretary are always available to our shareholders to listen and respond to any concerns they may have or perspectives they may wish to share.

Employees

ONE PZC defines the essence of our business. We are one family, working together with one purpose, towards one ambition. Our compact size, flat structure and open culture foster genuinely open communication between employees across the Company, regardless of seniority or geography. We have worked hard to create a supportive environment in which everyone's ideas are valued equally. We engage with employees regularly through local and global 'town hall' meetings, functional webcasts and leadership events. We also take note of our employees' views, engagement and feedback through various means including periodic surveys. During COVID-19, we accelerated our investment to support remote working and launched various health and wellbeing programmes. In line with the 2018 Corporate Governance Code, our Board has appointed Dariusz Kucz, a Non-executive Director, as our employee engagement champion with a specific mandate to ensure the Board hears and understands the 'employee voice'. More details on Mr Kucz's engagement with our staff can be found on page 87.

It is therefore important that we fully understand all stakeholders' priorities, expectations and concerns, and that important decisions are explicitly framed in the context of the interests of and implications for all affected stakeholders.

Communities

Ever since the business was founded in the 1880s, we have recognised the importance of developing good relations with local communities in the vicinity of our operations. We are committed to making a positive contribution to society and to minimising any negative impacts from our operations, and we believe that investment in our communities also helps create enthusiastic consumers and advocates for our brands, as well as developing loyal employees. Wherever we operate, we contribute to local community initiatives, from helping to build schools or roads in some of our developing markets, to donating products or mentoring and supporting local children to improve their life chances.

Partners and suppliers

We work with partners, distributors and suppliers whose values and ethical standards align with our own – and who we know to be diligent, responsible, honest and fair. We prefer to treat our supplier relationships as long-term alliances, working in partnership to create and sustain robust, lasting and mutually beneficial relationships. The specialists in our Singapore-based central procurement function are dedicated to sourcing the Group's key materials; a key aspect of their role is the maintenance of open, dynamic communication with our supplier base. Value alignment is a critical feature of our relationships with our joint venture partners, including Wilmar and Haier, and the Board engages directly with them, through the Chief Executive or Chair.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way that he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In order to discharge this duty, a Director must have due regard for, among other things:

- The likely consequences of any decisions in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between the members of the company.

The Board has regard to these and many other factors in all of the decisions it makes, understanding that not all decisions made by the Board will have a positive outcome for all of the stakeholders of the Company. The core values and strategy of the Company, which reflect our dedication to employees, the environment, our communities and markets, our shareholders and our reputation for business integrity, are central to all the Board's discussions and decisions. The commentary to the left of this statement sets out in greater detail how we engage with and listen to some of the key stakeholders of the Company.

In particular, towards the end of FY20, when considering the Company's response to the COVID-19 pandemic, the Board very carefully considered the balance of stakeholder interests. In supporting remote working policies the Board considered the health and safety of our employees in addition to their emotional wellbeing while under lockdown.

The Board regularly monitored employee health and also wellbeing through periodic pulse surveys. The Board also considered the needs of our consumers in deciding to restrict the range of products and divert production capacity to much needed hygiene products such as hand soap and sanitiser gels. The Board also considered our communities in its decision-making, supporting a significant step-up in charitable donations focused on sanitiser gel and soap donations to vulnerable groups, and donations of Sanctuary products to key workers in the NHS, which are set out on pages 77 to 79.

Our People

Continuing to *Make your mark* and live our **CAN DO** values through our PZC Behaviours is as important as it ever was.

Fulfilling our Focus, Scale, Accelerate agenda requires that we put in place a renewed people plan that enables organisational agility, and ensures we have the right capabilities in the right places at the right time, so that we are competitive in the ever-changing global environment today and in the future. We will do this by focusing on three core areas over the next 3-5 years.

	What we'll focus on	2020 highlights
TALENT **Attract, develop and retain the best diverse people**	• Build and execute strong holistic internal and external succession plans. • Build strategic workforce plans and long-term resourcing strategy. • Build innovation and digital capability. • Deliver gender balance and diversity aspirations.	• Critical roles reviewed in light of Focus, Scale, Accelerate priorities. • Four internal promotions to the executive leadership team complemented by three external recruits. • Expanded participation in 30% Club. • Nigeria Ladies Market Storm.
ENGAGEMENT **Empowered, connected and inspired people enabled to make their mark**	• Build inspirational, visible, accountable leadership capability. • Modernise performance management and people practices. • Design/develop and implement new reward policy. • Modernise internal communications platform.	• Launched Global Engagement Survey. • Launched Workplace by Facebook™. • Continued expansion of the PZ Way of Leading programme. • Reward policy review. • Appointed a Non-executive Director responsible for employee engagement.
ENABLEMENT **Unlock our full potential through simplicity, agility and focus**	• Simplify organisation processes and practices. • Evolve organisational model to an agile fit-for-purpose solution. • Embrace and define new ways of working.	• Organisation-wide optimisation activities.

Make your mark

Big enough to make a mark, small enough to make it yours.

We describe PZ Cussons as a place where our people can truly make their mark. It continues to be our powerful banner used internally and externally to describe what makes us different – and that individual contributions at every level of the business are recognised and valued. Unlocking the full potential of our people so we can make our mark, individually and collectively in the markets we serve is underpinned by driving activities within our Talent, Engagement and Enablement pillars.

This year, we've placed renewed focus on Talent and building a diverse workforce with the right skills, where we need them[1]. We've begun sharpening our senior leader succession and development planning activities through reviewing our critical roles and increasing the regularity in which they are discussed and managed. The development of our female senior leaders continues to be a priority for us. We remain a signatory to the 30% Club's targets to improve gender diversity in leadership teams and this year we expanded our participation as well as extended it to a number of senior level mentees across the UK, Nigeria and Indonesia. The 2019/20 financial year saw a considerable number of changes in our executive leadership team and our Board. On 1 May 2020, we welcomed Jonathan Myers as our new CEO. Our executive leadership was refreshed with four internal promotions and three external recruits and our Board welcomed new Chairs of our Remuneration Committee and our Audit & Risk Committee.

Nigeria piloted a scheme aimed at building the consumer and market skills of our female leaders in non-commercial roles. Titled the Ladies Market Storm, 150 women across all grades were tasked with driving direct cash sales and winning new customers by promoting brands across the Personal Care, Food & Nutrition and Technology businesses. Not only did our leaders deepen their commercial awareness through this immersive experience, they contributed N10.6m (£23,400) worth of sales in one day, surpassing the scheme's target by over 200%.

We believe that increased levels of employee engagement drive not only individual productivity, organisational performance and innovation, but are also a source of competitive advantage. This year we introduced our PZC Engagement model that defines the five key employee engagement levers we'll focus on maximising. These were measured in our Global Engagement Survey where 90% of employees took part.

Employee wellbeing, one of our five core engagement levers, was the focus of many activities this year and was of critical importance during the global pandemic. Practical information, tools and support to help in the transition to working from home, as well as resources, online virtual training and social events to help build and maintain good physical and mental health were activated across the Group. The introduction of our new communication and collaboration

tool Workplace from Facebook™ was instrumental during this time, and further supports all of our engagement efforts by ensuring employees are socially connected and engaged in what's happening across our business and PZC family; locally and globally.

Since launching in November, we've already seen an 89% adoption rate.

This year we've also reviewed our Directors' Remuneration Policy as well as reward policy and practices as they apply to all our employees. We will ensure that these policies and practices continue to not only support our strategy but also drive employee engagement by being competitively positioned and ensuring that employees are rewarded for our success.

1 For more information on the diversity of our workforce see page 138.

Our values and behaviours

Our CANDO! values underpin everything that we do at PZ Cussons. CANDO! stands for Courage, Accountability, Networking, Drive, Oneness. These values are inspired by our founders' spirit and vision for the Company and are integral to the way we do business and deliver on our purpose of 'Enhancing everyday life, creating moments of delight'. They are at the very heart of PZ Cussons, epitomising our culture and what makes us unique.

To help us thrive as a business and in our individual roles, our CANDO! values are realised by demonstrating our behaviours.

We call them the ABCs of how we behave; which at PZ Cussons is as important as what is delivered. Our behaviours dictate our ways of working and operating and are embedded in all of our people processes, from recruitment to succession, and from development planning to performance management.

How we made our mark in...

AUSTRALIA

Supporting our national partner Foodbank

Our Australian business continued to support our national partner Foodbank during the year. Foodbank is Australia's largest food relief organisation, operating on a scale that makes it crucial to the work of the front line charities that are assisting vulnerable Australians. Foodbank provides 77 million meals a year (210,000 meals a day) to more than 2,600 charities around the country.

In late 2019 / early 2020 large parts of Australia were affected by unprecedented bushfires which had a devastating impact on communities across the nation.

Foodbank and their FMCG partners played a critical role in providing essential food and grocery supplies to stricken areas.

PZ Cussons donated a significant quantity of much needed baby food and personal care products to the cause and many of our employees took the opportunity to further support Foodbank by volunteering to pack and distribute hampers to the affected communities.

77 MILLION

Foodbank provides 77 million meals a year (210,000 meals a day) to more than 2,600 charities around the country.

NIGERIA

In December 2019, Haier Thermocool achieved another milestone by being the first factory in Nigeria to switch from the assembly of R22 air-conditioning units to R410a air-conditioning units. These new units are not only more energy efficient for our consumers, they are environmentally friendly. This shift is part of our continued strategy to increase energy saving and inverter technology for air-conditioning, thereby strengthening our 'go green' positioning in the Nigerian air-conditioning market, upholding environmental global compliance while we continue to delight our consumers.

INDONESIA

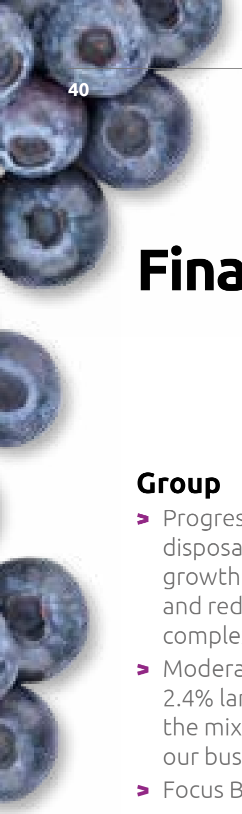
Joining together to minimise the impact of flooding

The unexpected flooding in January 2020 in Jakarta and surrounding cities impacted the homes of hundreds of our employees as well as our factory, flooding the car park, office building, warehouse and production area. This resulted in the factory stopping all operations and impacting the Indonesian business as well as other business units dependent on the Indonesian factory.

Despite the personal impact faced by employees, some of whom had moved into shelters, many came into the factory and worked to prevent further flooding. As a result of offering their personal time, hard work, and CANDO! attitude, production recommenced within days, minimising production impact locally and worldwide.

UK

WHO and other national guidance on the importance of handwashing as a measure to help stop the spread of COVID-19 gave rise to an unprecedented demand for hand wash and alcohol-based hand sanitiser in the UK putting PZ Cussons and the Carex brand at the forefront of public health. Keeping up with consumer demand had teams across supply chain, marketing and sales collaborating to innovate new ways of responding to needs that were changing on a daily basis. New larger sized product variants were created in response and in record time, requiring redesigns in packaging, labelling and retail displays. Our Agecroft factory also expanded its ability to produce both hand wash and hand sanitiser. At the height of the epidemic, production capacity increased to four times its normal rate with close to 4 million bottles of Carex hand wash produced a week and hand sanitiser production up 10 times the volume before the pandemic. All this was delivered while many employees were transitioning to remote working, and factory staff were managing the stresses and constraints of working in a production environment while practicing social distancing. Two of the UK's largest retailers publicly applauded the UK team's agility in response and continuous communication throughout the crisis, calling it 'best in class'. Not only did the team work tirelessly to support the needs of customers and consumers, but they also donated over 500,000 units of Carex hand wash and hand sanitiser to some of the most vulnerable charity groups and key workers across the UK, including the National Health Service, Nightingale hospitals and Age UK, delivering products to residential homes and day centres.



Financial Review

Group

- Progress on strategy with three disposals announced this year, growth in Focus Brand revenue and reduction in organisational complexity.
- Moderate decline in revenue of 2.4% largely driven by Nigeria and the mixed impact of COVID-19 on our business.
- Focus Brand revenue grew compared to last year by 3.3% principally driven by Carex performance in Q4.
- Adjusted operating profit of £66.1m, 16.0% lower, resulting from losses in Nigeria, decline in Beauty and lower profits in Australia offsetting excellent results in the UK and Indonesia.
- Adjusted profit before tax of £62.0m, a reduction of 14.5% reflecting the reduced adjusted operating profit partially offset by a lower interest charge.
- Reported profit before tax declined by 32.8% to £29.3m, largely due to the non-cash impairment of five:am and Rafferty's Garden offsetting profits on disposal of our operations in Greece and brand in Poland.
- Balance sheet significantly strengthened, with net debt of £49.2m versus £153.8m compared to last year, a net debt to adjusted EBITDA ratio of 0.6 times and headroom at 31 May 2020 of £198m.
- Full year dividend reduced to 5.80p with cover of 2 times adjusted earnings per share to enable increased investment in the growing hygiene category and sustainable future growth.

Europe & the Americas

- Strong growth in revenue of 6.2%, reflecting an excellent performance in UK Personal Care partially offset by COVID-19 related decline in Beauty.
- Achieved market leadership in UK in washing and bathing category with Carex #1 brand.
- Imperial Leather and Original Source were adversely impacted by COVID-19 capacity constraints, prioritisation of Carex and contraction in shower category.
- Adjusted operating profit at £55.0m, 0.9% ahead of last year with growth in the UK offsetting decline in Beauty.
- Disposal of business in Greece for £40.9m and Polish Personal Care brand Luksja for £9.2m. These have been treated as discontinued operations in these results.

Asia Pacific

- Revenue declined by 3.7% driven by Australia with a stable performance in Indonesia.
- Market share growth in Indonesia and Australia Home Care category.
- Morning Fresh grew revenue, and Cussons Baby was stable, while Food and Nutrition in Australia declined.
- Excellent results in Indonesia were offset by a lower top line and foreign exchange in Australia resulting in a decline in adjusted operating profit of 9.4%.
- Non-cash impairment of £36.6m driven by the impairment of Rafferty's Garden and five:am intangible assets.

Africa

- Continued decline in Home and Personal Care value brands, impact of COVID-19 and a challenging Nigerian economy resulted in revenue declining by 9.7%.
- Morning Fresh continued to grow but was offset by the decline of Premier and smaller brands.
- Adjusted operating loss of £7.4m due to lower revenue and margin in Nigeria together with the adverse impact of devaluation and some COVID-19 related costs.
- Growth in profit in Kenya, Ghana and our associate, PZ Wilmar.
- Announcement of disposal of Nutricima, our Nigerian milk business, for $20.3m (£15.6m). Nutricima is held as a discontinued operation with its assets and liabilities shown as held for sale at 31 May 2020.

Outlook

COVID-19 and its aftermath in terms of both economic factors and consumer confidence will clearly continue to have a significant impact on the consumption of our Personal Care, Home Care and Beauty products.

Despite the renewed momentum of our business in the first quarter of FY21 we expect volatility and risk to continue as well as increased investment in our brands and capabilities as we prepare for a multi-year turnaround of the business, starting with a comprehensive review of our strategy.

Basis of Preparation

In our Financial Statements we use alternative performance measures that are not recognised under IFRS. These metrics are used to allow the readers of the Financial Statements to obtain a more consistent comparison of the underlying performance of the Group by adjusting for certain items which, if included, could distort the understanding of the Group's performance and comparability between periods. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group.

The adjusted presentation is adopted on a consistent basis for the purposes of the half year and full year reporting. Where relevant, comparative IFRS measures have also been presented.

Adjusted results are presented before exceptional items which in the current period include the impairment of five:am and Rafferty's Garden, costs relating to the previously identified Group Strategy project, and the continuation of costs associated with the Group Structure and Systems project, offset by the profit on the sale of the business in Greece and Poland.

Results[1] (before exceptional items)

	Year ended 31 May 2020	(Restated)* Year ended 31 May 2019	Reported % change	Constant currency % change[2]
Revenue from continuing operations	**£587.2m**	£603.0m	(2.6%)	(2.4%)
Adjusted[1] operating profit from continuing operations	**£66.1m**	£78.5m	(15.8%)	(16.0%)
Adjusted[1] profit before tax from continuing operations	**£62.0m**	£72.3m	(14.3%)	(14.5%)
Adjusted[1] profit for the period from continuing operations	**£47.3m**	£56.4m	(16.1%)	
Adjusted[1] basic earnings per share	**11.59p**	12.91p		
Net debt[3]	**(£49.2m)**	(£153.8m)		

Reported results (IFRS) (after exceptional items)

	Year ended 31 May 2020	(Restated)* Year ended 31 May 2019	Reported % change
Revenue from continuing operations	**£587.2m**	£603.0m	(2.6%)
Operating profit from continuing operations	**£33.4m**	£49.8m	(32.9%)
Profit before tax from continuing operations	**£29.3m**	£43.6m	(32.8%)
Profit for the period from continuing operations	**£19.6m**	£32.1m	(38.9%)
Basic earnings per share	**4.61p**	6.14p	
Total dividend per share	**5.80p**	8.28p	

1 Exceptional items before tax (2020: cost £32.7m; 2019: cost £28.7m) are detailed in note 3 to the Financial Statements.

2 Constant currency comparison. See page 43 for values of currency impact.

3 Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings. It does not include IFRS 16 lease liabilities of £13.8m (refer to note 1 to the Financial Statements).

IFRS 16 was adopted on 1 June 2019 for statutory reporting using the modified retrospective approach and therefore prior year figures have not been restated for the impact of IFRS 16.

*The results for the year ended 31 May 2019 have been restated to reflect discontinued operations and prior year adjustments. Further details are set out in note 30 and note 1 to the Financial Statements.

The commentary throughout refers to adjusted results of continuing operations on a constant currency basis unless otherwise noted.

Following the announcement in December 2019 of the retirement of Chief Executive Officer, Alex Kanellis, certain matters were brought to the attention of the Company which were subsequently announced in an RNS of 2 April 2020. As soon as it became aware of these matters, the Board immediately initiated an independent investigation, led by external law firm Addleshaw Goddard LLP, which is now complete. Following the investigation, the Committee determined it appropriate to engage KPMG to perform a wider review of the Group's control environment, which has also been concluded. The KPMG review did not result in any findings which had led to any material misstatements, but it highlighted a number of opportunities for key controls to be improved or evolved. Management and the Board have endorsed a detailed action plan responding to each of the recommendations made by KPMG with clear executive ownership and timelines for each recommendation.

Prior Year Adjustments

In preparing these Financial Statements, management have identified a small number of errors relating to prior periods. Accordingly, prior year adjustments have been made. These prior year adjustments reflect historical errors relating to the accounting for the effects of changes in foreign exchange rates, intercompany transactions and the recognition of reserves.

The adjusted and reported results for the current period are presented with variances to prior period results and also as variances between the current and prior period on a constant currency basis. The constant currency impact has been derived by retranslating the 2019 result using 2020 foreign currency exchange rates. The translational impact was a £1.1 million loss on revenue, a £0.2 million gain on adjusting operating profit, and a £0.2 million gain on adjusted profit before tax.

Progress Against Strategy Launched in July 2019

Our strategy announced in July 2019 aimed firstly to focus investment on our core Personal Care and Beauty brands, simplify our Nigerian operations and dispose of non-core brands and activities.

1) Focused investment on core Personal Care and Beauty brands in geographies that can scale growth

Key to delivering our strategy remains returning the Group to sustainable growth. Our ambition is to grow our Focus Brand revenue on an annual basis between 2 and 4%. Our Focus Brands receive the majority of our marketing investment and account for roughly two-thirds of our revenue. By region they are:

- Europe & the Americas: Imperial Leather, Carex, Original Source, St.Tropez and Sanctuary.
- Asia Pacific: Cussons Baby, Morning Fresh and Rafferty's Garden.
- Africa: Premier, Cussons Baby, Morning Fresh and Electricals.

We achieved revenue growth of 3.3% across our Focus Brands compared to last year. This was driven largely by the outstanding performance of Carex in the UK with Morning Fresh also increasing sales in its respective markets. St.Tropez and to a lesser extent Sanctuary were impacted adversely by COVID-19 due to the lockdown eliminating social gatherings and closing retail and disproportionately impacting results due to seasonality. Both Imperial Leather and Original Source declined in the first half reflecting consumer uncertainty and lower footfall in the UK and were impacted in the final quarter by the contraction in the shower category and the focus of the business to produce Carex given limitations in our supply chain as a result of the pandemic. Cussons Baby in Indonesia delivered a robust performance but was impacted by the reduced number of selling days this year while the brand in Nigeria was impacted by COVID-19 after growth in the first half of the year. Premier in Nigeria continued to decline and lost market share. Rafferty's Garden in Australia was relaunched and this led to a flattening of the decline in market share but the brand failed to significantly grow in China. Electricals growth in the first half was curtailed by COVID-19 and overall the revenue result was in line with the prior year.

2) Simplification of our Nigerian activities ready for market recovery and continued investment in our partnerships with Haier and Wilmar

Progress continues on the simplification of our Nigeria business which towards the end of this financial year included the following: a reduction in the senior population which will focus all our categories under one leadership team, a review of our portfolio leading to a reduction in the number of SKUs and a working capital programme which has seen a strong improvement in trade receivables and a reduction in stock. Regarding our operational partnerships in Nigeria we saw a stable revenue performance but a decline in Electricals profits driven by devaluation, higher costs due to the continuation of the Lagos Port issues and competitive pricing. At Wilmar, where we account for our share of profit after tax only, we saw an increase in profitability due to higher sales as demand for food products increased as a result of COVID-19.

3) Disposal of non-core brands and activities

Progress was made on the reshaping of our activities with the disposal of both the business in Greece for £40.9m and our Polish Personal Care brand Luksja for £9.2m. We also announced the disposal of Nutricima, our Nigerian milk business, for $20.3m (£15.6m) which we expect to complete at the end of September 2020 following competition clearance and shareholder approvals. Furthermore we also simplified our organisation design with the elimination of roles at Head Office and the disbanding of regional structures. We are currently in discussions regarding reshaping in selected other brands and activities.

The following Group and Regional performance commentary is presented on a continuing operations basis. All growth percentages are stated in constant currency and operating profit is stated and discussed on an adjusted basis unless otherwise noted.

Business Review: Group Performance

Revenue at £587.2m declined moderately by 2.4% with growth in the Europe & the Americas region offset by reductions in both the Africa and Asia Pacific regions. COVID-19 had a mixed impact on Group revenue resulting in an outstanding performance in the UK largely offset by the decline in Beauty, Nigeria and Australia with a stable performance in Indonesia.

Adjusted operating profit at £66.1m was 16.0% lower than prior year. Losses in Nigeria were driven by lower revenue and margins of our Nigerian value brands, the impact of devaluation and higher costs associated with COVID-19.

Profits declined in our Beauty division with results impacted by COVID-19 while in Australia the strong performance in the Home Care category was not enough to offset foreign exchange, the impact of the pandemic on the beauty category and the high level of promotional spend. This was mitigated by the outstanding performance in the UK and the continuation of excellent profit growth in Indonesia.

On an IFRS basis, reported operating profit was £33.4m (2019: £49.8m), with the decline versus adjusted profit largely reflecting the non-cash impairments of five:am and Rafferty's Garden. The impairment of five:am reflects the revision of forecasts for the future as a result of increased competition, the de-listing of our Simply range and a more negative outlook on category and macroeconomic assumptions.

Continuing operations

Revenue (£m)	Year ended 31 May 2020	(Restated)* Year ended 31 May 2019	Reported % change	Constant currency % change[1]
Europe & the Americas	**214.5**	201.2	6.6%	6.2%
Asia Pacific	**185.2**	193.0	(4.0%)	(3.7%)
Africa	**187.5**	208.8	(10.2%)	(9.7%)
	587.2	603.0	(2.6%)	(2.4%)

Adjusted operating profit/(loss) before exceptional items[2] (£m)	Year ended 31 May 2020	(Restated)* Year ended 31 May 2019	Reported % change	Constant currency % change[1]
Europe & the Americas	**55.0**	54.2	1.5%	0.9%
Asia Pacific	**18.5**	20.4	(9.3%)	(9.4%)
Africa	**(7.4)**	3.9	(289.7%)	(291.3%)
	66.1	78.5	(15.8%)	(16.0%)

Reported (IFRS) operating profit/(loss) after exceptional items[2] (£m)	Year ended 31 May 2020	(Restated)* Year ended 31 May 2019	Reported % change	Constant currency % change[1]
Europe & the Americas	**61.2**	46.9	30.5%	30.0%
Asia Pacific	**(19.5)**	(3.3)	(490.9%)	(724.6%)
Africa	**(8.3)**	6.2	(233.8%)	(239.9%)
	33.4	49.8	(32.9%)	(33.9%)

1 Constant currency comparison.
2 Exceptional items before tax (2020: cost £32.7m; 2019: cost £28.7m) are detailed in note 3 to the Financial Statements.

*The results for the year ended 31 May 2019 have been restated to reflect discontinued operations and prior year adjustments. Further details are set out in note 30 and note 1 to the Financial Statements.

The impairment of Rafferty's Garden reflects the disappointing results of attempts in China to grow the brand, and a more negative outlook on category and macroeconomic assumptions partially offset by some success in the relaunch of the brand in Australia this year. These impairments are partially offset by the exceptional profit on disposal of our business and brand in Greece and Poland respectively.

We expect the Nutricima disposal to complete at the end of September 2020 with cash proceeds largely offsetting the asset value. Upon completion of the transaction, a loss of £34.2m, which will be included within exceptional items, will be recognised in relation to the unwinding of the accounting for historic foreign exchange reserves.

Financial Review

Group adjusted operating margin was 11.3% (2019: 13.0%) on adjusted operating profit of £66.1m (2019: £78.5m) from revenue of £587.2m (2019: £603.0m). Despite COVID-19 impact in the final quarter, margins remain largely in line with last year apart from Africa where losses drove a decline for the Group overall.

In Europe & the Americas at constant currency, adjusted operating margin was 25.7% (2019: 27.0%), with the region delivering strong margins despite the COVID-19 related decline of Beauty in the final quarter.

The region benefited from the performance of Carex, a reduction in the intensity of promotional spend and a focus on higher margin products which all contributed to offset the adverse impact from decline in Beauty which traditionally enjoys the highest margins in the Group. In Asia Pacific at constant currency, adjusted operating margin was 10.0% (2019: 10.6%), with the decline driven by results in Australia due to reduced revenues in the Beauty category and the adverse impact of foreign exchange partially offset by an increase in the margin in Indonesia. In Africa at constant currency, adjusted operating margin declined to a loss of 3.9% (2019: 1.9% profit) as a result of reduced margins in key brands, the impact of COVID-19 and continued high structural costs and promotional spend.

Net finance costs of £4.1m (2019: £6.2m) were lower than last year reflecting higher cash balances and lower borrowings as a result of the proceeds from the disposals and improved working capital management.

We continue to reduce draw downs on our £325m credit facility which had a headroom at 31 May 2020 of £198m (2019: £121m).

Adjusted profit before tax at £62.0m (2019: £72.3m) reflected the reduced revenue and lower adjusted operating margin partially offset by lower finance costs.

The effective tax rate on adjusted profit was 23.7% (2019: 22.0%[3]). The increase in the effective tax rate is driven by recent changes in legislation in Nigeria where tax is due despite losses and in the UK where a future reduction in the rate of corporate tax has been revised.

Adjusted earnings per share of 11.59p (2019: 12.91p) decreased by 10.2% as a result of the lower profit, together with an increase in the effective tax rate.

3 The effective tax rate is calculated as the adjusted taxation charge in the year as a % of adjusted profit before taxation.

Net exceptional costs of £32.7m (2019: costs of £28.7m) reflect the non-cash impairment of our Rafferty's Garden and five:am intangible assets and costs associated with the Group Strategy project and the Group Structure and Systems project partially offset by profit on disposals in Greece and Poland. Nutricima is held as a discontinued operation with its assets and liabilities shown as held for sale at 31 May 2020. We expect the Nutricima disposal to complete by the end of September with cash proceeds largely offsetting the asset value. Upon completion of the transaction, a loss of £34.2m, which will be included within exceptional items, will be recognised in relation to the unwinding of the accounting for historic foreign exchange reserves. In addition, during the period the Group incurred costs relating to the second year of the Group Structure and Systems project. See note 3 to the Financial Statements for further details on exceptional items.

On an IFRS basis, reported profit before tax was £29.3m (2019: £43.6m) with earnings per share of 4.61p (2019: 6.14p), a decline of 24.9% largely driven by the impact of exceptional items.

Net debt, defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings and excluding IFRS 16 lease liabilities, at £49.2m (2019: £153.8m) reduced due to proceeds from operations, proceeds from the disposals and increased focus across the business on managing working capital and capital expenditure. Total free cash flow, defined as cash generated from operating activities less capital expenditure, was £131.0m (2019: £68.8m) with a conversion rate of 143.0% (2019: 72.1%) demonstrating the strong cash management in the year. The conversion rate is defined as total free cash flow as a percentage of adjusted EBITDA. The results clearly show the focus of the business amid volatility to reduce stock, enforce trade terms and restrict investment.

Our balance sheet remains strong with a net debt to adjusted EBITDA ratio of 0.6 as at 31 May 2020 (2019: 1.5) and net assets of £416.9m as at 31 May 2020 (2019: £451.3m). The Group is funded by a £325 million Revolving Credit Facility committed until 28 November 2023, of which £127m was drawn down at 31 May 2020.

The Group's three UK pension schemes have an aggregate pension accounting surplus under IAS 19 of £38.4m, after the restriction due to asset ceiling (2019: £31.8m). The overseas schemes reported a deficit of £7.7m (2019: £6.8m).

The financial impact of COVID-19 on our business principally in the final quarter has been mixed. The downside impacts of COVID-19 largely in Nigeria and in Beauty have been somewhat mitigated by the performance of Carex in the UK. The Group has implemented new measures aimed at conserving cash as we face the uncertainty brought on by the pandemic in the months ahead.

These measures include deferring discretionary capital expenditure, accelerating the simplification of our organisational structures and increasing focus on working capital.

We ended the 19/20 financial year with a strong balance sheet including net debt at £49.2m, a net debt to adjusted EBITDA ratio of 0.6 times and a headroom of £198m on our Revolving Credit Facility.

The Directors continue to adopt the going concern basis in preparing the accounts on the basis that the Group's strong liquidity position and ability to reduce or minimise working capital as well as capital expenditure are sufficient to meet the Group's forecast funding needs, including those modelled in a downside case.

The Board is recommending a final dividend of 3.13p (2019: 5.61p) per share, making a total of 5.80p (2019: 8.28p) per share for the year. The decrease primarily reflects the need to reset our dividend coverage to a more sustainable level. This will provide the business with the capacity for incremental investment in our key brands and in new opportunities such as hygiene amid COVID-19 related uncertainty. Subject to approval at the AGM, the final dividend will be paid on 3 December 2020 to shareholders on the register at the close of business on 9 October 2020.

Reconciliation of Alternative Performance Measures to Reported (IFRS) Results (£m)	**Year ended 31 May 2020**	(Restated)* Year ended 31 May 2019
Reported (IFRS) profit before tax from continuing operations	**29.3**	43.6
Exceptional items	**32.7**	28.7
Adjusted profit before tax from continuing operations	**62.0**	72.3
Interest	**4.1**	6.2
Depreciation & amortisation	**18.7**	16.9
Adjusted EBITDA	**91.6**	95.4
Cash generated from operating activities	**137.7**	82.9
Less capital expenditure	**(6.7)**	(14.1)
Free cash flow	**131.0**	68.8
Free cash flow conversion rate[1]	**143.0%**	72.1%

1 Cash generated from operating activities less capital expenditure as a % of adjusted EBITDA.

Business Review

EUROPE & THE AMERICAS

Revenue at £214.5m (2019: £201.2m) grew by 6.2% versus prior year with growth in adjusted operating profit to £55.0m (2019: £54.2m).

UK Personal Care in the first nine months was adversely impacted by the decline in consumer confidence amid Brexit while our final quarter saw significant demand for our Carex brand as a result of the COVID-19 pandemic. The COVID-19 pandemic has seen consumers especially in the hygiene category favour tried and trusted brands such as Carex.

PZ Cussons became the #1 in value and volume share terms in the washing and bathing category in the UK (Kantar 52 weeks to 17 May 2020). The COVID-19 pandemic has seen our trade partners and consumers reach for Carex which has a strong heritage and performance in antibacterial wash and sanitiser. Imperial Leather and Original Source also posted robust share results and hold the #3 and #6 positions in the category respectively.

The UK enjoyed an outstanding set of results growing revenue strongly this year as a result of the performance of the Carex brand. In the first half of the year Carex was back on TV after a number of years mainly to focus on the brand's hygiene credentials and contribution to society at large through the 'Mummy Diaries' and 'That's why we Carex' advertising campaign. The brand has a keen sense of social purpose and the 'That's why we Carex' campaign was increased during the height of the COVID-19 pandemic to support those most at risk in our communities. In addition this year saw a focus on the Eco refill system with consumer demand growing significantly compared to last year. To combat the impact of COVID-19, Carex launched a 300ml hand sanitiser from concept to store within six weeks. This has proven popular with both consumers and the trade as well as helping to keep the nation safe. Both Original Source and Imperial Leather declined in revenue compared to last year partly as a result of the market contraction in shower and bath products and also as a result of COVID-19 related capacity constraints with the prioritisation of Carex.

Original Source continues to focus on its natural credentials and this was reflected in our newly launched products using hemp and sea salt. The brand continues to be the UK #1 vegan shower gel. Imperial Leather implemented the Full of Wonderful campaign this year which saw launches across our shower and bath range and also continued the innovative partnership with Skinny-Dip further growing the Foamburst franchise. However these activities were all eclipsed by the impact of COVID-19 in the final quarter of the financial year.

Beauty revenue declined compared to last year. Revenue in the first nine months was impacted by lower consumer confidence in the UK while COVID-19 disproportionately impacted results due to the seasonality of revenue specifically in the US. Furthermore COVID-19 led to the cancellation of marketing activities in the US and UK in particular for St.Tropez. St.Tropez in the UK posted a small decline in market share driven by increased promotion and distribution by value competitors and the lower performance of our main trade partner. In the US prior to COVID-19 market share continued to grow. We lead this category in the US and the UK and have key marketing activities in the next financial year.

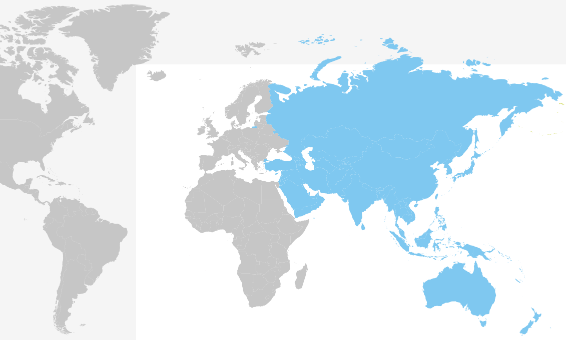
Sanctuary revenue declined versus last year. The negative impact of COVID-19 and decline in the Christmas gifting category were partially offset by the performance of our hero products, the move to year round gifting activities and the development of the brand through new trade channels. This year we launched new Sanctuary products in wellness continuing to build hero products based on our heritage. In addition Sanctuary has continued to perform well online as well as extending distribution to further traditional retailers. As part of our COVID-19 initiatives we continued our Sanctuary donation programme to front line workers in the NHS.

Our hair brands revenue declined in the first nine months of the year and were also significantly impacted adversely with the closure of hair salons in the UK as a result of COVID-19.

Digital continues to be a key platform for our Beauty brands. Our digital sales increased again year on year to around 20% of our total revenue as we continue to grow our digital route to market. In June 2020 post year end we launched D2C websites for some of our Beauty brands in collaboration with the Hut Group.

Adjusted operating profit for the region grew due to the revenue performance in the UK and specifically Carex offsetting the COVID-19 related decline of Beauty together with increased head office costs associated with investment in digital and other overheads. As noted in the interim results the region also benefited from a profit on the disposal of non-core brands.

On an IFRS basis, reported operating profit was £61.2m (2019: £47.0m), the improvement versus adjusted profit being mainly driven by a profit on disposal of our business and brand in Greece and Poland respectively. See note 30 to the Financial Statements for further details.



ASIA PACIFIC

Revenue at £185.2m (2019: £193.0m) declined by 3.7%, with adjusted operating profit at £18.5m (2019: £20.4m), a decrease of 9.4%.

Cussons Baby market share in Indonesia continued to grow. In Australia Morning Fresh performed strongly especially as a result of COVID-19 and also grew share this year. Rafferty's Garden remains the market leader but lost share, although the rate of decline was reduced by the restage of the brand in the latter half of the financial year.

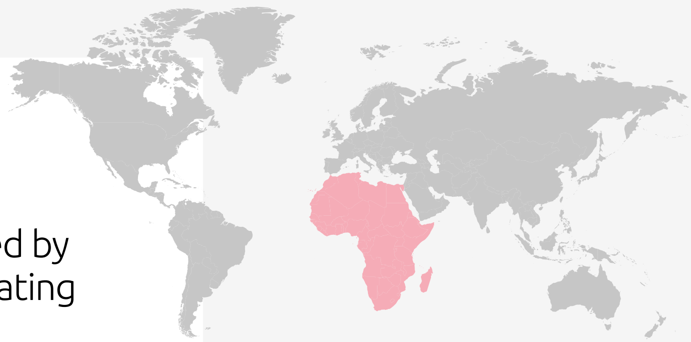
In Indonesia, revenue was stable despite a reduction in the number of trading days associated with Lebaran this financial year and some volatility due to COVID-19. The first nine months of the year saw an increase in our higher margin hair care and creams, with the impact of COVID-19 changing the focus more to the hygiene products in the portfolio in the final quarter of the year. This year we continued to see the previous year's innovation of 'Happy fresh' grow and in addition the launch of products aimed at the newborn segment of the market which will be a focus for the future.

Our manufacturing site in Indonesia was impacted by the severe flooding in Jakarta on 31 December 2019 and an excellent response by our employees led to full operational status being restored by 8 January 2020. We stated in our interim accounts that initial indications were that costs associated with this disruption were not material, which proved to be the case.

Australia revenue was lower largely due to the decline in our food brands, the high level of promotional activity and the impact of COVID-19 on our beauty category in the final quarter of the year. This offset a strong performance by Morning Fresh with revenue growth supported by additional marketing activities, increase in price and COVID-19 demand. We also saw a strong performance by our other Home Care brand Radiant which grew market share as well as revenue. The Rafferty's Garden brand was restaged in the second half of the year with a new range, new packaging and increased healthy offers in the wet food segment and snacking. Though the brand declined in revenue compared to last year the rate reduced post the restage and some initial COVID-19 related purchasing.

Adjusted operating profit at £18.5m (2019: £20.4m) declined by 9.4%, with excellent growth in Indonesia driven by improved mix largely offset by the performance in Australia which was further impacted by foreign exchange movements.

On an IFRS basis, reported operating loss was £19.5m (2019: £3.3m) driven by the non-cash impairment associated with the Rafferty's Garden and five:am brands. The impairment of five:am reflects the revision of forecasts as a result of increased competition, the delisting of our Simply range and a more negative outlook on category and macroeconomic assumptions. The impairment of Rafferty's Garden reflects the disappointing results in China to grow the brand, a more negative outlook on category and macroeconomic assumptions partially offset by some success in the relaunch of the brand in Australia this year. See note 10 to the Financial Statements for further details.



AFRICA

Revenue at £187.5m (2019: £208.8m) declined by 9.7% versus prior year with an adjusted operating loss of £7.4m (2019: profit £3.9m).

Revenue in Nigeria was hampered by the continuation of adverse economic conditions, worsening in the final quarter of the financial year as a result of the decline in oil prices and the impact of COVID-19 which led to the initial closure of the open markets, difficulties in transporting products around the country and a focus by the consumer on food products. We have seen a corresponding contraction in our mass market Home and Personal Care brands resulting in price reductions and discounting and ultimately lower margins for the industry.

Morning Fresh grew revenue strongly reflecting price increases and improved distribution in the market. Cussons Baby was adversely impacted by COVID-19 in the final quarter of the financial year as consumers focused on other categories, despite delivering a strong first half set of results. The Premier brand declined in revenue despite the relaunch of the Cool and Core variants driven by down-trading, discounting and in the final months of the year, the closure of the traditional open markets and other COVID-19 related impacts.

Electricals revenue was overall flat compared to last year, supported by a strong energy saving proposition. In the final months of the financial year, as a result of COVID-19, the closure of many retail points and focus of consumer spending on other categories offset good performance earlier in the year.

Overall the Africa adjusted operating loss was due to decline in our Home and Personal Care categories in Nigeria as a result of pricing and promotional pressure and accelerated in Q4 as a result of COVID-19 and associated restrictions in the country. Losses increased through the accounting impact of the devaluation in April 2020 and some COVID-19 related costs. The pandemic has prompted us to review key provisions on the balance sheet regarding stock and debtors.

This offset growth in adjusted operating profit in Kenya driven by a good revenue performance. Cost savings and sale of assets contributed towards an improvement in profit from Ghana while our joint venture PZ Wilmar produced higher adjusted operating profit reflecting increased availability of palm oil to process and the COVID-19 related demand for food products.

On an IFRS basis, the reported operating loss was £8.3m (2019: reported operating profit of £6.2m) largely driven by the operational performance in Nigeria.

Supply Chain

Our business is supported by flexible, customer-oriented Supply Chain operations.

Our two global functions

Global Procurement

Global Technical

Oversees:
R&D
Packaging
Regulatory and quality assurance in our factories

Our three regional supply chains

Asia Pacific

Africa

Europe & the Americas

Focus on:
Delivery logistics and planning

Supported by: **Group enabling functions**

Our Supply Chain has matured into an agile and competitive organisation within PZ Cussons. Different functions within Supply Chain are now synchronised across the whole Group and integrated with the broader business. We have developed strong leaders connected internally through communities of practice, and externally networked to anticipate and respond to the changing market landscape.

Delivering trusted brands

In an increasingly uncertain and volatile world we understand that brand trust is absolutely critical and have invested consistently in assuring product quality and consumer safety across the whole Supply Chain. Regular product performance benchmarking is carried out to ensure that our product offerings remain competitive.

Preparing for developed market needs

Consumers in developed markets are increasingly choosing products based on their sustainability credentials. We have major programmes in place to reduce the environmental impact of our Supply Chain and products and offer our consumers more sustainable products. Recent examples include the relaunch of Carex with reusable pumps, refill packs for Carex hand wash, lightweight bottles for our Original Source shower gel, and moving from plastic to cardboard bulk containers for Radiant in Australia.

These include our Research and Development operations, Procurement processes, modern manufacturing facilities and efficient distribution networks.

Preparing for developing market needs

Our developing market consumers demand excellent quality products at highly competitive prices. Competition is strong. Our Supply Chain has a strong year-on-year margin delivery programme to ensure price and quality competitiveness. A good example of this is our relaunch of our Morning Fresh bottle in Nigeria. The bottle has a 31% reduction in plastic weight, hence lower cost. It also comprises a 'first' with a double tamper-evident seal cap to assure consumers that the product has not been tampered with – a common issue in the Nigerian market.

Technical – a globally led strategic force applied locally

We deliver safe and winning products for consumers at speed. Working closely with our Category and Brand organisation we continue to align our portfolio to reflect changes in consumer and technology trends. For example, we have delivered outstanding skin moisturisation from a personal wash product using our Foamburst technology in our Foamburst Ultimate Moisture product.

Working closely with suppliers and universities our contract research organisation provides vital innovation capability, and this is particularly important in our Beauty business. For instance in tanning we have worked closely with our suppliers to deliver excellent tanning performance and fragrance in our recent launch of St.Tropez Purity Vitamins Mist.

We have given increased focus to restructuring our Technical Services department to be fit for purpose in the modern environment across all our markets. This will give further impetus to an already established quality and margin improvement programme.

Our packaging programme is regionally focused and driven by strong aligned leadership from Packaging, Procurement and Category. Nowhere is this more evident than in driving our efforts to deliver our Plastic Promise where long-term planning is key.

Winning fragrance and product sensory experience are strong choice drivers in our Personal Care markets. In addition to our own internal fragrance house capability we selectively work with external fragrance houses to enhance our capability.

Manufacturing

Continued investment in employee health and safety has resulted in an ongoing improvement in accident and near miss rate. Year-on-year electrical infrastructure upgrades across key sites have further assured the safety of our manufacturing operations.

Our ongoing Continuous Improvement programme is now established and self-sustaining. Our CI programme has resulted in year-on-year improvements in our sustainability targets in water waste and energy. For example, installation of a new saponification column in our Aba soap manufacturing plant has resulted in greater than 50% energy savings in this process.

Operational efficiencies have also increased as a result of the CI programme with investment in new facilities coupled with a more highly skilled and focused workforce.

Procurement

We have seen improved competitiveness and supplier reliability through our supplier consolidation programme and our efforts to raise our 'on ground' market intelligence.

- Palm Promise commitments are shaping supplier selection and business allocation for palm and its derivatives. Focus led to above 90% traceability scores in a short time.
- Enhanced packaging competitiveness through tighter cost models, upstream cost tracking and weight reduction through responsible designs.
- Increasing procurement coverage in new areas like logistics and indirect spend area to get better value for money spent.
- Investment in capability build across global team through external experts – in negotiation skills and data driven decision making.

Supply Chain response to COVID-19

Development of our supply chain capability has enabled an agile response to the COVID-19 pandemic. For example:

- Comprehensive and rapid response on people safety and processes in all operations in response to the new risks presented by COVID-19.
- Material supply amplification (due to increased demand) in spite of challenges in international sourcing due to the pandemic.
- The effectiveness of our Carex hand wash and hand gel against a surrogate coronavirus to COVID-19 was rapidly established.
- Manufacturing responded to radically increased demand across key sites seeing production increase up to four times in hand wash manufacture in the UK and 10 times in hand gel manufacture.

Principal Risks and Uncertainties

Insight for effective risk management

Viability statement

Assessment of prospects

In assessing the prospects of the Group, the Board has taken account of the following:

- The business model (pages 20 and 21) and the Group's diversified portfolio of products, operations and customers, which reduce exposure to specific geographies and markets, as well as large customer/product combinations, strong product demand, especially in the current environment, the share of the market and product penetration our Focus Brands have and the resilience and strength of manufacturing facilities and overall supply chain, and
- The Company's strong cash generation and its ability to renew and raise debt facilities in most market conditions.

Assessment of viability

In determining the appropriate viability period, the Board has taken account of the following:

- The financial and strategic planning cycle, which covers a three-year period. The strategic planning process is led by the Group Chief Executive and the plans are fully reviewed by the Board.
- The investment planning cycle, which covers three years. The Executive Committee considers, and the Board reviews, likely customer demand and manufacturing capacity for each of its key markets. The three-year period reflects the typical maximum lead time involved in developing new capacity.

The Board considers that, in assessing the viability of the Group, its investment and planning horizon of three years, supported by detailed financial modelling, is the appropriate period.

Viability has been assessed by considering:

- Top-down sensitivity and stress testing. This included a recent review by the Audit & Risk Committee of three-year cash projections which were stress tested to determine the extent to which trading cash flows would need to deteriorate before breaching the Group's facilities. In addition, the financial covenants attached to the Group's debt were stress tested.
- The likelihood and impact of severe but plausible scenarios in relation to principal risks as described on pages 56 to 58. These principal risks were assessed both individually and collectively. Whilst the principal risks all have the potential to affect future performance, none of them are considered likely either individually or collectively to give rise to a trading deterioration of the magnitude indicated by the stress testing and to threaten the viability of the business over the three-year assessment period.

Specific consideration was also given to the risks associated with the COVID-19 global pandemic and this was built into the scenario testing.

Top-down headroom

Bank leverage covenant

The ratio of net debt to adjusted EBITDA at the end of 2020 of 0.6x remains substantially below the maximum covenant level under the Group's lending facilities, providing significant headroom. EBITDA would need to fall by more than 82% before triggering an event of default. Action could also be taken to conserve cash by reducing the dividend payment, stopping capital expenditure or taking other actions to preserve cash. Her Majesty's Treasury (HMT) have confirmed that PZ Cussons Plc is eligible for their Covid Corporate Financing Facility (CCFF) scheme in principle. The issuer limit agreed for PZ Cussons Plc is £300,000,000 at an aggregate Group level. This would provide the Group with an additional short-term source of credit. However, management does not propose to draw on the £300m at this time. Current committed debt facilities mature after the final year of the viability period.

Bottom-up scenarios

Each of the principal risks identified on pages 56 to 58 has been assessed for its potential financial impact as part of the viability assessment. Of these, the most severe but plausible scenarios (or combinations thereof) were identified as follows:

Scenario modelled	Link to principal risks	Mitigation
The anticipated recovery in Africa fails to materialise because of the COVID-19 pandemic or other macroeconomic factors during the entire three-year viability period. The Naira also devalues by 10% in the first year of the viability period because of these issues.	1. Pandemic / health crisis 2. Consumer, customer and economic trends 10. Tax and treasury	The scenario modelled by management is worse than the experience of FY20, which included both the effects of the lockdown in Nigeria due to the pandemic, and a devaluation of the Naira.
Recession in the developed markets in which the Group operates produces a 10% year-on-year decline in revenues. There is also a one-off impact in the first year of the viability review, which results in the closure of the Group's main production facility for a five-week period during peak demand.	1. Pandemic / health crisis 2. Consumer, customer and economic trends 9. Supply chain and logistics	The loss of the facility is highly unlikely to affect the Group's performance as there is 8 weeks inventory on hand to cover such eventualities.
The Group experiences increased commodity costs in all major markets. Management has already factored in known and anticipated cost increases in the base case model, however, this scenario assumes additional 10% cost increases.	1. Pandemic / health crisis 2. Consumer, customer and economic trends 9. Supply chain and logistics	Procurement constantly works with vendors to obtain the best prices.
Scenario 4 combines scenario 1 and 2 above to model management's worst case expectation of a recurring global pandemic affecting results in each of the three years of the viability period.	1. Pandemic / health crisis 2. Consumer, customer and economic trends 9. Supply chain and logistics 10. Tax and treasury	

The results of the bottom-up scenario modelling showed that no individual event or plausible combination of events would have a financial impact sufficient to endanger the viability of the Group in the period assessed. Even under this worst case, the Net debt/EBITDA ratio is 2.8x, well within the requirement of the Group's banking covenants, and there would still be committed facilities headroom which would remain undrawn on committed banking facilities. Further actions could still be taken to conserve cash, including but not limited to reducing the dividend and capital expenditure. It would, therefore, be likely that the Group would be able to withstand the impact of such scenarios occurring over the assessment period and would continue to operate in accordance with its bank covenants.

Reverse stress testing

Management has performed reverse stress testing on the key banking covenants to assess by how much the performance of the Group would need to deteriorate for there to be a breach of the covenants. For the key leverage covenant to be breached EBITDA would need to fall so significantly, by more than 82%, that the Board doesn't believe these scenarios to be plausible. Management would take mitigating actions to avoid such a decline in performance long before they would occur.

Viability statement

Based on their assessment of prospects and viability, the Board has determined that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years to 31 May 2023 in line with the Group's financial and strategic time planning horizons.

Going concern

The Group's business activities, together with the factors likely to affect its future performance, are set out in the Financial Review on pages 40 to 44 and its Principal Risks and Uncertainties on pages 56 to 58.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Statements and the notes to the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk. The Group's forecasts and projections, taking account of severe but plausible scenarios for stress testing purposes as a consequence of the COVID-19 global pandemic from May 20 onwards, and considering the Group's bank covenant and liquidity headroom, show that the Group would be able to operate with appropriate liquidity and within its banking covenants and be able to meet its liabilities as they fall due. The Board therefore has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis of accounting in preparing the Financial Statements.

Our approach to risk management

The Group uses a risk management process and common risk framework to ensure we capture and mitigate risks to the successful delivery of strategic objectives. The risk management process covers initial risk identification, including emerging risks (as detailed below), assessment of the gravity of the risk, the extent to which it can be reduced and planning for and implementing effective risk mitigation activities. We have developed a timetable which ensures we monitor and report the Group risk profile to the Board, which has ultimate responsibility for ensuring effective risk management across the business. The Board has considered and approved the Group's Risk Management Policy. The Board periodically reviews the top risks identified in the risk register and has delegated the ongoing review of risk management effectiveness to the Audit & Risk Committee (see pages 102 to 109 for further information).

The Audit & Risk Committee assesses and reviews the effectiveness of the Group's risk management framework by receiving analysis and assessment of the Group's principal risks from the executive leadership team along with the executive's proposed actions to manage and mitigate those risks to a residual level within the Group's risk appetite.

The Group operates both top-down and bottom-up approaches to ensure that significant strategic and operational risks are identified. The executive leadership team performs an assessment of all principal risks facing the Group including consideration of any internal or external risk trends which may give rise to new or emerging risks. In addition, 'deep dive' reviews of specific principal risks are performed to ensure that the controls are adequately resourced and are effective to maintain exposure within the defined risk appetite parameters. Each principal risk is owned by a member of the Group.

The Group also participates in a small number of material Joint Venture projects for which it applies the same processes as it does for its wholly owned ventures. The Group's ability to unilaterally enact mitigation processes in relation to Joint Venture risk is constrained by our Joint Venture agreements. However the Group believes that our Joint Venture agreements are sufficiently robust and our Joint Venture partners sufficiently aligned with us in their approach to risk that our processes remain effective.

The process and timetable are replicated at regional business level and the regional teams report the outcome of their risk management process to the Group executives. In this way, the executive leadership team can satisfy itself that risks are being properly managed; the process also ensures that risks which may have a potential Group-wide impact or dimension are captured and that best practice in respect of risk mitigation is shared across the business. Again, at a regional level each risk which is identified is owned by a designated senior member of local management who has responsibility for mitigating actions.

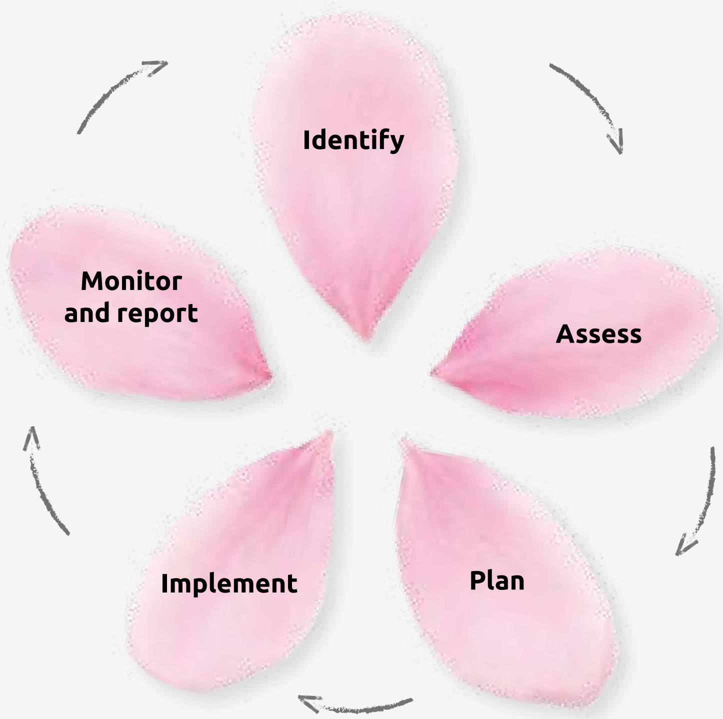
The Group Internal Audit function provides independent assurance to both the executive and the Audit & Risk Committee on the effectiveness of the Group's risk management framework and as to whether sound internal control systems operate to mitigate these risks.

Our Group risk management processes are designed to manage rather than eliminate the risk of failure to achieve our strategic objectives, and can provide only reasonable not absolute assurance against material misstatement or loss.

The Board is committed to adopting a risk profile that is in line with our vision and culture. When considering the Company's risk appetite, the Board seeks to balance opportunities for growth in our core areas where calculated risks offer potentially higher returns, while being risk averse in areas such as reputation, legal, regulatory and health and safety.

Our risk management process

Identifying and assessing risk and implementing effective risk mitigation activities are essential elements of ensuring that we are able to deliver on our strategy.



Our Risk Management Framework

Top-down

Board of Directors

Defines policy, sets risk appetite and assesses principal risks for the Group. Has overall responsibility for sound risk management and internal controls.

Audit & Risk Committee

Assesses and reviews the effectiveness of the Group's risk management framework and internal control systems.

Executive Leadership Team

Ensures that the risk management framework is embedded and operates throughout the Group. Regularly reviews the regional and consolidated risk registers and ensures that mitigation activities are in place.

Regional and Business Unit Management

Ensures that the risk management framework is embedded at a regional and local level. Regularly reviews the risk register and ensures that mitigation activities are in place.

Bottom-up

Our risk profile

Our assessment of our current gross risk profile
(i.e. before we take any mitigating actions) is presented below:

Risk heat map

Principal risk	Change in risk assessment in year
1 Pandemic / health crisis	↑
2 Consumer, customer and economic trends	↔
3 IT and information security	↑
4 Sustainability and environment	↑
5 Legal and regulatory	↔
6 Talent retention	↔
7 Business transformation	↑
8 Consumer safety	↔
9 Supply chain and logistics	↑
10 Treasury and tax	↑

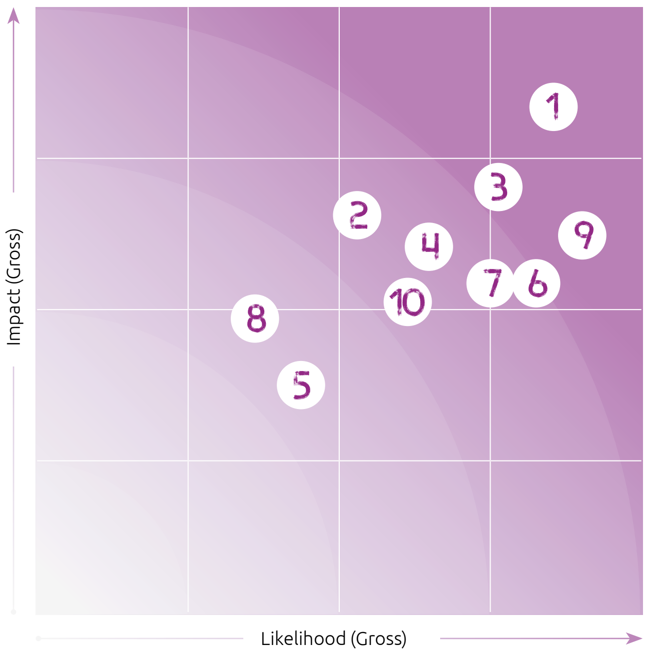
Key

Change in risk assessment in year

↔ Unchanged

↑ Increased

↓ Reduced



Our approach to emerging risk

We have a particular methodology to identify emerging risks, which is important as we execute our strategy. New and emerging risks are identified in a number of ways:

- Twice a year, the executive leadership team reviews the key strategic objectives of the business specifically in the context of risk, with each member of the team considering the key milestones which must be achieved to successfully deliver the strategy and undertaking a holistic review of the risks which might arise or impact upon these. Potential new and emerging risks are reported to the Board and considered during its bi-annual reviews of the Group risk register;
- In formulating and evolving the Group risk register, the executive leadership team and the Board take into account the principal risks identified by individual regions and business units to determine whether there are any new risks which require Group-wide focus and mitigation;
- At its annual strategy session the Board assesses any emerging risks (or opportunities) which might arise and which should be taken into account when formulating and executing strategy in the future; and
- These processes are informed by regular discussions with the Group's network of external advisors including its lawyers across all relevant territories, accountants and tax advisors, internal audit partners, insurance brokers, health and safety advisors, and sustainability and PR advisors. External advisors are encouraged to conduct regular 'horizon scanning' exercises to identify emerging issues, trends or changes which might be of relevance to the Group's activities. The Company is also a member of various trade and industry bodies across the world and leverages the experience of its peers and external industry experts.

Changes to our gross risk profile

On a continuing basis, we assess, on a gross basis (i.e. before we take any mitigating actions), whether the principal risks facing the Group are increasing, showing no change or decreasing compared to the prior year.

Those risks that we believe are currently most prominent or increasing in profile to the Group are:

- Pandemic: Historically, pandemic risk has been included on our risk register but has been considered more regionally than globally (e.g. Ebola in Africa). COVID-19 has demonstrated the risk from global pandemics and we have elevated this risk accordingly whilst adjusting our business model to reflect recent learnings;
- Consumer, customer and economic trends: we continue to see consumer fragility in many markets and a continuing trend of protectionism in both emerging and developed markets. We have developed our strategy to mitigate the associated risk and identify opportunities for growth but we continue to maintain an elevated risk status;
- IT and information security: significant activity across the whole of the business, informed by the outcome of in-depth internal audit reviews of information security, is effectively mitigating the increasing prevalence and sophistication of cyber security incidents which are being seen across all industries. The risk remains, however, of disruption to our operations and/ or unauthorised access and misuse of our sensitive information as a result of our systems being attacked and this continues to be a key area of focus which has been elevated recently due to our increased reliance on IT systems to support remote working during the COVID-19 pandemic; and
- Sustainability and environment: the focus on the environmental and human safety implications of climate change and plastic pollution continues to intensify in many of the countries where we operate. Whilst our Good4Business approach offers opportunities for competitive advantage, the risk of adverse consumer or customer reaction, increased cost or regulatory penalties continues to rise.

Risk	Description of risk	Measures to manage risks
1 Pandemic Link to strategy 1 2 4 6	Like all businesses, we are currently operating under uncertain conditions as a result of COVID-19. This presents a number of risks, most importantly to the health of our employees, both in relation to the virus itself and also to the mental health of our people during these uncertain times. There is also the risk to the business through both the wider economic uncertainty which the pandemic has generated, as well as the potential impact on our day-to-day operations through, for example, the risk of operational disruption, supply chain risk and negative impact on cash flow.	We have taken a number of steps to address the risks relating to our people during COVID-19, including the implementation of further health and safety measures to ensure safe working for those at work, the provision of the appropriate facilities to facilitate working from home, and keeping in close contact with all our people through formal and informal means, including staff surveys and virtual meetings, to ensure that we support each other through these challenging times. We have also been able to effectively manage the additional operational risk and increase supply to meet demand, despite the challenges in international sourcing due to the pandemic. We were able to increase our production up to four times in hand wash manufacture in the UK and 10 times in hand gel manufacture. We continue to explore ways to improve how we work with our suppliers and customers to ensure that we maintain our response to this risk in an effective manner. In relation to the wider economic uncertainty, the Group has implemented strict measures in terms of operational discipline, largely to conserve cash in the months ahead. These include the deferral of capital projects, the simplification of our organisational structures and an increased focus on working capital. Finally, we are increasingly vigilant to other risks emerging during these challenging times e.g. cyber-attacks, and are constantly reviewing resources to manage such risk concurrence.
2 Consumer, customer and economic trends Link to strategy 1 2 3 5	In an environment where consumer preferences and behaviours are changing more rapidly, and the channels by which our consumers purchase our products evolve, there is a risk that we neither meet our consumers' needs nor ensure that our brands are well presented and easily available to purchase. In addition, we operate in a number of markets that are exposed to elevated economic, social and political volatility that can impact our consumers' purchasing ability.	We continue to actively listen to our consumers via social media, market research and shopper insights to ensure that our product development pipelines respond rapidly and meet our consumers' needs. This is particularly important in respect of the key Focus Brands which will drive our future growth. We continue to focus on maintaining strong relationships with our existing customers and our revised strategy requires us to also develop relationships with new customers, ranging from centrally managed large 'modern' retailers to small 'traditional' traders accessed via distributors in developing countries. Our long-established history of operating in these markets has allowed us to develop a deep understanding of our consumers and to evolve our product portfolio accordingly. Joint business plans are in place with our key customers, with agreed KPIs that are subject to regular monitoring and performance reviews. Our strategy continues to be to operate across a number of both developed and developing markets and therefore we are able to mitigate, to a degree, regionalised risks. During the year, we have further evolved our e-commerce channel to ensure we maximise our exposure to new generations of consumers. Following the UK decision to leave the EU on 31 January 2020 and commencement of the 11-month transition period, we continue to monitor and evaluate the potential risks. We have been working closely with our customers and suppliers to prepare for and implement contingency plans to ensure supply continuity in the event of a 'no deal' Brexit. We have secured additional warehousing capacity within the UK and will increase our stockholding of finished goods over the key risk periods.
3 IT and information security Link to strategy 4 6	We communicate with our customers and suppliers electronically and our manufacturing, sales and distribution operations are dependent on reliable IT systems and infrastructure. Prolonged disruption to these systems could have a significant negative impact on the performance of the Group. Additionally, cyber security threats are becoming more prevalent and sophisticated in nature, which could lead to unauthorised access to our systems and loss of sensitive information.	A centrally governed IT function continually monitors known and emerging threats that may impact us. Significant activity has been undertaken across the whole of the business, informed by the outcome of in-depth externally facilitated reviews of information security, and this is effectively mitigating the increasing prevalence and sophistication of cyber security incidents which are being seen across all industries. We have continued during the year to further develop our IT policy suite and rolled out a comprehensive training and awareness programme to ensure both business and personal information remain protected. Processes continue to be maintained to ensure that our critical data is backed up and recoverable and our ongoing investment in upgrades/patches of our systems and the applications we use ensures their security and reliability. We routinely test our systems to ensure that they remain robust.

Risk	Description of risk	Measures to manage risks
4 **Sustainability and environment** Link to strategy 1 6	The need to find more sustainable ways of doing business is vital. This includes ensuring the raw materials we need are responsibly sourced and efficiently used and that we are a responsible and integral part of the communities in which we operate. Failure to do so risks alienating key stakeholders, including consumers and customers, and damaging the goodwill in our brands, with consequent limitation of our ability to grow and create value.	Our ESG activities, in particular, our environment, sourcing and community & charity programmes, ensure that we understand and take account of the social and environmental impact of our operations and that we proactively seek opportunities to align the interests of our key stakeholders and create value for all. This includes taking account of the human rights of all those working within our supply chain and in local communities. We continue to make good progress in respect of the initiatives which we launched last year to address two of the gravest threats to the planet: pollution and deforestation. Our Plastic Promise is a global commitment to reduce the use of plastic across our business whilst our 2020 Palm Oil Action Plan has helped us reach in 2020 our goal that 100% of the palm oil which we use comes from producers which are independently verified to be NDPE No Deforestation / No Peat / No Exploitation compliant. We have also continued to deliver year-on-year improvements in the water, waste and energy use of our operations. Carbon footprinting will become increasingly important and we are taking action to better understand, assess and manage the environmental impact of our portfolio.
5 **Legal and regulatory compliance** Link to strategy 4 6	We are subject to a wide spectrum of legislation, regulation and codes of practice that can vary between the geographies in which we operate. Examples include product safety, competition, Anti-Bribery and Corruption, health & safety and employment. Failure to adhere to such laws and regulations can result in reputational damage, as well as significant fines and the possibility of criminal liability.	Our legal, regulatory and safety specialists at both Group and regional level monitor and review the external legal and regulatory environment to ensure that we remain aware of and up to date with all relevant laws and legal obligations. They are also supported by a network of external experts who can be engaged as required. This is particularly important in developing countries where changes in the law can be sudden and unpredictable. Following last year's externally facilitated Anti-Bribery and Corruption risk assessment, we introduced a new global Anti-Bribery and Corruption Policy. In addition, we operate a confidential global whistle-blower hotline, details of which are widely communicated and available to all our employees. In the context of the UK's exit from the EU, there is the potential that a 'no deal' Brexit could render UK-held Registration, Evaluation, Authorisation and Restriction of Chemicals (REACh) registrations invalid for sale of products in the EU. In order to mitigate this we have transferred the registrations for UK products to an EU27 representative to allow continued supply into the EU.
6 **Talent retention and development** Link to strategy 1 2 3 6	We recognise that in order to deliver sustained growth, we require the best calibre people. Failure to attract, develop and retain the correct combination of appropriately qualified, experienced and motivated employees could jeopardise our ability to meet our strategic objectives.	We regularly review our reward programmes and have adopted a behaviour/value framework to ensure our culture provides an attractive employment proposition to current and prospective future employees. We have also taken steps to improve the dialogue with our workforce, conducting a global engagement survey and introducing new Group-wide social media/communication tools. Attracting key talent in some regions remains a challenge but our global appraisal and employee management process helps us to identify training requirements and validate succession plans, as well as identify our future leaders and critical talent that needs to be retained within the business.

Risk	Description of risk	Measures to manage risks
7 **Business transformation** Link to strategy 3 4	During the year we recalibrated our strategy to best reflect opportunities to differentiate our consumer proposition. We will continue to leverage additional cost synergies as we execute the strategy; however, there is a risk that failure to execute these initiatives effectively could result in under-delivery of the expected benefits and consequently impact the return we are able to make to our shareholders.	Dedicated programme management teams have been established that include executive leadership team members, who conduct in-depth analysis of progress and make regular reports to the Board.
8 **Consumer safety** Link to strategy 1 6	The safety and quality of our products is of paramount importance to us to ensure the wellbeing of our consumers. A failure in the practices we adopt to ensure product safety may result in reputational damage, significant financial loss from product recalls and fines from regulators together with possible criminal liability for the Group.	We apply robust quality management standards and systems, rigorously monitoring them throughout all stages of the supply chain. This applies not only to our own production facilities but to our third-party manufacturers as well. We also maintain a dedicated consumer complaints hotline. Any incidents relating to the safety of our consumers or quality of our products are actively investigated to ensure that timely and effective action is taken. We have noted the significance and extent of the new consumer safety standards for fragrance ingredients in IFRA 49 and have prepared a compliance plan.
9 **Supply chain and logistics** Link to strategy 4 6	Our production and distribution facilities could be severely impacted by adverse events, such as a failure of a key supplier, a health & safety incident, or an environmental failure.	We undertake a rigorous selection process prior to engaging with new third-party suppliers and perform ongoing audits and performance monitoring to ensure that contracted standards are being maintained or exceeded. We use multiple suppliers where possible. Our dedicated Group Procurement team has specialist knowledge and understanding of key raw materials and commodities markets and our systems allow us to review forward requirements and to obtain value. Following the UK decision to leave the EU on the 31 January 2020 and commencement of the 11-month transitionary period, we are focused on ensuring continuity of supply for our customers by working closely with our supply partners to build stock of critical raw materials and packaging within the UK close to our manufacturing operations. This seeks to ensure the smooth running of manufacturing and secure supply should there be any delays or disruption at ports for items sourced from Europe.
10 **Treasury and tax** Link to strategy 4 6	The international nature of our operations gives rise to both transaction exchange rate risk and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling. In addition, in the event of tax authority challenge to a filed tax position in a jurisdiction in which we operate, there is a risk of an unplanned charge and resulting cash outflow.	We maintain an established Group Treasury function and our Group Treasury Policy defines our non-speculative approach to the management of foreign currency exposures. Transactional currency exposures are managed within prescribed limits with short- to medium-term forward exchange contracts taken to reduce our exposure to fluctuations. A Group Taxation Policy is in place (available on our website), which defines the way in which we conduct ourselves with respect to our tax affairs. Our in-house taxation expertise is also complemented by the use of specialist tax consultants and advisors to ensure compliance with all local and international tax regulations and treaties.

Link to strategy

1. Leverage our market leading brands with a focus on Personal Care and Beauty
2. Deliver growth through existing and selected new geographies and channels that can scale
3. Simplify Nigeria organisation and activities and invest in Haier and Wilmar partnerships
4. Continue to operate more efficiently and contain costs
5. Dispose of non-core brands
6. Embrace CANDO! culture and integrate Good4Business principles in all we do

Non-financial information

In order to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, a summary of our relevant policies and outcomes, together with references to where further information on these matters can be found, is detailed below.

Details of our business model can be found on pages 20 and 21, our non-financial KPIs on page 33 and our principal risks on pages 56 to 58.

Business, Governance and Ethics

We are committed to compliance with relevant laws and regulations in all the countries where we do business and we do not tolerate corruption in any part of PZ Cussons. We operate in a business environment which is open, honest and fair with our suppliers, customers and business partners. Our values require that we show respect and integrity in our dealings with all our stakeholders.

The safety of our consumers remains a top priority for the Group and we apply standards and protocols that meet or exceed legal requirements in order to ensure consumer safety or to respond to consumer concerns.

The policies and standards which govern our approach include:

- Anti-Bribery and Corruption Policy
- Modern Slavery Act Statement
- Supplier Code of Conduct
- Animal Testing Policy

Anti-Bribery and Corruption Policy

Summary of Policy

The Anti-Bribery and Corruption Policy (the 'ABC Policy') sets out the principal terms under which the Company complies with the provision of the UK Bribery Act and equivalent legislation in our other markets. It sets out the Company's zero tolerance approach to all forms of bribery and corruption and to conducting our business in an ethical and honest manner. It applies to all employees, consultants, contractors, agents and any other person associated with the Company including our distributors and suppliers. The ABC Policy prohibits the payment of bribes, including kickbacks and facilitation payments, and establishes limits and reporting obligations for gifts and/or hospitality offered to or offered by our employees. It also sets out the terms under which the Company may make political or charitable contributions. The ABC Policy includes instructions on how employees can report any suspected breaches of our ethical principles or rules, including how to access the confidential whistle-blowing reporting system maintained by the Company. The ABC Policy also includes the Company's statement on the protection of whistle-blowers.

Due diligence and outcomes

The ABC Policy was launched during FY20 following a KPMG-led corruption risk assessment exercise. It was considered and approved by the Board and subsequently rolled-out with online training provided by the Corporate Services department. As the new ABC Policy was only recently launched, a review of its effectiveness had not been possible prior to the end of FY20, however an internal audit review of the ABC Policy is currently underway as at the date of this report. A number of opportunities to improve the embedding and monitoring of the ABC Policy have already been identified as part of the recently completed KPMG controls review. More information on the KPMG controls review can be found on pages 108 and 109. In FY20 the Company did not formally adopt specific KPIs in relation to the ABC Policy.

Modern Slavery Act Statement and Supplier Code of Conduct

Summary of Policy

The Company's Modern Slavery Act statement sets out the Company's commitment to ensuring that our business is free from all forms of forced or conscripted labour and establishes our support for human rights in the communities in which we operate. It includes our due diligence standards that apply through our supply chain which require that suppliers adhere to our Supplier Code of Conduct or their own internal equivalent policies, that they submit to periodic audit and testing and that they are encouraged to submit to third-party rating programmes such as SEDEX. The statement sets out our policy of terminating any supplier relationship which is found to conflict with our ethical standards in this area. Our Supplier Code of Conduct mirrors our ethical principles set out in our ABC Policy and our Modern Slavery Act statement and requires that our suppliers adhere to the same standards to which we hold ourselves. The Company's policy is not to contract with any supplier who is unwilling to adhere to our ethical principles.

Due diligence and outcomes

The Company monitored the number of suppliers that signed up to the Supplier Code of Conduct and the percentage of our global supply chain that was accredited by the Supplier Ethical Data Exchange (SEDEX). The Company also monitored performance against our No Deforestatio, No Peat, No Exploitation (NDPE) commitment in relation to our palm oil business. Acceptance of the Supplier Code of Conduct, the percentage of suppliers accredited by SEDEX and performance against the NDPE principles were adopted as KPIs by our global supply chain function throughout FY20. Periodic audits of suppliers are conducted to test their compliance with these principles. For FY21 the Company will focus on improving its risk assessment and rating within our supply chain in order to enhance the effectiveness of our supplier audit programme.

Animal Testing Policy

Summary of Policy

The Company's statement against animal testing is set out in the sustainability section of our corporate website. We are opposed to all forms of animal testing in the development and marketing of our products. We do not test ingredients on animals nor do we commission or request any of our suppliers or associates to test ingredients on animals. For more information on our commitment against animal testing, please see page 63.

Due diligence and outcomes

Our Supplier Code of Conduct includes mandatory compliance with our animal testing principles. We require that suppliers not conduct or ask a third party to conduct any animal testing on ingredients or finished products. The Company periodically audits suppliers for adherence to the Supplier Code of Conduct and reserves the right to terminate supplier relationships if our ethical standards are not adhered to. During FY20, the Company did not maintain any specific KPIs other than in relation to level of acceptance of our Supplier Code of Conduct as mentioned above.

Sourcing

We recognise that, for certain ingredients, the biggest environmental impacts lie outside our direct manufacturing operations. We will establish strategies to address our usage of commodities which may be identified as contributing to significant deforestation, including palm oil, paper and pulp, and to ensure that our use of finite resources is efficient. We are committed to sustainable and ethical farming practices within our palm oil plantation business and have set ourselves the target of sourcing 100% of our palm oil from producers whose entire operations have been independently verified as compliant with NDPE standards by calendar year 2020.

We are committed to delivering globally consistent and excellent standards of health & safety in respect of all of our employees, contractors, visitors and suppliers.

The policies and standards which govern our approach include:

- PZ Cussons Palm Oil Promise
- 2020 Action Plan
- Health and Safety procedures

For a summary of our Palm Oil Promise and our 2020 Action Plan, including outcomes of these policies and any related KPIs, please see pages 69 through 75.

For a summary of our health and safety procedures, including our health and safety KPIs and accreditation, please see page 76. Health and safety is a key priority for our Company and performance against our health and safety KPIs is routinely reported to and discussed by our Board and executive leadership team.

The Environment

We recognise that business has an impact on the environment. As such, we have an obligation to play a part in conserving the planet's precious natural resources and in safeguarding the environment for future generations, as well as ensuring that we limit any negative impact on our communities and our customers. We measure and disclose various data in respect of our environmental performance including carbon emissions, water usage and landfill waste, and we are committed to future disclosure of information relating to our use of plastic across the business.

The policies and standards which govern our approach include:

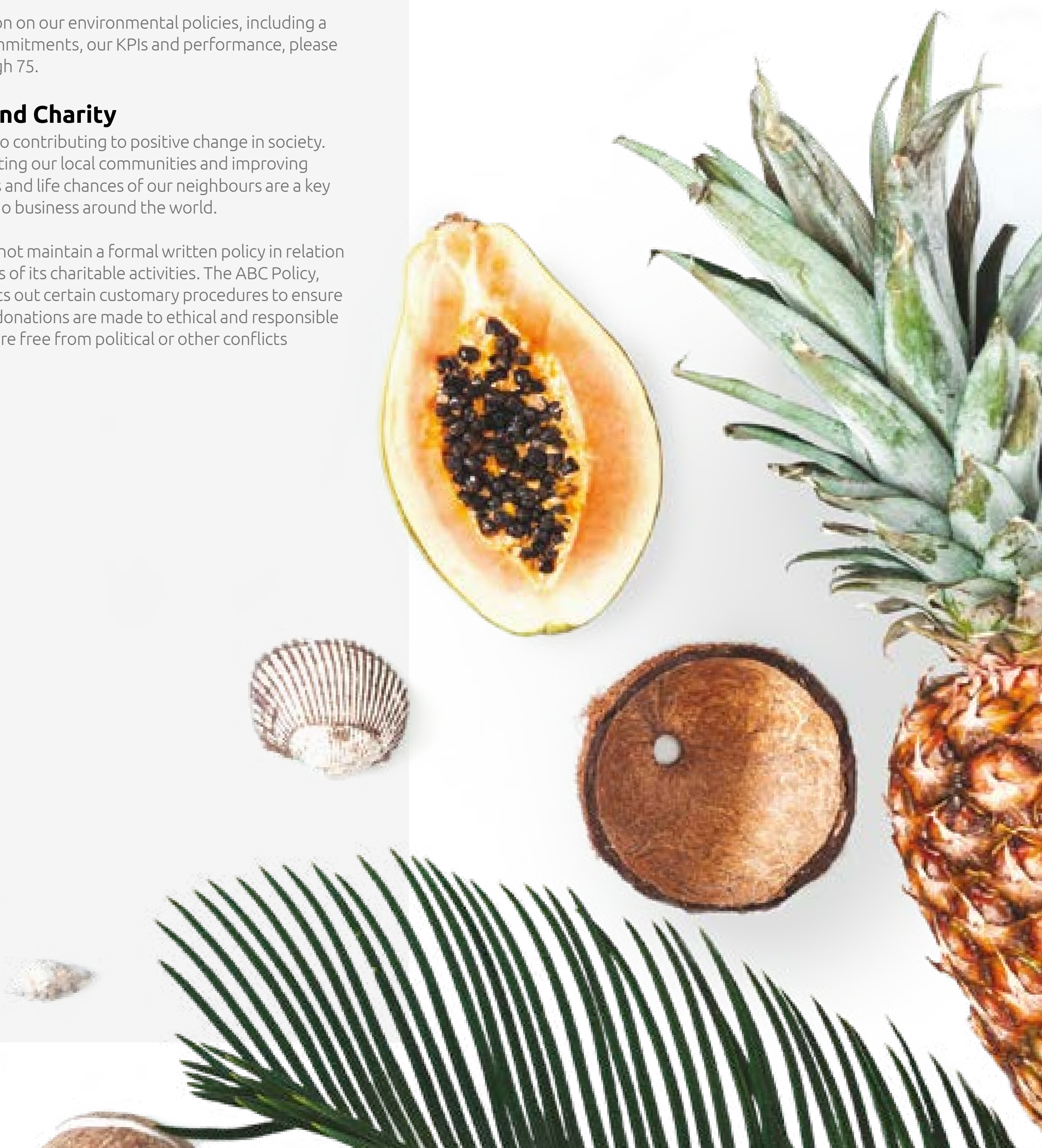
- 25 by 25 Plastic Promise
- The PZ Cussons Environmental Policy
- Participation in the Carbon Disclosure Project

For more information on our environmental policies, including a summary of our commitments, our KPIs and performance, please see pages 64 through 75.

Community and Charity

We are committed to contributing to positive change in society. Helping and supporting our local communities and improving the living conditions and life chances of our neighbours are a key feature of how we do business around the world.

The Company does not maintain a formal written policy in relation to the levels or focus of its charitable activities. The ABC Policy, discussed above, sets out certain customary procedures to ensure that any charitable donations are made to ethical and responsible organisations who are free from political or other conflicts of interest.



Environmental, Social and Governance ('ESG')

We believe that businesses should strive to make a positive contribution to society and to minimise any negative impacts on the environment from their operations.

We believe that doing good in our communities is also good for our business and as a result, we have focused our ESG efforts throughout the year within the framework of our Good4Business initiatives. 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.

A strong commitment to ESG performance has never been more important than throughout the COVID-19 pandemic. Recent studies have shown an increasing number of consumers believe brands should help consumers in their daily lives and not exploit the situation.

As the UK's leading hand wash brand, Carex reacted quickly, adapting our business, protecting our valued employees and working tirelessly to increase capacity in hand wash and sanitising gels. Different pack formats were developed at unprecedented speed, for example the 5L packs donated to NHS Nightingale Hospitals and the Fire Service. We stepped up charitable donations to the most needy and vulnerable, such as Age UK and homeless charities, and altogether donated more than 500,000 units of Carex hand wash and hand sanitiser.

We also recognise that, whilst we have made good progress in recent years, there is still much for us to do. Creating sustainable value is a fundamental approach to business life and the culture of our company. It is not a project or initiative which concludes at a particular point in time; as a company we are committed to continuous improvement and innovation.

Rosy Astbury of PZ Cussons donating Carex hand wash to Greater Manchester Fire and Rescue Service

The Good4Business Committee

Throughout the year, the Group's ESG activities have been overseen by the Good4Business Committee of the Board chaired by Senior Independent Director, John Nicolson. The Committee took responsibility for ensuring that our ESG principles are reflected in our Group strategy and that the Group's social, environmental and economic activities are aligned. The Committee's terms of reference and a copy of the G4B statement are available on the PZ Cussons Group website **(www.pzcussons.com)**.

Following the Board effectiveness review conducted by Independent Board Evaluation, the Board has concluded that the matters within the remit of the Good4Business Committee are fundamental to the future success of our business, and that ESG needs to sit at the heart of PZ Cussons' strategy and operations across all of its activities, people and ways of working. As a result, the Board has resolved that the Good4Business Committee will be stood down with effect from 1 June 2020 and the topics within its remit will be considered by the Board. It may be appropriate, as the Group's actions and positions on ESG are established, to reconvene a new committee with refreshed terms of reference at a future date.

BUSINESS GOVERNANCE AND ETHICS

Ethics and our values

Our values, ethics and principles apply to all aspects of our business, from every Board member to every employee, in how we operate and how we deal with customers and our partners. We encourage and motivate everyone in our business to follow these principles; they are part of our culture and who we are, and they run through our day-to-day working lives.

In January 2020, our Executive Chair, Senior Independent Director and General Counsel introduced the new Global Anti-Bribery & Corruption Policy with a film broadcast to all our employees across the Group. There was also a subsequent follow up with specific globally consistent guidance on accepting gifts, hospitality and identifying and reporting conflicts of interest.

Facilitated by KPMG, reflected risk assessments were conducted by the executive leadership team, the Board and regional leadership teams in all our regions.

The Anti-Bribery & Corruption programme of communication and training is currently in progress, and being supported by commercial and functional leaders, in all regions around the Group. Town Hall communication and training for leaders has progressed throughout the year. In February 2020, the training was delivered in Nigeria, with all Head Office and HPZ employees. Current restrictions on travel mean that training in other regions will be delivered virtually until business travel can safely resume. The Group has also recently agreed a substantial upgrade and refresh of our confidential whistle-blowing hotline which will give our employees even easier access to confidential reporting channels in support of our 'speak up' culture. Further upgrades to our key ethics and compliance controls are planned throughout the course of the 2020/21 financial year.

Consumer safety

We continually improve our approach to consumer product safety assurance. Our six pillar quality approach across the whole Group provides a strong foundation for consumer safety assurance. We have ISO accreditation in our manufacturing sites. Constant vigilance across product design and manufacture ensures that we create products which are safe for all our consumers. SAP and COPTIS provide full transparency of our ingredient usage so that we can adjust our portfolio to the ever-changing regulatory and consumer landscape and exit materials of concern.

We have adopted a common approach to quality assurance across the group. We call this our six pillar quality system. The six pillars are Quality in leadership, Quality in design, Quality in procurement, Quality in manufacturing, Quality in distribution and Quality in trade. Each pillar has its own set of specific standards and we monitor ourselves against these standards and set improvement actions against them. The six pillar system correlates well with ISO 10377, the standard for consumer safety and provides a common and well recognised banner for quality across the Group.

Against animal testing

We are against all forms of animal testing in the development or marketing of our products. We do not test ingredients on animals. We do not commission or request any of our suppliers or associates to test ingredients or our products on animals.

It has been some years since animal testing on cosmetic products and ingredients in European Union countries was prohibited. We fully support the stance taken by governing bodies, such as the European Union, and the changes being made in this direction in other regulatory environments in China, India, the US and elsewhere to eradicate the use of animals in the testing of cosmetics globally.

In addition to this, we commit not to sell products into territories where they would be required to be tested on animals.

To safeguard our consumers, we recognise the need for reliable, fully validated non-animal testing methods and we support the charity FRAME (Fund for the Replacement of Animals in Medical Experiments). We help to fund their independent research activities and support their campaign for better science and the advancement of non-animal methods, which we believe will benefit the whole cosmetics and household products industry.

We joined PETA's Global Beauty Without Bunnies programme in January 2020. This means that all the brands operating under PZ Cussons UK are certified as being cruelty free. These brands include: Original Source, Imperial Leather, Carex, Bayley's of Bond Street and Pure. People for the Ethical Treatment of Animals (PETA) is the largest animal rights organisation in the world, with more than 6.5 million members and supporters and focuses its attention on the areas in which the largest numbers of animals suffer the most.

ENVIRONMENT

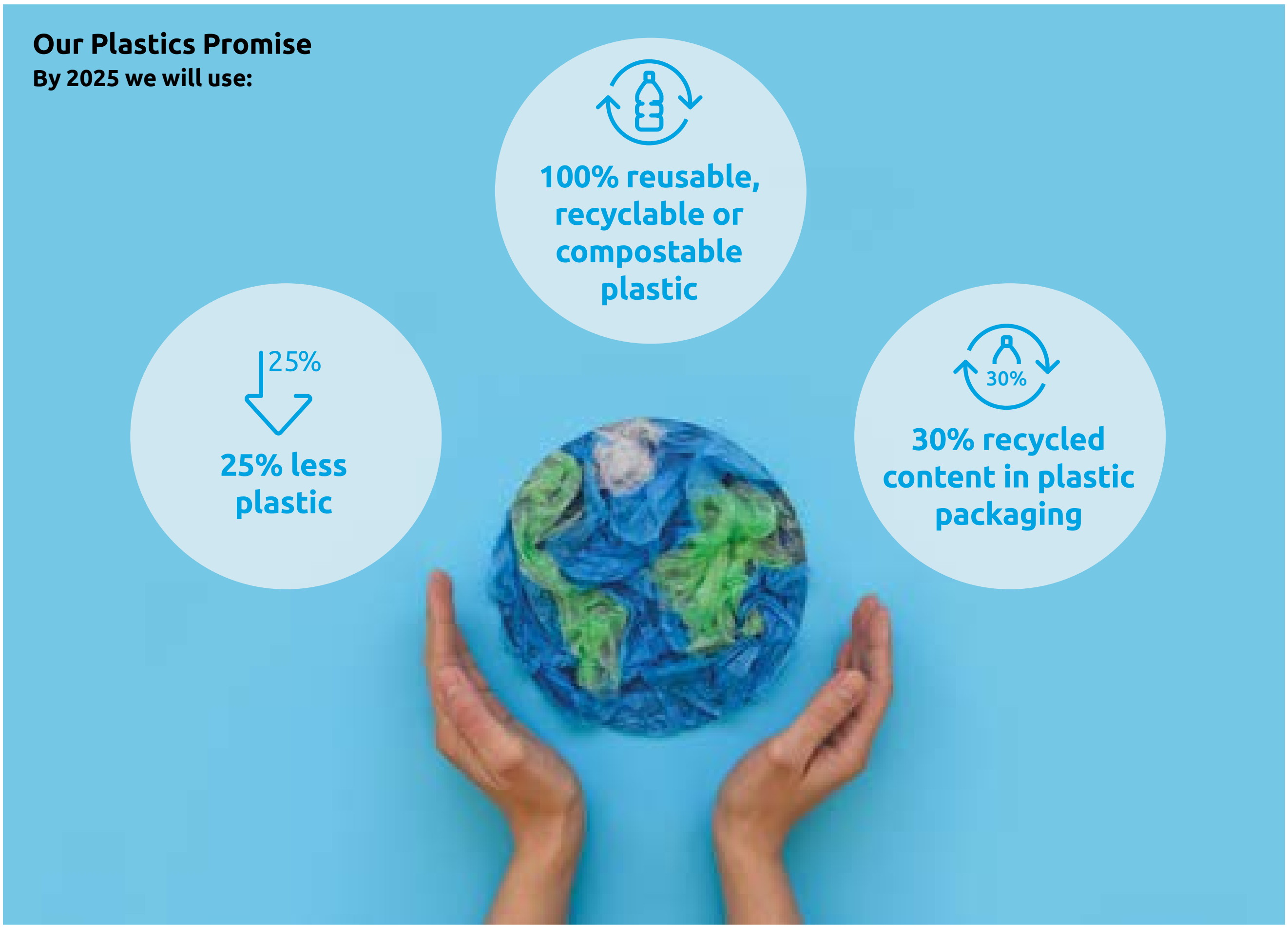
Climate change and our response

Sustainability is at the heart of our Good4Business principles and our business. We care about how our business may impact the environment, from the way we manufacture products and bring them to market to the way in which consumers use them. We are focused on a programme of constant improvement within our global operations, and committed to yearly reductions in our water and carbon consumption, and plastics and waste generated.

We are making good progress on our key sustainability projects, such as our Palm Oil 2020 No Deforestation / No Peat / No Exploitation (NDPE) commitments. Over the years we have also made significant reductions in water, from 4.9m tonnes to 1.1m tonnes per annum, due to steady and persistent investment in water saving technologies. This year the Group's carbon emissions reduced by 12% on a like-for-like basis (Minerva excluded) against a target of 3% with product volume declining 1%.

In order to set more ambitious targets, our updated carbon strategy will address new carbon emission areas throughout our value chain. We are putting measures into place to better understand our broader carbon footprint which will encompass Greenhouse Gas (GHG) Protocol Scope. Regarding plastic, we have a pipeline of initiatives to drive reduction of grams of plastic used per kg of product. This year, this measure of plastic has been adversely impacted by the impact of COVID-19 on our product mix, for example, the very strong consumer demand for hand washes and sanitisers.

Key area of focus	Target	FY20 Actuals	Comments
Plastic	25% reduction in use of plastic, expressed in grams of plastic per kg of finished product. Target date of FY25 vs. baseline of FY18.	15% increase vs F18 baseline.	Good progress in UK on Carex with growth of handwash refills vs. pump packs and on plastic reduction initiatives in Nigeria. However growth of Indonesia and UK, accelerated by growth of hand sanitisers due to Covid-19, had a significant detrimental impact on this measure. Hand sanitisers are mostly sold in smaller pack sizes, for portability, which are double the amount of plastic per kg of finished product vs. overall Company average.
	30% of plastics used will be from recycled sources. Target date of FY25.	Less than 1%	Carex hand wash was relaunched with 30% recycled content in Q3 as our first initiative to include recycled content. This is planned to roll out further to other brands and countries with UK taking a lead.
	100% of our plastic will be reusable, recyclable or compostable. Target date FY25.	68%	UK and Australia leading with 79% and 93% respectively. Plans in place to drive these further but key focus area is Indonesia which is currently at 44%. Plans in place to address this with NPD projects.
Water	3% year-on-year reduction.	18% reduction	Opportunity to keep reducing water consumption in our Aba factory.
Carbon	3% year-on-year reduction.	12% reduction	Opportunity to start looking at Scope 3 carbon emissions.
Landfill	3% year-on-year reduction.	2% reduction	
Palm Oil	100% of our palm oil will come from independently verified, NDPE-compliant producers.	100% palm oil and palm kernel suppliers with NDPE commitments 97% palm oil derivative suppliers with NDPE commitments 98% palm oil is fully traceable 91% palm oil derivative is fully traceable	Priorities for the next six months will be to finalise our 2023 Action Plan, continue using Starling satellite data to independently verify compliance and focus on engaging with High Impact Suppliers to help bring them into compliance.



Plastics

Conserving the planet's precious natural resources, safeguarding the environment for future generations and limiting any negative impact on the lives of our consumers and those in our communities is a priority for PZ Cussons. Whilst in the last year COVID-19 has focused consumers on hygiene, we recognise that consumer choices and habits will be driven by environmental and social concerns and that our brands can and must respond to this. Proactively addressing the issue of plastic pollution makes the business more resilient in relation to actions which governments, NGOs or our customers may take in the future.

Our Plastics Promise sets out our global commitments to minimise waste and increase recycling, redirection and reuse by 2025.

Our promise is to reduce the amount of plastic in our finished goods by 25%; this is measured as grams of plastic per kilogram of finished product sold. We will also ensure that 100% of remaining plastic is recyclable, reusable or compostable, from around 71% last year to 100% in 2025.

Finally, we will increase the amount of recycled material in all our plastics from 0.2% last year to 30% in 2025.

Our Plastic Promise aligns with the UK Plastics Pact which is a collaboration, bringing together businesses from across the entire plastics value chain with UK governments and NGOs to tackle plastic waste.

Whilst our Plastic Promise drove change across all brands and categories last year, we prioritised those areas in the business where plastic use was the greatest in shaping our plans for plastic reduction. However, last year saw an increase in our use of grams of plastic per kg of product sold.

This was caused by two main factors. Firstly, a very high demand – particularly in the last quarter of the year as a result of COVID-19 – for hygiene products such as Carex hand gel which have a higher use of plastic. Secondly there has been a decline in some high-weight/low-plastic SKUs such as laundry powders and laundry soaps. We have noted this major effect of mix on our Plastic Promise targets and will take this on board in refining our Plastic Promise plans.

Our detailed road map for UK brands like Carex has enabled us to quickly broaden our scope across all our Focus Brands and categories including our Cussons Baby business in Indonesia, Home Care in Australia and Nigeria, our Beauty brands and PZ Wilmar in Nigeria.

In Indonesia we are on target to over deliver on our 25% reduction promise. Initiatives such as replacing plastic trays with paper ones, making changes to bottle sleeves, lowering bottle weights, biodegradable wipes and removing PVC windows from Cussons Baby gift packs will enable us to deliver a 75% reduction in plastic.

Carex is our trailblazer for the UK hand wash category. The new Eco system was launched this year, which encourages consumers to retain their pump and re-use with the Eco refill pack. Our refill doypacks have also been extended to include the fun edition Mr. Men range. Our doypack refill pack sales increased by 65% this year, indicating strong consumer acceptance of the new Eco system. In Europe, our Plastic Promise plans have also extended to Imperial Leather and Original Source, where plans are in place to reduce plastic in key packs; whilst providing consumers with additional benefits. We have strong relationships with our retail customers and are therefore able to collaborate and work closely together to ensure our future Plastic Promise innovations lead the category with new exciting environmentally friendly washing and bathing formats.

In Nigeria, we successfully relaunched our Home Care brand, Morning Fresh in a new lighter weight pack. It has delivered a 30% reduction in plastic, whilst the new reduced weight cap provides additional tamper-proof benefits for the consumer, thereby reducing costs, increasing consumer value and supporting the environment.

Water

The Group operates in a number of environments which experience water scarcity. Water is also an important component of many of our products and manufacturing processes. Water conservation has therefore been a key environmental focus for the Group for some years and we have reduced our consumption by millions of tonnes over that period. We have reduced water consumption in total and per tonne by a further 18% YOY during FY19/20. As part of our continuous improvement programme, water reduction objectives are incorporated into the operational plans of every factory in the Group. Principally, this is achieved through detailed mapping of water usage, focused improvements in operating methods and targeted investment in water-saving technologies.

Nigeria water usage

Our Aba factory in Eastern Nigeria, which principally manufactures bar soap, accounts for the highest percentage of the Group's water usage. The graph below shows the water used during the calendar years 2012 and 2019. Water usage has been reduced from 4.9m tonnes to 1.1m tonnes, a reduction of 77.5%. This has been achieved by a steady and persistent investment in water saving technologies.

Reducing energy consumption in the UK

Aba water use (tonnes)

	Current reporting year 2019 – 2020			Comparison reporting year 2018 – 2019		
	UK	**Offshore**	**Total**	UK	Offshore	Total
Energy consumption used to calculate emissions (MWh)	**6,496**	**161,956**	**168,452**	6,905	258,139	265,044
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1) (tCO_2e)	**477**	**37,877**	**38,354**	472	45,044	45,516
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2) (tCO_2e)	**0**	**12,047**	**12,047**	123	15,793	15,916
Total gross Scope 1 & Scope 2 emissions (tCO_2e)	**477**	**49,924**	**50,401**	595	60,837	61,432
Intensity ratio tCO_2e (gross Scope 1 + 2) / £100,000 revenue	**0.25**	**11.36**	**7.97**	0.34	11.88	8.91

We have invested in cooling towers to reduce water consumption used in cooling duties. We installed metering to better understand our water consumption. We are using smaller bore hole pumps and investing in variable speed drives to better match the supply of water with the actual demand.

Carbon

All of our factories incorporate energy reduction objectives into their operational plans, mapping and identifying energy intensive processes and implementing reduction projects via a continuous improvement programme. Reducing the amount of energy we use obviously reduces carbon emissions, but also reduces our running costs. This is particularly important at more energy-intensive factories such as those at Aba and Tangerang, in Indonesia, and we have completed detailed energy audits at those sites and have been implementing the recommendations during this year to provide medium-term road maps for energy reduction.

This year the Group carbon emissions reduced by 12% on a like-for-like basis (Minerva excluded) against a target of 3%, with product volume declining 1%. In recent years we have been focusing entirely on our Greenhouse Gas protocol Scope 1 and Scope 2 carbon footprints and have made tremendous progress in reducing them.

However we believe that the climate emergency demands that we step up our efforts and set more ambitious targets. To that end our updated carbon strategy will take a broader view of the carbon emissions along our value chain. As a first step we have started a top-down study to better understand our total carbon footprint including Scope 3 – from raw material extraction through to end of life disposal. From this materiality assessment we can focus our strategy on the areas of our business which will bring the greatest benefit. We are also starting work on detailed footprints of selected products and we are in the process of building models and measurement tools that will enable us to deliver the ethical products demanded by so many of our consumers.

The Group has been a participant in the Carbon Disclosure Project (CDP) for over ten years, currently reporting our Scope 1 and 2 emissions. CDP is an internationally renowned not-for-profit organisation which provides an independent global system for companies and cities to share vital environmental information.

This year we were graded as C which is a reduction versus last year's B-. The main areas where we lost points were in our approach to targeting, our measurement of our Scope 3 footprint covering our broader supply base and in risks and issues. These areas are planned to be addressed by our updated carbon strategy.

We are compliant with the Streamlined Energy and Carbon Reporting (SECR) guidelines and our Scope 1 and 2 carbon footprints are calculated in line with the GHG protocol. They cover all of our locations apart from some small offices which do not have significant energy consumption.

Task Force on Climate-related Financial Disclosures (TCFD)	Disclosure	Reference
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	Annual Report & Accounts 2020 Carbon Disclosure Project (CDP) climate change	p57 CDP section c1
Describe the management's role in assessing and managing climate-related risks and opportunities.	Annual Report & Accounts 2020 CDP climate change	p57
Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	CDP climate change	CDP section c2.3, c2.4
Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	CDP climate change	CDP section c2.5
Describe the potential impact of different scenarios, including a 2 degC scenario, on the organisation's business, strategy and financial planning.	Not assessed	
Risk Management		
Describe the organisation's processes for identifying and assessing climate-related risks.	CDP climate change	CDP section c2.2b
Describe the organisation's processes for managing climate-related risks.	CDP climate change	CDP section c2.2d, c3.1c
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	CDP climate change	CDP section c2.2d
Metrics and targets		
Disclose metrics and targets used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	CDP climate change	website
Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas emissions and the related risks.	CDP climate change Annual Report & Accounts 2020	website p67
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	CDP climate change Annual Report & Accounts 2020	website p64

This year we have focused on taking stock of our approach on carbon reduction and are now in the process of setting a new strategy. Next year we will focus on improving our understanding of our extended carbon footprint (Scope 3) and setting a long-term carbon reduction target.

Task Force on Climate-related Financial Disclosures (TCFD)

PZ Cussons supports the recommendations published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). These are a series of recommendations aimed at addressing the financial impact of climate change on businesses worldwide. Our analysis (see table above) confirms that we are delivering against recommendations and we expect to meet more next year.

The principal climate-related risks we identified are carbon pricing regulation increasing the price of our raw materials and/or finished products and increasing customer focus on sustainability potentially impacting demand for our products. These are now integrated into our Group risk practices and governance structure. For more information on our Group risk management practices please see page 57. We are now working to quantify the financial impacts of these risks, based on several climate change scenarios, and will set plans to mitigate them.

Waste

We aim to reduce the amount of solid waste sent to landfill year on year. The way we do this is to study and map our landfill waste and then use a standard waste hierarchy tool to identify improvement actions.

The amount of landfill waste generated per tonne of production has decreased by 1%. There has been a significant increase in the amount of spent bleaching earth generated by our PZ Wilmar joint venture which has increased its production volumes very significantly during the year.

The Group excluding PZ Wilmar has succeeded in reducing the absolute volumes of landfill waste generated each year by 24%.

We have continued to experiment with disposal of spent bleaching earth in our Nigerian and Kenyan operations and have been looking at using it for animal feed, briquette and concrete manufacture; possible solutions are still in development.

Most of the improvements in this area are from small and incremental reductions in waste segregation and management in our operations. Notable initiatives included a focus on wrapper waste reduction and as part of this we have worked with our suppliers on a returnable reel programme whereby we return the cores of wrapper reels to the suppliers for reuse or disposal.

In our Kenyan manufacturing facility we have a carbon neutral biomass boiler which is fuelled by macadamia nut husks and supplies steam to the factory. The ash from this boiler currently goes to landfill. During the year we have been looking at technical solutions and operational patterns to reduce ash generation.

Palm oil

We have reached an important milestone: 100% of our crude palm oil (CPO) & palm kernel oil (PKO) suppliers have made No Deforestation / No Peat / No Exploitation (NDPE) commitments that align with our Palm Oil Promise.

Palm oil continues to sit at the centre of a global debate around the emotive issue of rainforest preservation and protection of endangered species – and yet, when sourced responsibly, it is actually one of the most sustainable and land efficient mass produced oils. We only want to use palm oil that is responsibly produced, protects animal habitats, respects local and indigenous communities and does not contribute to deforestation. That's why, alongside Earthworm Foundation, an independent, global, non-profit organisation, we have been working to influence real change on the ground – from supporting small-scale farmers that rely on palm oil to make a living, to empowering local communities to conserve and protect vital forest areas.

In 2014 we published our PZ Palm Promise setting out our No Deforestation / No Peat / No Exploitation (NDPE) commitment, which aims to ensure our palm oil is responsibly sourced.

In October 2018 we published our 2020 Palm Oil Action Plan which builds on our Palm Oil Promise. This is our roadmap towards sourcing 100% of our palm oil from producers independently verified as compliant with NDPE standards. It sets out detailed goals against five strategic objectives, focusing on governance, traceability, transformation, transparency and leveraging our unique position in Nigeria to drive NDPE compliance.

Despite the ongoing challenges and complexity of the palm oil industry and the global disruption caused by the COVID-19 pandemic – which has completely changed the nature of what projects have been possible for us – we have met 11 of our 16 goals, including sourcing 100% of crude palm oil (CPO) & palm kernel oil (PKO) from suppliers that have NDPE commitments which align with our own. This validates our decision last year to extend the deadline for this target to enable further engagement with Nigerian traders and small-scale artisan sources to inspire them to make their own NDPE commitments. We're continuously learning and applying what we learn to our day-to-day work which is delivering tangible benefits.

With high levels of traceability now achieved, we are monitoring our supply chain using Starling satellite data. During 2020 we have been sharing this data with suppliers and working with them to verify deforestation-free areas, and identify any areas needing action. This will continue to be an area of focus in the coming financial year.

Transformation has been a priority for us over the past 12 months, leading to us finalising our forest conservation and restoration action plan. Working together with Earthworm Foundation, harnessing the increased transparency of our supply origin and satellite monitoring data from Starling, we have identified and evaluated the possible regeneration routes to understand where and how we can achieve most impact. These multi-year programmes involve working with communities, local government and plantation companies to address regeneration of previously cleared forests and conservation of forest areas within concessions.

We have reached an important milestone: 100% of our crude palm oil (CPO) & palm kernel oil (PKO) suppliers have made No Deforestation / No Peat / No Exploitation (NDPE) commitments that align with our Palm Oil Promise.

We also continue to support Earthworm Foundation's Areas for Priority Transformation (APT) Landscapes Project in Aceh Tamiang and Southern Aceh in Indonesia which will remain of strategic importance in 2020 and beyond. As well as agreements and support from local governments, the project is delivering intensive capacity-building workshops for the supply chain. These are addressing key environmental, social and labour issues and community empowerment work. Through Starling satellite monitoring and ground reports, we can report that deforestation is declining significantly in both regions.

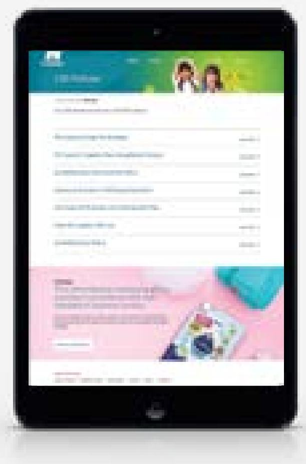
Over the last 12 months we have made significant investments in supplier relationships to support transparency and transformation. 98% of the CPO & PKO we use is now fully traceable to the mill (vs 92% in June 2019).

We have also broadened the scope of the derivatives we trace to include all palm-derived ingredients used by third-party manufacturers and complex ingredients that may contain traces of palm oil. As of June 2020, we can trace 91% of the derivatives we use against 44% this time last year, and we are on track to achieve 100% by the end of the 2020 calendar year. 97% of our derivative suppliers also have NDPE commitments that align with our own compared to 90% in June 2019.

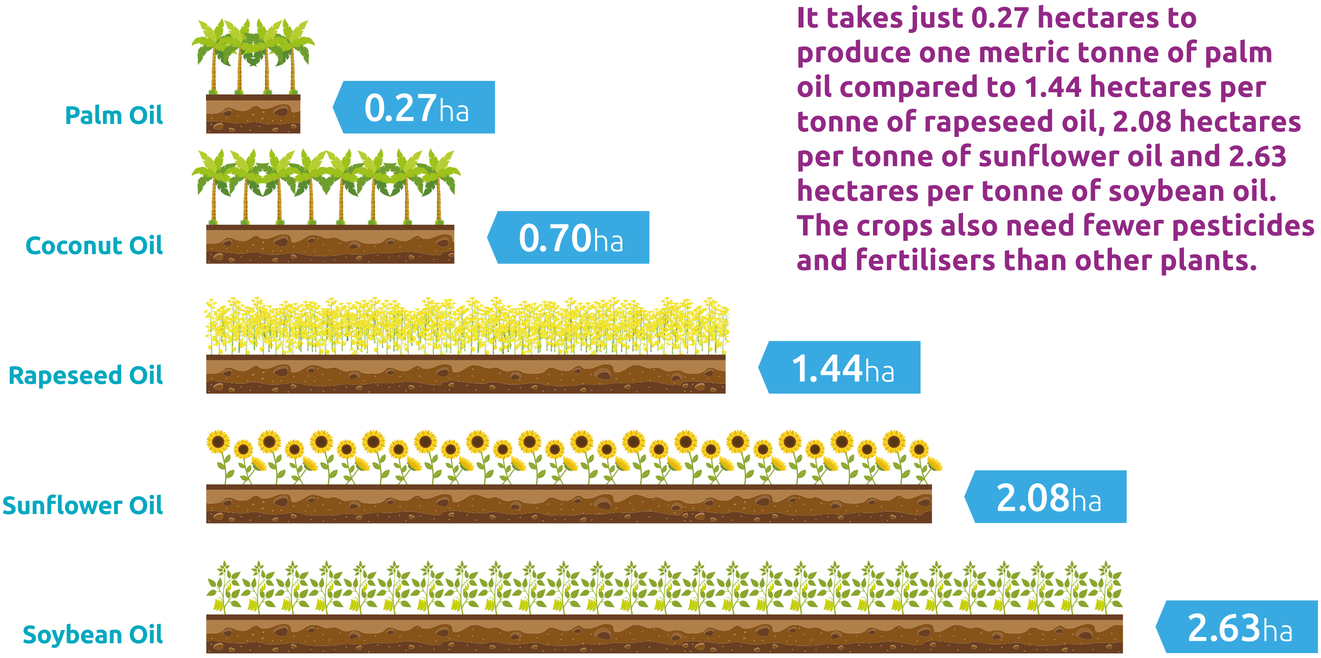
We have pledged to take an open approach to reporting on progress. We provide full disclosure of the mills we source our palm oil from and publish an update on our action plan every six months.

Our progress

A summary of our progress can be seen in the table on the opposite page and additional information is available on our corporate website: **www.pzcussons.com**



Area (hectares) required to produce 1 metric tonne of vegetable oil for all major crops



It takes just 0.27 hectares to produce one metric tonne of palm oil compared to 1.44 hectares per tonne of rapeseed oil, 2.08 hectares per tonne of sunflower oil and 2.63 hectares per tonne of soybean oil. The crops also need fewer pesticides and fertilisers than other plants.

For more information visit
www.pzcussons.com/good-4-business/the-palm-oil-promise

The Company also reports:

Governance
Reinforcing good governance to drive NDPE compliance

Goal	Action plan	Progress	Deadline
100% of crude palm oil (CPO) and palm kernel oil (PKO) supply from producers with NDPE commitments.	Minimise the number of palm oil suppliers we buy from & work only with producers with NDPE commitments in alignment with ours.	100% of our crude palm oil and palm kernel oil is supplied by direct suppliers all with NDPE commitments aligned with ours.	Achieved
Interim goals: 75% of volumes of crude palm oil and palm kernel oil from suppliers with NDPE commitments.			Achieved
100% of palm oil derivative supply from producers with NDPE commitments.	Continue to engage with all suppliers to encourage transparency and adoption of NDPE commitments.	We have increased NDPE alignment with derivative suppliers to 97%, an increase from 30% when we started this Action Plan in October 2018. We expect to achieve our target.	End 2020
Interim goal: 90% of volumes of palm oil derivatives from suppliers with NDPE commitments.			Achieved
Establish a process to achieve early visibility of any non-compliance within our suppliers' entire operations.	Require direct suppliers to demonstrate credible systems to proactively monitor the producers in their supply chain at group level, making use of concession maps and other relevant data.	All our key direct suppliers have a public grievance procedure and maintain lists of reported cases of non-compliance with progress updates. These include cases highlighted by NGO campaigns.	Achieved
Actively monitor to achieve early visibility of any non-compliance within our suppliers' entire operations.	Actively monitor suppliers' grievance procedures to drive compliance across their physical supply chains, including wider group company activity – via monthly calls.	Through a combination of Earthworm Foundation High Impact Supplier Programme, field teams and Starling satellite monitoring, we identify non-compliance within our global supply chain.	Ongoing
Create and roll-out a consistent deforestation non-compliant supplier protocol which applies to all suppliers and third-party producers and includes a conversion cut-off date and acceptable timescales for mitigation before ultimately excluding non-compliant producers.	Update our policy to include a conversion cut-off date of 31 December 2015. Work collaboratively with The Earthworm Foundation, Greenpeace and our suppliers to agree a consistent and mutually acceptable approach to mitigation and exclusion. Adopt and promote an industry-wide protocol, once one is available, to address non-compliance. Integrate new protocol into supplier selection and engagement process.	Developed a non-complaint supplier deforestation protocol including a conversion cut-off date of 31 December 2015 in line with best practice. We have integrated our approach into our supplier selection process and shared it with all our suppliers who have given it their support. Our protocol can be downloaded from our palm oil landing page. Integrated non-compliant supplier protocol to address labour/workers-rights issues with suppliers.	Achieved
Evaluate effectiveness of protocol via ongoing supplier engagement.	Measure adoption rates via monthly monitoring calls with key suppliers.	Now including extensive additional data from Starling satellite monitoring.	Ongoing

The Company also reports:

	Goal	Action plan	Progress	Deadline
Traceability **Achieving full traceability of our entire palm oil supply chain**	100% traceability of crude palm oil and palm kernel oil across our supply chain.	Continue ongoing dialogue with all our direct suppliers and with Earthworm Foundation to trace our palm oil back to the mill. Go beyond the mill to achieve full traceability to plantation. Extending deadline to support Nigerian small-scale farmers.	Since 2016, we have had full traceability of our crude palm oil and palm kernel oil back to the refinery and can currently trace 98% back to the mill. All CPO/PKO suppliers are now providing some or all plantation data and are working on full traceability. To close this 2% gap we continue to work with the remaining two suppliers who both have NDPE commitments and who are increasing their traceability but have not yet achieved 100%. We expect to achieve our target.	**End 2019 – behind schedule** **New deadline – end 2020**
	Interim goal: 90% traceability of crude palm oil and palm kernel oil across our supply chain.			**Achieved**
	100% traceability of palm oil derivatives across our supply chain.	Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives.	Currently, 91% of the derivatives we use are fully traceable to the mill (against 44% in June 2019 and 93% in December 2019). The dip since December 2019 was driven by two factors: > COVID-19 impacting supplier ability to provide full updates > Our decision to broaden the scope of the derivatives we trace – following intense work, we have been able to identify and include all fractions (ingredients with very small amounts). Whilst a challenge due to their complexity, we are aiming to achieve our target.	**End 2020**
	Interim goal: 80% traceability of palm oil derivatives across our supply chain.			**Achieved**
	Full disclosure of our crude palm oil and palm kernel oil supply chain including: all our direct suppliers, mill parent companies and mill co-ordinates.	Work with our suppliers and with Earthworm Foundation to obtain permission to publish this data for 100% of our palm oil supply chain. Publish an updated list on our website every six months. The most recent list was published in June 2020.	We first published our identified mills in March 2018 and updates in October 2018, June and December 2019 and June 2020. The next update will be published in December 2020. You can view the latest list on our website.	**Achieved / ongoing**
	Full disclosure of our palm oil derivatives supply chain including: all our direct suppliers, mill parent companies and mill coordinates.		Actions as above.	**End 2020**

The Company also reports:

	Goal	Action plan	Progress	Deadline
Transformation **Investing in transformation and independent verification of the palm oil industry**	Support programmes that drive transformation and alignment with our NDPE commitments.	Use information from our monthly calls with suppliers to review their grievance process and progress to help us prioritise where we can best contribute to on-the-ground transformation. Hold quarterly planning meetings with Earthworm Foundation to plan and monitor programmes. Identify High Impact Suppliers and engage with direct suppliers and other industry players to facilitate transformation via deep engagement. Work with our key direct suppliers to ensure that they have a time bound action plan for compliance with NDPE commitments. Ensure that refineries at origin in our supply chain (either via direct or indirect sourcing) develop and implement an actionable time bound plan for compliance with NDPE commitments for the entirety of the refinery's upstream supply chain. We will collaborate with our suppliers and contribute to on-the-ground transformation to advance these action plans. Follow and monitor progress on implementation of action plans resulting from past assessments in our upstream supply chain. In collaboration with Earthworm Foundation, continue to support the implementation of landscape level, multi-stakeholder approach in Aceh Tamiang and Southern Aceh, with long-term land use plans that: • Meet present livelihood needs and provide a viable economic future; • Maximise preservation of key habitats; • Are made and implemented with full participation of local communities.	Continued investment in a Rurality smallholder programme in Kapuas Hulu, Danau Sentarum National Park, Indonesia in collaboration with Golden Agri-Resources (GAR) and the local community to: • Support the welfare and quality of life of local communities living in and around conservation areas • Build resilience with 445 farmers and with four farmer associations • Implement agriculture diversification (for alternative livelihood and to improve food security) • Reduce risk to protected forest • Cultivate 13 hectares of land, enabling more than 30% reduction of household expenses. Through Participative Conservation Planning and High Carbon Stock (HCS) approach, 20,000 hectares of HCS forests are protected. To combat forced and bonded labour and child labour, collaboration between stakeholders (government, civil society, trade unions, industry associations and businesses) is essential. Following publication of a detailed Directory of Palm Oil stakeholders in Malaysia and a Directory of Services for Vulnerable Children in Sabah, we co-funded Earthworm Foundation's continued engagement to collaborate and advance legal and industry transformation. This has included participation in workshops, focus groups, consultation forums and conferences, including with International Labour Organization (ILO), the Ministry of Human Resources and the Anti-Trafficking in Persons and Anti-Smuggling of Migrants Council (MAPO), contributing input to the drafting of the proposed National Action Plan (NAP) on forced labour and the NAP on child labour in Malaysia. We continue to support Earthworm Foundation's Areas for Priority Transformation (APT) Landscapes Project in Aceh Tamiang and Southern Aceh Indonesia. These identify and bring together key stakeholders that live and work in these highly biodiverse areas under threat from agricultural expansion to find compromise solutions that will allow for needed economic development, preservation of habitat and lasting ecosystem services.	Ongoing

The Company also reports:

	Goal	Action plan	Progress	Deadline
Transformation **Investing in transformation and independent verification of the palm oil industry** *continued*			Outcomes include: **Integrated land use planning** > **66% decrease** in deforestation since start > Technical guidance credited with inspiring **district-wide licensing moratorium** and review **Community capacity building** > **2095 households** directly impacted by Participatory Conservation Plans in five forest-frontier villages > Three agricultural demonstration plots providing continuous rural training opportunities > **245** people directly trained through Livelihood Programme **NDPE Support Workers** > **3,000+** workers newly covered by No Exploitation agreements > **87% of target** companies (26 of 30) provided with labour training in one district > **Collective Action Plan** developed and agreed upon with government, covering **36 plantations and 10 mills**	Ongoing

	Develop an actionable plan, including support of multi-stakeholder initiatives, working with communities to address regeneration of previously cleared forests and conservation of forest areas within concessions.	Work with Earthworm Foundation to identify and evaluate the possible regeneration routes to understand where and how we can achieve most impact, including support for the pilot for the Forest Conservation Fund.	We have identified key regions and programmes to support:
			> Hutan Adat Rimba Perancit (HARP forest) West Kalimantan, supporting 1,600 hectares of forest across 13 villages, via Forest Conservation Fund:
			  > Securing land rights to protect remaining forests
			  > Implementing community-driven forest conservation efforts
			  > Improving community livelihoods through supporting forest-friendly income-generating activities.
			> Giam Siak Kecil Bukit Batu Peat Landscape in Riau, a peat-dominated area suffering illegal encroachment and home to significant populations of tigers and elephants. Forest Conservation Fund programme starting with 3,000 hectares and four villages, engaging the community, to train them to lead patrols and develop social forestry projects.
			> Aceh Tamiang, 1,400 hectares of High Carbon Stock/High Conservation Value forest mapped and protected by Earthworm Foundation's multi-stakeholder Landscape Programme. Bringing 12 concessions and two mills under Forest Protection agreements.
				Achieved

The Company also reports:

	Goal	Action plan	Progress	Deadline
Transformation **Investing in transformation and independent verification of the palm oil industry** *continued*	Achieve independent verification of NDPE compliance across supply chain.	Investigate verification methodologies and tools for social aspects as well as deforestation. Prioritise verification of supply based on volumes, business critical nature, opportunity to partner with others and ease of verification. Create a timetable for verification of whole supply chain based on priorities.	Starling satellite monitoring and Kumacaya independent monitoring by local people, selected as our independent verification tools. Programmes started with: > Starling, satellite imagery monitoring for global supply chain. Data is used to understand deforestation issues and risks, for engagement with relevant suppliers so these can be addressed. > Kumacaya, independent monitoring of social and environmental issues by local people. Three programmes continuing including deep monitoring and actions to address issues identified. Timetable for verification of deforestation and social issues identified and implemented.	**End 2020**
Nigeria **Taking a lead in developing Nigeria's palm oil sector**	Maximise our capital in Nigeria to support the development of the local palm oil industry in line with NDPE standards.	Continue to work closely with our JV partner, Wilmar to ensure that our JV's production is fully compliant with our shared NDPE commitments. Obtain independent verification that our JV plantations comply with NDPE standards. Continue to work with our JV partner Wilmar to promote the sustainable growth of the sector by: > Working with federal, state and local governments to share best practice > Promoting NDPE within national industry body, POFON > Support national and local programmes to increase yields > Support programmes to educate and assist smallholder farmers.	Our work with the Central Bank of Nigeria (CBN) to create access to finance for smallholders with verifiable land titles to invest in revitalising old and inefficient plantations has continued. We are delighted to have received approval for funding from the CBN in March 2020, and plan to launch our outgrower programme this year. Our aim is to support the planting of 200 ha in 2020 and scale up to 6,000 ha in four years, benefiting 1,500 farmers. We are providing ongoing support for existing smallholder oil palm farmers in our BPL Pilot Outgrower Scheme. Under this pilot, we are supporting 43 farmers to cultivate 150 ha of land and the first harvests are expected in 2021.	**Ongoing**
Transparency **An open and transparent approach to reporting on progress**	Continue to be open and transparent with all our stakeholders.	Continue to assess our progress on an ongoing basis and will report on our progress and future plans via existing annual reporting mechanisms. Work with Earthworm Foundation to agree most effective KPIs. Publish a progress update via our website and the Earthworm Foundation website every six months when we publish our supplier data.	We report on our progress and future plans via our Annual Report, our Annual Communication on Progress to the RSPO, our website and the Earthworm Foundation website. Following publication of our Palm Oil Promise 2020 Action Plan in October 2018, we have published updates in June and December 2019 and June 2020.	**Ongoing**
	Interim goal: we will move from annual updates to six monthly reports.			**Achieved**
	Provide ongoing progress updates on our various programmes.	Put in place the resources to plan and execute more frequent updates.	Rhythm of updates now established for both external and internal communication.	**Ongoing**

HEALTH AND SAFETY

We regard health & safety as a fundamental business responsibility and the Group's health & safety performance and its regulatory compliance are scrutinised by the Group's executive leadership team and the Board.

Our business spans diverse geographies with differing levels of regulation and we are committed to delivering globally consistent and excellent standards of health & safety in respect of all of our employees, contractors and visitors. To that end, our operations meet local rules and regulations but also comply with our robust Group-wide standards which invariably exceed local law. We employ a team of health & safety specialists to develop, monitor and implement best practices and we empower and encourage our employees to identify and report hazards or near misses.

We have made further progress towards achieving international safety certification for all our sites around the world. All but one of our manufacturing sites are now accredited to the internationally recognised occupational health & safety management system OHSAS 18001 and all sites are presently working towards the new best practice safety standard ISO 45001.

	2014/15	2015/16	2016/17	2017/18	2018/19	**2019/20**	Change from 2011/12 baseline	Change year-on -year
Fatalities	0	0	0	0	0	**0**	0	0
LTI/yr (Lost Time Incidents)	14	7	15	13	8	**3**	(30)	(5)
LTIFR (Lost Time Incident Frequency Rate)	0.17	0.12	0.29	0.26	0.13	**0.06**	(0.35)	(0.07)
AAIFR (All Accident Incident Frequency Rate)	1.87	2.08	3.09	2.17	2.13	**1.25**	n/a	(0.88)

WORKING WITH SUPPLIERS

It is critical to us, particularly as we continue to increase our use of third-party manufacturers to develop and make specialist products, that our suppliers, contractors and partners share our values and live up to the high ethical standards which we set for ourselves. To some extent, our reputation is in their hands and so we take great care to understand how third parties work whenever we are considering establishing or continuing business relationships.

As part of our procurement strategy we have been working to right size our supply base by consolidating our requirements with fewer but more capable suppliers. Our group strategy of Focus, Scale, Accelerate is a big enabler.

Over this last year, we have continued to progress our ethical sourcing compliance verification for third parties. The deployment of our Palm Promise and Plastic Promise has resulted in a significant step-up in upstream transparency and partnerships based on differentiated capability. Suppliers supporting us in delivery of the promises have gained business share, whilst suppliers not able to comply have been terminated.

As a standard process step, we continue to ask our suppliers to sign our Supplier Code of Conduct. This lists a number of mandatory requirements (covering a range of Good4Business values including Anti-Bribery and Corruption, sustainability, fair treatment of workers, health & safety, modern slavery and animal testing). The policy roll out and sign off for direct material suppliers is currently at 65% and building.

Our supplier relationship programme was launched in 2018. This is helping us deliver business results through strategic partnerships. We have seen higher success rates with suppliers whose value systems are aligned with ours.

COMMUNITY AND CHARITY

We are committed to helping and supporting the local communities in the vicinity of our factories and offices. Our presence in the community, particularly in emerging markets puts us into the privileged position of being able to help improve the health and wellbeing of our neighbours. This obviously helps us to establish good relations with governments 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 founders in the 1880s. For a business to grow sustainably, it must be a force for positive change.

This has never been brought more sharply into focus than during the global coronavirus pandemic when our businesses around the Group mobilised our resources, donated to the neediest, and reconfigured our supply chain to meet the unprecedented demand for our hygiene and hand wash products.

We've been supporting key workers and the most vulnerable in the UK, by donating 500,000 Carex products during the coronavirus pandemic

To support the NHS and key workers we organised weekly deliveries to the Manchester Foundation Trust, including care packages to the 23,000 NHS staff across 9 hospitals in Manchester. We also developed a bespoke 5L hand wash pack and made donations to the NHS Nightingale hospital and ExCeL London.

We donated products to hotels that were housing frontline staff in self-isolation. We also connected with NHS Charities Together to support a broader Trust base. 5L packs were also donated to the Fire Service.

We have supported Age UK, delivering products to residential homes and day centres. We delivered to 134 Age UK centres nationally.

We donated hand wash and hand gel products to key homeless charities, including Shelter, Wellspring and The Booth Centre, to support them through the crisis.

Providing support to our communities in Australia
Our Australian business continued to support our national partner Foodbank during the year.

Large parts of Australia were affected by unprecedented bushfires which had a devastating impact on communities across the nation. Foodbank was also inundated with requests for support during the COVID-19 pandemic.

PZ Cussons donated a significant quantity of much needed baby food and personal care products to the cause.

Our Sanctuary Spa donation campaigns to the Community Children Foundation in Thailand have helped to improve education and hygienic water supply to schools nationwide. Also, during the widespread flooding in 32 Thai provinces in 2019, product was donated to The Community Children Foundation to support those most affected.

City in the Community uses the power of football to tackle social issues, create opportunities and build futures, delivering award-winning inclusive programmes, focusing on health and education throughout schools and communities in Manchester. Carex is an official partner of City In The Community. Our aim is to increase awareness of the importance of washing hands and overall hand hygiene, encouraging children to wash their hands more regularly and effectively. During the pandemic, we were able to donate hand wash and hand gel products to local schools and nurseries via City In The Community channels.

In Indonesia, we have a charity programme focusing on children and education. We collaborated with Kick Andy Foundation and IHF to support pre-school teacher education, and develop children's facilities and a playground with CT Arsa Foundation.

Global Handwashing Day
In October 2019 our Carex brand, in partnership with City In The Community, took part in Global Handwashing Day. Established by the United Nations over ten years ago, touching 200 million people, we take part in this event every year. The purpose is to promote the simple message that handwashing saves lives. Promoting this message has never been more critical.

PZ Cussons Nigeria Foundation
In Nigeria, we established a charitable foundation in 2007 to assist with the development of better transport links and roads, potable water, sanitation, health and education and to improve the health and wellbeing of people living near our operations in Nigeria.

To contribute to the promotion of education in the local community, in October 2019 the PZ Cussons Foundation supported the construction of classrooms at Hardawa Community Schools, Misau, Bauchi State. To support the advancement of educational resources, as part of the projects to upgrade laboratories in some selected Nigerian universities and research institutions the PZ Cussons Foundation, in collaboration with NOTAP, donated a range of equipment including spectrophotometer equipment, chromatography equipment and electric balance and laboratory water treatment systems.

The PZ Cussons Foundation also supported pastoralists in their challenge to access water for themselves and their livestock during the dry season. The Foundation constructed a much needed solar-powered borehole with an overhead storage tank and livestock drinking troughs for the Gongosi Grazing Reserve.

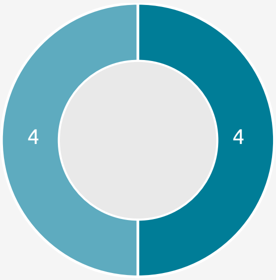
Sanctuary Spa is a long-standing supporter of the NHS. Over the past 3 years, at Christmas time, representatives of the brand team personally visit NHS facilities across the UK to gift thousands of products to NHS workers who usually miss out on spending time with their loved ones during the festive season. In response to the COVID-19 crisis and to show our valued support of the workers within our NHS, Sanctuary Spa donated 50,000 samples of body butters and body washes to key workers across the UK. This enabled us to reach these key workers who are in need of rehydrating products as their skin is dry, sore and broken due to following stringent protocols of washing their hands and bodies constantly.

GOVERNANCE


GLOW BOOSTING VITAMIN C & D
Bronzing Water Serum
Aqua Sérum
Bronzing Visage
ST.TROPEZ
SELF TAN
VITAMINS
50 ml 1.69 fl oz US e
100%

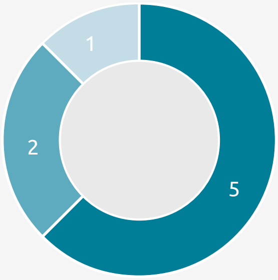
An experienced Board with strong leadership

Gender diversity



- Male
- Female

Tenure



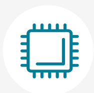
- 0–3 years
- 4–7 years
- 8+ years

Sector Expertise


Consumer goods


Finance


Marketing


Technology

Nationality


British
6


Polish
1


American
1

Chair
(A) Audit & Risk Committee
(N) Nomination Committee
(R) Remuneration Committee
(D) Director with responsibility for representing the employee voice and employee engagement

Caroline Silver
N

Non-executive Chair

Appointed: 2014

Skills & experience: Caroline Silver joined the PZ Cussons Board as a Non-executive Director in 2014, becoming Senior Independent Director in 2016 and Chair in 2017. She has worked within the investment banking sector for over 30 years and was most recently a Partner and Managing Director at Moelis & Company. She is a chartered accountant and has previously held senior corporate finance and M&A positions at Morgan Stanley and Merrill Lynch. She has a wealth of international experience, especially within African markets.

Other appointments:
- Non-executive Director of BUPA
- Non-executive Director of Meggitt Plc
- Non-executive Director of The Intercontinental Exchange, Inc. (Appointed 13 August 2020)
- Senior Independent Director at M&G plc (stepped down 27 May 2020)

Dariusz Kucz
A N R D

Non-executive Director

Appointed: 2018

Skills & experience: Dariusz Kucz joined the PZ Cussons Board as a Non-executive Director on 1 May 2018. Until recently, he was Chief Top Line Officer of Haribo, the international confectionery company, leading its global commercial operations. He has previously held senior leadership roles at Danone, where he led the baby food business in Asia Pacific, and Wrigley, where he was Regional VP, Central and Eastern Europe.

Jonathan Myers

Chief Executive Officer

Appointed: 2020

Skills & experience: Jonathan is an experienced FMCG executive, having worked for a number of well-known businesses across a range of categories including personal care, home care and food and nutrition. Prior to joining PZ Cussons on 1 May 2020, he was Chief Operating Officer at Avon Products Inc, a multi-level marketing company in the beauty, household and personal care categories, where he had global responsibility for Supply Chain, Marketing, Digital, Research & Development and IT and was a core member of the executive team delivering a successful turnaround of the business.

He spent the first 21 years of his career at Procter & Gamble, where he worked across a range of categories and had extensive experience in Asia, South America and beyond. At Procter & Gamble he progressed to General Manager, Oral Care and Feminine Care for the Greater China Region, before he moved to Kellogg Company, the US multinational food manufacturing group, where he held a number of senior leadership positions, serving as Managing Director, UK and Ireland from 2012 and then also Vice President, European Markets from 2014.

John Nicolson

A N

Senior Independent Director

Appointed: 2016

Skills & experience: John has significant experience of global consumer goods for both developed and emerging markets. His early career in marketing and sales was spent at ICI, Unilever and Fosters Brewing Group, then in corporate development and general management. He was a plc board member at Scottish & Newcastle plc, and regional president Americas and executive committee member at Heineken NV. He has also held the positions of chairman at Baltika OAO, deputy chairman at CCU SA, director at United Breweries Ltd India, non-executive director at North American Breweries, and member of the advisory board at Edinburgh University Business School.

Other appointments:

- Non-executive Chairman of A G Barr Plc
- Non-executive Director of Stocks Spirits Group Plc

Kirsty Bashforth

R N

Non-executive Director

Appointed: 2019

Skills & experience: Kirsty is Chief People and Communications Officer at Diaverum AB. Prior to this she ran her own consultancy business QuayFive for 4 years, advising CEOs on change, organisational culture and leadership, having previously held a number of senior executive positions during a 24-year career at BP. These included leading the strategic coordination of BP's global B2B businesses and as Group Head of Organisational Effectiveness. Kirsty is an experienced Remuneration Committee chair and has assumed this role on the Board from 1 July 2020.

Other appointments:

- Non-executive Director of Serco Group plc
- Non-executive Director of Kier Group plc (stepping down from November 2020)

Tamara Minick-Scokalo

A N

Non-executive Director

Appointed: 2018

Skills & experience: Tamara Minick-Scokalo joined the PZ Cussons Board as a Non-executive Director on 1 May 2018. Tamara has held senior marketing and general management positions at consumer businesses including P&G, Coca-Cola Company, Cadbury Plc and Mondelēz. Until 2016, she was Regional President, Growth Markets for Pearson Plc, the FTSE 100 international publishing and education company, with responsibility for emerging markets.

Other appointments:

- Non-executive Director of Avast Plc

Tamara Minick-Scokalo is currently on leave for personal health reasons and has informed the Board that she will step-down from the Board at the upcoming AGM.

Helen Owers

R N

Non-executive Director

Appointed: 2012

Skills & experience: Helen Owers joined the PZ Cussons Board as a Non-executive Director in 2012. She served as chair of the Remuneration Committee until 30 June 2020 when Kirsty Bashforth was appointed as her successor. Prior to joining the Board, Helen held senior roles within Thomson Reuters, including Chief Development Officer with responsibility for the company's expansion in rapidly developing economies, and President of Global Businesses for Thomson Reuters Legal, responsible for building businesses outside North America. She also has extensive experience working as a consultant for Gemini Consulting, developing and implementing corporate and operational strategies for consumer products clients. Helen will retire from the Board at the upcoming Annual General Meeting.

Other appointments:

- Non-executive Director of Informa Plc

Jeremy Townsend

A R N

Non-executive Director

Appointed: 2020

Skills & experience: Throughout the financial year ended 31 May 2020, Jeremy served as Chief Financial Officer of Rentokil Initial plc prior to his retirement in August. An experienced FTSE 100 finance director, he was previously Group Finance Director of Mitchells & Butlers and held senior finance positions at Sainsbury's after starting his career with Ernst & Young. He is also a former Accounting Council Member of the Financial Reporting Council.

Other appointments:

- Chief Financial Officer of Rentokil Initial plc (stepped down August 2020)
- Non-executive Director of Galliford Try plc (stepped down September 2020)
- Non-executive Director of WM Morrison Supermarkets plc

Board leadership and company purpose

The Board recognises that good governance supports and contributes to the delivery of strategy, ensuring among other things that the Board has a clear line of sight to key information relating to the business and strategic objectives, that due account is taken of the interests of stakeholders, that there is an appropriate balance of risk and reward and that the composition of the Board and of the executive management team is appropriate.

The Board is committed to the principles of good corporate governance, has overall responsibility for governance at PZ Cussons plc and is accountable to its shareholders. Over the following pages we set out how we have complied with the 2018 UK Corporate Governance Code (the 'Code'). The Code is publicly available on the Financial Reporting Council's website (www.frc.org.uk).

Compliance statement

Throughout the financial year ended 31 May 2020, the Company has applied the main principles of the Code and complied in all material respects with all provisions of the Code save as indicated below:

Provision 9 – The Code requires that the roles of the Chair and the Chief Executive are not performed by the same person. From January to April 2020, following the announcement of the retirement of Alex Kanellis and prior to the arrival of Jonathan Myers on 1 May 2020, Caroline Silver performed her role of Chair on an executive basis. This was always intended to be on an interim basis while the Company awaited the arrival of its new Chief Executive Officer. In order to ensure continued good governance during this interim period, the Senior Independent Director took on additional responsibilities at the Board, including acting as Chair of the Nomination Committee.

In line with the principles of good governance, shareholders were consulted and/or informed of these changes where appropriate and Mrs Silver resumed the role of Non-executive Chair promptly upon the arrival of Mr Myers.

Operation of the Board

The Board is responsible for the Group's strategic development, monitoring its business objectives and maintaining a system of effective corporate governance.

Six formal meetings of the Board were scheduled during the year. The Directors met on a number of further occasions as necessary to consider specific matters arising during the year.

The differing roles of the Chair and Chief Executive Officer are acknowledged and set out in terms of reference which have been adopted by the Board.

The Chair is responsible for running the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The Chief Executive Officer is responsible for running the business and implementing Group strategy. For three months of the year and pending the appointment of a new Chief Executive Officer, Caroline Silver performed her role as Chair on an executive basis. The Board recognised that this demanded an element of enhanced scrutiny and the role of John Nicolson as Senior Independent Director was expanded to ensure an additional level of independent review of key decisions. Mrs Silver also stepped down temporarily as Chair of the Nomination Committee and this role was discharged by the Senior Independent Director over that period.

All Directors communicate with each other on a regular basis and have regular and ready access to members of the Group's management team. Senior executives are regularly invited to attend Board meetings to make presentations on specific matters or projects, and the Non-executive Directors attend the Company's Annual Leadership Week. Board papers are prepared and issued to all Directors prior to each Board meeting to enable Directors to give due consideration to all matters in advance of the meeting. During the year, the Board maintained an understanding of the views of major shareholders through periodic face-to-face meetings, the formal consultation on our proposed remuneration policy, invitations to meet with the Non-executive Chair in the absence of management and briefings from the Company's advisors.

The Board has adopted a formal policy enabling Directors to take independent professional advice where necessary at the Company's expense. Each Director has full access to the services of the Company Secretary, who is also responsible for ensuring that Board procedures and all applicable rules and regulations are followed.

The Board has an approved and documented schedule of matters reserved for its decision. These include approval of the Group's strategy, annual budgets, material agreements, major capital expenditure and acquisitions, financial arrangements and the monitoring of performance, health, safety, environmental matters and risk management procedures.

The Board has also adopted a formal induction process for new Directors, including visits to principal sites and meetings with operational management. This process has been implemented during the period in respect of those Directors who were appointed this year, however due to travel and other restrictions resulting from the COVID-19 pandemic certain elements of Director induction have been either provided virtually or deferred until normal conditions resume. Training sessions have been organised during the year for the Board on matters considered relevant to the discharge of the Directors' duties, and Directors may undertake additional training where necessary as part of their continuing development, at the expense of the Company.

Overall this has been a turbulent year in the business and a number of changes have taken place within the Board and senior management. The Board believes that our strong commitment to good governance has helped steer the Company through the challenges we faced this year, but that these have also highlighted opportunities where we can improve our processes in the year ahead. With that in mind, the Board intends to review its corporate governance policies and processes throughout the year with a view to ensuring we remain aligned with good governance practices for companies of a similar size and profile. Some of the key priorities to be addressed in this review are set out in the report on the Board's annual evaluation on pages 99 and 100.

Board leadership

PZ Cussons is led by a Board whose Directors are collectively responsible for creating and delivering long-term sustainable value for the business and promoting the long-term success of the Company. A key responsibility of the Board is to balance the interests of various stakeholders of the Group, which includes our shareholders, our customers and consumers, our employees, our partners and suppliers and the wider communities we serve. The Board's engagement with these stakeholders and the ways in which the Board considered their interests in its deliberations throughout the year are described in greater detail on pages 34 and 35 including the Board's Section 172 statement on page 35.

The Board primarily discharges its duty through:

- Developing the Group's strategy and monitoring its performance and progress.
- Leading and overseeing culture, and providing support to the Executive Directors in the discharge of their duties.
- Taking responsibility for the Board's own succession and oversight of effective senior management succession.
- Ensuring the business meets all of its regulatory obligations and upholds the highest standards of corporate governance.
- Assessing the financial, operational and reputational risks facing the Group and ensuring appropriate measures are in place to mitigate and control these risks.
- Ensuring that decisions and actions taken are properly informed and effectively communicated.
- Ensuring active engagement with the employee population.

Governance framework

The Board

The Board has ultimate responsibility for the long-term success and sustainability of the business. It approves the Group's long-term objectives and commercial strategy, and provides oversight of the Group's operations to ensure competent and prudent management, sound planning, an adequate system of internal control, adequate accounting and compliance with statutory and regulatory obligations.

See pages 82 and 83

The Board delegates certain matters to its principal committees*, which are responsible for:

Audit & Risk Committee
Reviewing the Group's accounting and financial policies, its disclosure practices, internal controls, internal audit and risk management; and overseeing all matters associated with the appointment, terms, remuneration and performance of the External Auditor.

See pages 104 to 109

Nomination Committee
Ensuring that the structure, size and composition of the Board and the senior leadership team are best suited to deliver the Company's strategy and meet current and future needs.

See pages 94 to 101

Remuneration Committee
Reviewing and recommending the framework and policy for remuneration of the Executive Directors and senior executives.

See pages 110 to 134

The executive team

The Board has delegated responsibility for the delivery of the Group strategy and the day-to-day operational performance of the business to the Executive Directors who work closely with their wider executive leadership team which includes the regional managing directors and heads of key enabling functions.

* In addition to its principal Committtees, the Board, from time to time, dealt with certain matters in other Committees both formal and ad-hoc. Certain ESG matters were addressed by the Board through its Good4Business Committee which has subsequently been stood down. For further information please see page 90.

BOARD ENGAGEMENT WITH EMPLOYEES

Statement of the Designated Director responsible for workforce engagement

In line with the requirements of the 2018 UK Corporate Governance Code (the 'Code') the Board is conscious of the need to hear and understand the 'employee voice' within our business. I was appointed last year to this interesting and challenging role. Our Board has always made a point to engage with employees in several ways, including Board visits to our locations around the world and participating in the Group's Annual Leadership Week which is attended by senior leaders from all across the world. The Chair also visits business units three to four times annually and Board meetings usually include presentations from our business leaders and employees. In addition, the Board takes particular interest in the results of staff surveys and feedback processes which are coordinated by the Group's Chief Human Resources Officer.

Prior to travel being disrupted by the outbreak of the COVID-19 pandemic, members of the Board conducted visits to various operations in order to maintain a dialogue with employees at all levels.

It is the Board's current practice to visit at least one of our major markets every year and to hold one of our regularly scheduled Board meetings in that location. In November 2019 the Board visited Indonesia. In the course of its visit, the Board met with members of local management and high-potential junior employees in a social gathering in order to better hear and understand the views and concerns of the local team and also to ensure that local staff are aware of the Board's activities and priorities. Whilst the Board looks forward to being able to resume travel and physical meetings with our employees, the benefits of engaging through technology are ones that we hope to retain long after we return to more normal ways of working.

Following the outbreak of COVID-19 and the ensuing restrictions on travel and physical meetings, the Board made use of virtual engagement tools such as the Company's intranet and internal social media platforms in order to ensure as close a connection to the workforce as practicable in quite challenging circumstances. The move towards virtual forms of engagement began long before the outbreak of COVID-19, however the pandemic clearly triggered a massive acceleration of this process. The Board is pleased with the progress made on this front and will look to continue to embrace technology and social media in its employee engagement activities in order to enhance its normal in-person engagement activities once it becomes safe for them to resume.

As I reflected on our initial priorities, I have agreed with the Board the following focus areas and approach:

- Gathering insights on selected topics, including the strategy and its implementation, our values and behaviours, employee engagement survey results, the impact of organisation changes, safety and environmental and social and governance issues.
- Visits to selected markets – including Nigeria, UK and Indonesia to meet employees including factory staff – on an annual basis.
- Meeting employees with and without the Chief Executive Officer. In this case, a senior member of staff (for example, the Chief Human Resources Officer, the Company Secretary or a local HR Director) would always be present and insights subsequently shared with the Chief Executive Officer.
- Organising Chair and Board member town halls.
- Using regular global engagement surveys as a key method to gauge ongoing employee engagement and action progress.

I met with employees in Indonesia last November. Here I took part in a session with a group of managers and employees who shared their perspectives on business strategy and PZ Cussons behaviours and suggested overall engagement improvement areas. What I learned was:

- There has been significant improvement over the last three to four years in communicating a clear strategy and driving a culture of openness, transparency and high performance.
- A prioritisation tension between resource allocation and investment has been experienced.
- There needs to be continued focus on developing leaders from within the organisation.
- Retention of talent brought in from other organisations can be a challenge due to PZ Cussons' lean structure.
- There are high levels of satisfaction with programmes which support employee wellbeing.

These insights were subsequently shared with the Board alongside a review of the results of an engagement survey in which over 90% of the total workforce took part. Key insights from the survey revealed that 88% of employees are proud to work at PZ Cussons and 77% would recommend it as a place to work. Identified key improvement areas included focus on reward and recognition practices as well as the need for the executive team to continue to communicate and galvanise employees around the Group's vision.

Finally, as a means of supporting increased recognition practices, Board members personally connected with and thanked individual employees who modelled PZ Cussons' CANDO! values, demonstrated strong leadership, agility and perseverance during the COVID-19 crisis.

Dariusz Kucz
Designated Director responsible for workforce engagement

Division of responsibilities

The Board is responsible for the long-term success and sustainability of the business. The responsibility of the members of the Board and of each of the Board Committees is set out below.

The Board and its responsibilities

The Board has established a number of standing committees to which various matters are delegated according to defined terms of reference. The terms of reference of the committees are available on the Company's website **www.pzcussons.com** and will also be available for inspection at the upcoming Annual General Meeting.

Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size, skills, experience and composition of the Board, identifying and recommending appropriate candidates for membership of the Board when vacancies arise, and ensuring that effective succession planning procedures are in place for senior roles.

Details of the Committee members, its responsibilities and principal activities and priorities during the year are set out in the separate Statement from the Chair of the Nomination Committee.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors and senior executives, which the Board as a whole is responsible for approving.

The Committee is responsible for evaluating the performance of, and determining specific remuneration packages for, each Executive Director, the Chair and the Company Secretary.

Further details of the Committee members, its responsibilities and its activities during the year, and of Directors' remuneration, are set out in the Report on Directors' Remuneration.

Audit & Risk Committee

The Audit & Risk Committee is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies, disclosure practices, internal controls, internal audit and risk management. It is responsible for overseeing all matters associated with the appointment, terms, remuneration and performance of the External Auditor and for reviewing the scope and results of the external audit and its cost-effectiveness.

Further details of the Committee members, responsibilities and activities during the year are set out in the Audit & Risk Committee report.

Chair

- Responsible for the effective running of the Board and ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives along with setting the right 'tone from the top' to support the development of a robust and ethical culture within the organisation;
- Ensures there is effective communication by the Group with its shareholders and that members of the Board develop an understanding of the views of major investors;
- Ensures that the performance of the Board as a whole, its Committees, and individual Directors is formally evaluated at least once a year; and
- Promotes the highest standards of integrity and corporate governance throughout the Group, particularly at Board level.

Chief Executive Officer

- Responsible for all executive management matters affecting the Group and leads the executive leadership team;
- Responsible for proposing and developing the Group's strategy and overall commercial objectives (in close consultation with the Chair and the Board);
- Promotes and conducts the affairs of the Group with the highest standards of integrity and corporate governance; and
- Champions the Company's values and behaviours across the whole Group.

Non-executive Directors

- Contribute to the development of the Group's strategy; and
- Review and constructively challenge the performance of management in the execution of strategy.

Company Secretary

- Facilitates the effective operation of the Board and ensures that the Directors receive accurate, timely and clear information to enable them to discharge their responsibilities; and
- Provides advice to the Board in respect of governance matters and champions good corporate governance across the business.

Senior Independent Director

- Available for confidential discussions with other Non-executive Directors;
- Conducts an annual appraisal of the Chair's performance;
- Available to shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact is inappropriate; and
- Provides a sounding board for the Chair.

Chief Financial Officer (currently performed by the Interim CFO)

- Provides accurate, timely and clear information to the Board in respect of the Group's performance;
- Responsible for the preparation and integrity of financial reporting; and
- In conjunction with the Chief Executive Officer, leads the communication programme with shareholders and other stakeholders.

Attendance at meetings
The number of regularly scheduled meetings of the Board (excluding such ad hoc meetings as were necessary during the year to address specific matters arising) and of each of the Audit & Risk, Remuneration and Nomination Committees during the year ended 31 May 2020, together with a record of the attendance of the current Directors who are their respective members, is detailed in the table below:

	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
Mr J Myers[1]	1	1	n/a	n/a	n/a	n/a	n/a	n/a
Mrs C Silver[2]	6	6	n/a	n/a	n/a	n/a	6	6
Mr J Nicolson	6	6	5	5	n/a	n/a	6	6
Mrs H Owers	6	6	n/a	n/a	5	5	6	6
Mrs K Bashforth[3]	4	4	n/a	n/a	3	3	4	4
Mrs T Minick-Scokalo[4]	2	2	1	1	n/a	n/a	2	2
Mr D Kucz	6	6	1	1	5	5	6	6
Mr J Townsend[5]	1	1	1	1	1	1	1	1
Mr P Grimwood[6]	3	3	3	3	2	2	3	3
Mr J Maiden[7]	6	6	5	5	5	5	5	5
Mr A Kanellis[8]	4	4	n/a	n/a	n/a	n/a	n/a	n/a

Notes:
'n/a' indicates that the Director is not a member of the Committee.
1 Jonathan Myers joined the Board on 1 May 2020.
2 Caroline Silver was named Executive Chair with effect from 1 February 2020 and ending on 1 May 2020.
3 Kirsty Bashforth joined the Board from 1 November 2019.
4 Tamara Minick-Scokalo has been on leave for personal health reasons since 1 November 2019, and has not participated in Board activity since that date.
5 Jeremy Townsend joined the Board with effect from 1 April 2020.
6 Paul Grimwood joined the Board with effect from 1 November 2019 and stepped down with effect from 30 April 2020.
7 Jez Maiden stepped down from the Board with effect from 31 May 2020.
8 Alex Kanellis stepped down from the Board with effect from 31 January 2020.

No Director participates in meetings when matters relating to them are being discussed.

Good4Business Committee
The Good4Business Committee is responsible for reviewing and developing the Company's corporate strategy to ensure that Corporate Social Responsibility (CSR) is an integral part of the strategy and that the Group's social, environmental and economic activities are aligned. The Good4Business Committee is responsible for the development of policies on all key areas of the Company's CSR programme – Good4Business – including Business Governance and Ethics, the Environment, Sourcing and Community and Charity. Further details of the Committee's terms of reference and activities during the year are set out in the Good4Business section of the Strategic Report.

Following the Board effectiveness review conducted by Independent Board Evaluation, the Board has concluded that since the matters within the remit of the Good4Business Committee are so fundamental to the future success of our business and encompass what is now recognised as environment, social and governance (ESG), the Board's view is that ESG needs to sit at the heart of PZ Cussons' strategy and operations across all of its activities, people and ways of working. As a result, the Board has resolved that the Good4Business Committee will be stood down with effect from 1 June 2020 and the topics within its remit will be brought directly into the remit of the Board. It may be appropriate, as the Group's actions and positions on ESG are established, to reconvene a new committee with refreshed terms of reference at a future date.

During the financial year ended 31 May 2020, the Committee members were:

Mr Nicolson (Committee Chair)
Mr Myers (from 1 May 2020)
Mrs Bashforth (from 1 November 2019)
Mrs Minick-Scokalo (until 1 November 2019)
Mrs Silver

The Company Secretary served as secretary to the Good4Business Committee.

What the Board did this year

In addition to standing items of business, the Board addressed the following key matters during the year:

July 2019	September 2019	November 2019	January 2020	March 2020	May 2020
> Approved the Financial Statements and Annual Report & Accounts for FY19.	> Held the 2019 Annual General Meeting.	> Visited the Group's Indonesian business (see further details on page 87).	> Approved the interim results and related announcements for the six months ended 30 November 2019.	> Met to review the Group's strategy.	> Reviewed and provided feedback on the draft Group budget for FY21.
> Approved the business for the 2019 Annual General Meeting.	> Reviewed the people strategy for the Group.	> Undertook an in-depth review of: Indonesian, Australian and other Asia Pacific businesses; Digital; and Marketing.	> Reviewed the outcome of the Global Engagement Survey.	> Agreed the key content, framework and timetable in respect of the FY20 Annual Report & Accounts.	> Received updates from the Chief Human Resources Officer on the Group's response to COVID-19.
> Reviewed material Group risks and risk mitigation activities.	> Approved the Global Anti-Bribery & Corruption Policy.	> Reviewed the Group's five-year strategic plan for its Focus Brands.	> Reviewed the Group's implementation plan in respect of Anti-Bribery & Corruption.	> Received updates from the Chief Human Resources Officer on the Group's response to COVID-19.	> Received a report from the Group head of supply chain on supply chain, health and safety.
> Reviewed key actions and recommendations from the Board effectiveness review FY18/19.	> Reviewed progress in respect of the Plastic Promise.	> Reviewed the Board's approach to engagement with the workforce.		> Were observed for externally facilitated Board evaluation process FY19/20.	> Reviewed the initial report of the Board evaluation process FY19/20.

Advice available to the Directors

All our Directors have access to the advice and services of the Company Secretary. Directors may also take independent professional advice at the Company's expense where they judge it necessary to do so.

Company Secretary

External consultancies

Composition, succession and evaluation

Composition and independence

The size of the Board allows individuals to communicate openly and make a personal contribution through the exercise of their individual skills and experience. As at the date of this report, the Board of Directors has eight members: the Non-executive Chair, the Chief Executive Officer and six other Non-executive Directors, though Tamara Minick-Scokalo has been on a leave of absence for personal reasons since 1 November 2019 and has recently informed the Company that she will step-down from the Board at the upcoming AGM. Helen Owers has also announced that she will retire from the Board at the upcoming AGM. The 2019/20 financial year has seen considerable change in the composition of the Board. Four directors joined the Board and another four have either left the Board or have announced their upcoming retirement. Our Chair performed her duties on an executive basis in the brief period following the retirement of Alex Kanellis and prior to the arrival of our new CEO, Jonathan Myers. Throughout the year, and notwithstanding the extraordinary level of change, the Board has remained independent at all times. The names of the Directors together with their biographical details are set out on pages 82 and 83.

The Non-executive Directors have been appointed for their specific experience and expertise and are all considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr Nicolson is the Senior Independent Director.

Non-executive Directors may serve on the boards of other companies, subject to prior approval by the Board, provided this does not involve a conflict of interest and that the appointment does not restrict their ability to discharge their duties to the Company in any way.

As set out in the Report of the Directors, the Board has resolved to comply with the provisions of the Code and each Director seeks re-election annually. In view of the existence of a group of controlling shareholders (see the Report of the Directors on page 136), the election or re-election of independent Directors is subject to a dual shareholder vote at the Annual General Meeting, pursuant to which re-election or election must be approved by a majority vote of the shareholders of the Company and, separately, by a majority vote of the shareholders of the Company excluding the controlling shareholders.

The Executive Directors' service contracts and the letters setting out the terms of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Additional appointments of Board members

The Board recognises that the Company benefits from the experience and different perspectives which Directors bring from other boards or businesses. However, this must be balanced against the need to ensure that Directors have sufficient time and capacity to fully discharge their responsibilities to the Board. The Board has accordingly adopted the provisions of the 2018 Code in requiring that Directors may accept additional external appointments only with the prior approval of the Board. During the year, no member of the Board sought to accept any additional external appointment which would have required such consent however we note that following the year end, Jeremy Townsend was appointed to the board of WM Morrison Supermarkets plc and Caroline Silver was appointed to the board of The Intercontinental Exchange Inc., each with the approval of the Board.

Diversity

PZ Cussons supports the Code provision that boards should consider the benefits of diversity, including gender, when making appointments. The Company is committed to ensuring diversity not just at Board level but also across the Company's senior management team, not least because it believes that business benefits from the widest range of perspectives and backgrounds. The Company's aim, as regards the composition of the Board, is that it should have a balance of experience, skills and knowledge to enable each Director, and the Board as a whole, to discharge their duties effectively. The Board's approach to diversity is set out in the Nomination Committee report on page 99. Further details on diversity within the business are set out in the Report of the Directors on page 138.

Succession and talent development

Effective succession planning, underpinned by robust talent development, is critical to the future health and sustainability of the business. This is recognised as a key responsibility of the Board and forms an important component of the work of the Nomination Committee, of which each Non-executive Director is a member. The Board recognises that, following a year of unprecedented turnover on the Board and in senior management, it will be essential to focus additional efforts in the coming year to ensure that robust succession plans remain in place for all key roles. Further details on the Board's work in this respect are set out in the Nomination Committee report on pages 98 and 99.

Board induction process

The Board recognises the importance of ensuring that new Directors have an early and complete introduction to the business so that they are able to make a full and meaningful contribution to its work. To that end, the Board has adopted an induction programme for new Directors, including orientation meetings with key senior executives and advisors, bespoke training on relevant regulatory and legal obligations and on important Board procedures and processes, and visits to key business units. Following the implementation of travel and meeting restrictions as a result of the COVID-19 pandemic, certain induction activities were conducted virtually or, where that was impossible, postponed. Our induction process is reviewed by the Nomination Committee on a periodic basis, with the benefit of input from those new Directors who have participated. This year's Board effectiveness evaluation contained a finding encouraging the Board to improve its induction plans and the Nomination Committee will commit additional time and resources in the coming year to refreshing this process. Further details on the Company's induction programme are set out in the Nomination Committee report on page 98.

Performance evaluation

Effectiveness reviews of the Board and its committees, including their composition, governance and performance, are carried out annually. It is the Board's policy to conduct an externally facilitated review every three years and this year the Board engaged Independent Board Evaluation for this purpose. The results of that exercise have been reviewed by the Board and each Board committee, discussed in formal meetings and the recommendations discussed and recorded. Further details are set out in the Nomination Committee report on pages 99 and 100.

The review process undertaken during the year concluded that all Directors continue to contribute effectively and with proper commitment, allocating adequate time to carry out their duties.

The Chair conducts one-to-one performance evaluations with each of the Non-executive Directors, taking due account of the results of the Board effectiveness review, and also conducts an annual assessment of the performance of the Chief Executive Officer. Her own performance is considered by the Non-executive Directors, meeting in her absence, and the results of this process are reviewed with her by the Senior Independent Director.

Nomination Committee report

Caroline Silver
Chair of the Nomination Committee

Key objective of the Committee

To ensure that the structure, size and composition of the Board and the senior leadership team are best suited to deliver the Company's strategy and meet current and future needs.

Key responsibilities of the Committee

- Regularly review the skills, knowledge, experience, diversity and independence of the Board;
- Identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they occur;
- Review the health of the talent and succession programme and ensure that there is an effective pipeline of talent for key executive roles;
- Keep under review the leadership needs of the organisation, both Executive and Non-executive, to ensure the continued ability of the organisation to compete effectively; and
- Review annually the time required from Non-executive Directors.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website **www.pzcussons.com**.

Priorities for 2021

- Oversee an effective induction programme for the new Chief Executive Officer and the recently appointed Chairs of the Audit & Risk and Remuneration Committees;
- Identify and appoint a permanent Chief Financial Officer to the Board and oversee an effective induction programme for them;
- Further evolve the role of the Board in, and approach taken to, employee engagement;
- Together with the new Chief Executive Officer reinvigorate the development of talent and a succession pipeline for leadership roles; and
- Oversee the implementation of the recommendations from the externally facilitated Board effectiveness review undertaken in May 2020.

Committee membership (throughout the year)

The membership of the Committee throughout the year was as follows:

	Member	Joined	Meetings attended
CS	Caroline Silver (Chair)	2014	6/6
KB	Kirsty Bashforth	2019	4/4
DK	Dariusz Kucz	2018	6/6
JN	John Nicolson (Chair January-March 2020)	2016	6/6
HO	Helen Owers	2012	6/6
JT	Jeremy Townsend	2020	1/1
TMS	Tamara Minick-Scokalo *(on extended leave since November 2019)*	2018	2/2
JM	Jez Maiden	2016	5/5
PG	Paul Grimwood	2019	3/3

Introduction

On behalf of your Board, and as Chair of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 31 May 2020.

This has been a year of significant change in the boardroom. On 1 May 2020, we welcomed Jonathan Myers, our new Chief Executive Officer, prior to which I performed the role of Chair on an executive basis for a three-month period. We also recruited new Non-executive Directors onto the Board as we planned for the retirement of some of our longer serving Directors. It has been a busy year for the Nomination Committee as we have worked on behalf of the Board to ensure that the Company has the appropriate mix of experience and expertise to deliver on our strategy and to position the business for a return to profitable growth. It has also been a turbulent year, in our key markets and indeed the world. The impacts of COVID-19 on our entire range of stakeholders are still not fully understood and the need for our business to be agile and to respond to a rapidly changing world has never been greater.

The Committee has worked with a number of external advisors as set out in the Committee's report. Our practice is generally to consider a small number of leading firms and test capabilities against the requirements of a particular project and to engage the most able firm for each particular role.

As I prepared to perform my role of Chair on an executive basis from 1 February 2020, the Board gave considerable attention to how we would best preserve our high standards of corporate governance during what I hoped would be a very short period in which we departed from the provisions of the Code requiring separation between the Chair and the CEO.

My tenure as executive Chair only lasted three months before we welcomed Jonathan Myers to the Board as CEO on 1 May 2020. During that period, in line with good corporate governance practice, I stood down as Chair of the Committee, with John Nicolson, our Senior Independent Director assuming the role on an interim basis. Further details of the way in which the Board ensured that appropriate standards of governance and independent review continued to be applied over that period are set out within the section on 'The role of the Board and its committees' on pages 88 and 89.

Appointment of Executive Directors

Planning for the succession of the Chief Executive Officer and the recruitment of a new Chief Financial Officer occupied a significant proportion of time for the Committee throughout the year.

Appointment of a new Chief Executive Officer

On behalf of the Board and with the assistance of the Chief Human Resources Officer, the Committee determined the key criteria which were required for the role. These included a strong general management background driven by a sales/marketing focus; relevant FMCG experience; developed and developing markets experience; demonstrable strong, strategic leadership and evidence of driving and improving performance; and alignment with the culture and behaviours of the organisation. The Committee engaged a professional recruitment firm to conduct a market search. We also considered whether there were any internal candidates who would be able to step up to the role in the short term. The Committee concluded that it would be necessary to look externally in order to recruit someone with the required experience and expertise.

The Committee considered a longlist of candidates before shortlisted applicants were interviewed by the Chief Human Resources Officer and myself. The shortlist was diverse both in terms of gender and nationality. The Committee then recommended two candidates for final interview. Both candidates attended a full Board selection day during which they presented on what they saw as the key challenges and opportunities for the business and initial priorities. The Board was unanimous in offering the role of Chief Executive Officer to Jonathan Myers and, after certain related conditions had been met (including a satisfactory medical, receipt of positive references, completion of due diligence and the conclusion of an appropriate service agreement), the Company announced his appointment on 19 March 2020.

Appointment of a new Chief Financial Officer

Recruitment of a permanent Chief Financial Officer has also been a priority for the Committee during the year. A professional recruitment firm was engaged in the previous financial period to conduct a market search against a clear set of requirements for the role, including strong finance and proven leadership skills in a relevant FMCG environment. Excellent progress had been made, and a preferred external candidate was selected in the first half of the financial year. However, matters arose during the confirmation of the proposed appointment that made it inadvisable for us to proceed.

The appointment process for the Chief Financial Officer was then paused pending the retirement of our former Chief Executive Officer, the arrival of Jonathan Myers, the retirement of Jez Maiden and appointment of Jeremy Townsend as new Chair of the Audit & Risk Committee.

These changes having taken place, the recruitment process has now been resumed and is progressing. Bearing in mind the balance of skills, knowledge and experience now on the Board and in the finance function across the Group, the description of the role and capabilities required was refreshed, and a wide range of candidates considered, including internal and external candidates, and emphasising the benefits of diversity on the Board.

In the meantime, Alan Bergin, Commercial Finance Director on the executive leadership team has continued to perform the role of Chief Financial Officer on an interim basis. His support, knowledge and commitment to the business has been of critical importance to the Board, particularly during the period of transition between Chief Executive Officers.

Board and Committee composition

The composition of the Board and each of our principal committees is reviewed by the Nomination Committee on a regular basis. This is to ensure that we have the particular skills and experience which will be required to successfully deliver the Group strategy and that we have the benefit of a range of different, but complementary, styles and approaches.

In addition to the executive changes above, the Committee was particularly conscious of the need to replace Non-executive Directors who would be retiring this year. Helen Owers, until recently the Chair of the Remuneration Committee, was reappointed during the year for a further one-year term on a non-independent basis owing to her long service with the Board but is due to retire at this year's Annual General Meeting. Jez Maiden, Chair of the Audit & Risk Committee, stepped down from the Board at the end of the financial year.

Committee calendar

The Committee activities during the 2020 financial year and attendance at the meetings are set out below:

July 2019

- Approval of the Statement of the Chair of the Committee.
- Appointment of Dariusz Kucz as Non-executive Director to lead engagement with employees.
- Update on recruitment of Chief Financial Officer.
- Consideration of Non-executive Director succession.
- Update on executive talent and succession.

Members present

CS DK JM TMS JN HO

September 2019

- Recommendation to appoint Kirsty Bashforth and Paul Grimwood as new Non-executive Directors.
- Recommendation to the Board to reappoint Mrs Owers for a further one-year term as a non-independent Director.
- Non-executive Director only meeting.
- Update on recruitment of key roles, including the appointment of a new Chair of Remuneration Committee and Chief Financial Officer.
- Consideration of Non-executive Director and executive succession.

Members present

CS DK JM JN HO TMS

November 2019

- Recommendation that Tamara Minick-Scokalo should have a leave of absence.
- Review of the effectiveness of the Board's induction processes.
- Update on recruitment of key executive roles.
- Consideration of Non-executive Director and executive succession.

Members present

CS KB PG DK JM JN HO

January 2020

- Recommendation that the Board Chair assume the role on an executive basis during the transition between Chief Executive Officers.
- Consequent recommendation that the Senior Independent Director assume the chair of the Nomination Committee during this period.
- Recommendation in respect of the external consultant to facilitate the 2020 Board effectiveness review.
- Update on search process for new Chief Executive Officer.
- Consideration of the appointment of a new Chair of the Audit & Risk Committee.
- Discussion of senior talent and succession.

Members present

JN KB PG DK JM HO CS

Looking ahead to Helen's retirement and as reported in last year's report, the Committee initiated a search for her successor. After a selection process described below, a leading professional recruitment firm was engaged and a longlist of suitable candidates for interview was developed. The Committee was looking for an experienced Remuneration Committee chair who would be culturally aligned with the business. This process culminated in the appointment of Kirsty Bashforth as a Non-executive Director in November 2019.

Kirsty held a number of senior executive positions during a long career with BP before founding QuayFive, a consultancy which advises CEOs on change, organisational performance and leadership. She has more recently been appointed Chief People and Communications Officer at Diaverum AB. She has extensive experience in remuneration matters. She has worked with Helen Owers since her appointment and throughout the Remuneration Committee's consultation exercise conducted as part of the development of the new Director's Remuneration Policy which will be presented for approval in a binding vote at the upcoming Annual General Meeting. Kirsty was appointed Chair of the Remuneration Committee with effect from 1 July 2020.

During the year, Jez Maiden signalled a likely intention to retire from the Board to focus on his role as Chief Financial Officer of Croda Plc and the Committee initiated a search for his successor as Chair of the Audit & Risk Committee. A leading professional recruitment firm was engaged to identify potential candidates who met the search criteria that the Committee

March 2020

- Recommendation to the Board that Jonathan Myers be appointed Chief Executive Officer.
- Recommendation to the Board that Jeremy Townsend be appointed as a new Non-executive Director, assuming the Chair of the Audit & Risk Committee upon the retirement of Jez Maiden in May.
- Recommendation to the Board to reappoint Mrs Silver for a further three-year term as Chair of the Board.
- Update on recruitment of Chief Financial Officer
- Update on other moves within senior leadership team.
- Committee evaluation – observation by Ffion Hague of Board Evaluation.

Members present

JN KB PG DK JM HO CS

May 2020

- Received an update on recruitment of key executive roles and the progress of induction of certain new joiners.
- Reviewed a draft of the Nomination Committee report for feedback.
- Received an initial draft of independently facilitated Committee effectiveness review.
- Recommended the appointment of Kirsty Bashforth as Chair of the Remuneration Committee from 1 July 2020.

Members present

CS JN KB DK JM HO JT

Skills and knowledge of the board

The Board possesses a broad range of key skills and relevant areas of experience which are required for the future.

Listed company experience

- UK institutional shareholders
- Recent financial experience
- Remuneration experience
- Chair skills
- Mentoring and coaching skills
- Sector experience
- Retail experience
- Africa experience
- South-East Asia and ANZ experience
- Entrepreneurial experience
- Operational experience
- Strategy
- M&A, strategic partnerships
- M&A integration
- Business transformation
- E-commerce
- Sales & marketing

See Board of Directors pages 82 and 83

established, including strong public company finance function expertise, with a preference for a serving or recently retired executive, and Board, sector and governance experience. After interviews conducted by members of the Committee including myself, Jez Maiden and John Nicolson and a recommendation to the full Board, Jeremy Townsend was appointed with effect from 1 April, assuming the chair of the Audit & Risk Committee on 1 June. As the retiring Chief Financial Officer of FTSE 100 business Rentokil Initial plc, a former member of the Financial Reporting Council, and an experienced audit chair, he has already shown himself to be a very able replacement for Jez.

Paul Grimwood was appointed to the Board as a Non-executive Director at the same time as Kirsty Bashforth, having been identified as a candidate with excellent international FMCG business credentials as part of the same search process through which Kirsty was appointed. Unfortunately he had to stand down from the Board in April 2020 due to a change in his personal circumstances. In addition, Tamara Minick-Scokalo, who was appointed to the Board as a Non-executive Director in May 2018 relinquished her responsibilities on the Board for personal health reasons in November 2019. She has remained on the Board but has not received any fees during her period of absence. Tamara has recently informed the Company that she will step-down from the Board at the upcoming AGM.

Over the course of the year there has been an unprecedented amount of change in our boardroom and in our senior executive team.

For each of these key roles, we invited proposals from a number of leading professional recruitment firms whose capabilities were tested against the particular requirements of each role. All of the firms we considered were made aware of the Company's commitment to diversity and non-discrimination in our selection process and the Committee was satisfied that each of these firms had both capabilities and commitments to diversity goals that aligned with those of the Company. The firms that were appointed by the Committee throughout the year included Russell Reynolds, Egon Zehnder and Heidrick & Struggles. No Director has any connection or interest in any of the recruitment firms who were invited to make proposals to the Committee.

Earlier this year the Committee also considered and recommended to the Board my reappointment as Non-executive Chair for a further three-year term commencing 1 April 2020. I did not participate in any related discussions and the relevant Committee meeting was chaired by John Nicolson. A recommendation to reappoint me was made to the Board, taking into account contributions to the Board, the extent to which my skills and experience were appropriate for the challenges ahead, independence of management and freedom from any business or other relationship which could materially interfere with the exercise of the Board's independent judgement and my capacity to commit the required time for the proper performance of my duties. I am delighted to continue to serve the Company as Chair of the Board and the Nomination Committee.

Induction

Working with the Company Secretary, the Board has adopted induction processes which are designed to ensure the smooth integration of new Directors and maximise the contribution which they are able to make. The Nomination Committee oversees the induction of new Directors in order to satisfy the Board that new appointments:

- Develop an early and comprehensive understanding of the business as a whole, the strategy for the Group and the key priorities, challenges and drivers of profitable growth;
- Have a thorough introduction to each of the Group's principal operating businesses, including the key markets of the UK, Nigeria and Indonesia;
- Have the opportunity to spend time with members of the senior executive team, and other key employees, and review key functional or geographic priorities;
- Have the opportunity to meet with such external advisors as are necessary for them to discharge their duties as Directors;
- Have a solid grasp of the legal and regulatory obligations of Directors and of the regulatory landscape within which the Group operates; and
- Understand the key policies and processes in operation across the Group.

It is our practice to arrange visits for new Directors to each of our UK, Nigerian and Indonesian operations and we also encourage visits to any of our other locations. Whilst COVID-19 and the introduction of travel restrictions have impacted on travel plans, physical visits will be arranged when it is safe so to do and, in the meantime, we are using technology to introduce new Directors virtually to key overseas businesses. 1-2-1 meetings with key members of the senior leadership team across the globe were set up as appropriate and training sessions on key legal and regulatory issues were conducted by the Group's external advisors. Throughout the year, the Committee has reviewed our induction processes supported by the externally facilitated Committee evaluation and the arrival of a new Group General Counsel and Company Secretary. Whilst they are operating satisfactorily, we will continue to review and develop them to reflect Director feedback and experience and in particular to ensure that induction takes place promptly and is tailored to the specific needs of the individual.

Talent and succession planning

In a year that saw significant turnover in both the Board and the senior executive team, the Committee reviewed the operation of the global talent development programmes and the health of overall succession planning within the Group. The Committee found that succession planning, particularly following a year of significant turnover, would benefit from additional focus in the coming year and resolved to dedicate increased time to this area in FY20/21. The Committee believes that the Company has been successful in recruiting high-calibre candidates to each of the senior executive roles which were filled through the course of the year and that unfilled roles have strong candidate lists. However, the high degree of external recruitment at senior level suggests an opportunity to focus on internal talent development programmes in order to ensure that we are developing a strong and diverse internal pool of senior leadership candidates. A new Chief Human Resources Officer was appointed during the year and has already commenced significant work in this area. The Committee welcomes this progress and looks forward to working closely with him over the coming year as this work progresses.

New leadership was appointed in Nigeria, with the promotion of Panos Katsis to the role of Managing Director, Africa and Chief Executive of our listed Nigerian subsidiary. Similarly, our Managing Director, Asia, Dimitris Kostianis, was promoted from within the Group. Panos and Dimitris together with Awie Newell, Managing Director, Beauty, and Rob Spence, Managing Director, ANZ joined the CEO's reinvigorated and strengthened executive leadership team. The other members of this team include Alan Bergin, Interim Chief Financial Officer, Neill Craigie, Managing Director UK, George Kostianis, Group Head of Supply Chain, Jan Hodges, Chief Information Officer and new recruits Matt Stripe, Chief Human Resources Officer and Kevin Massie, Group General Counsel and Company Secretary. Whilst there are excellent examples in this group of internal development and succession, it is clear that the topic must remain an ongoing priority focus for the Board and the Committee.

Diversity and inclusion

Diversity is recognised by the Board and the Committee as a critical factor in the Company's strategic and financial success. Our business is an extremely diverse organisation in terms of its ethnic and cultural make-up and this is something which we continue to promote. Our leadership team reflects the ethnicity of all our territories better than ever before but there remains much more we can do to improve the cultural diversity of our Board and senior leadership and positively encourage the development of a diverse bench of talent across the Group. We are committed to making a positive contribution to all our local communities and investing in our local workforces is one way of making a real difference in the longer term. From a business perspective, it also makes sense, ensuring that we remain as close as possible to our local consumers and markets.

In June 2019, the Board attended a leadership gathering for the business leaders and high-potential talent within the Group. This brought together our top talent from across the globe.

The executive leadership team conducts regular global reviews of talent across the business and, during the year, the Committee reviewed the outcome of the reviews, and the underlying processes, to ensure that diversity continues to show improvement as we look at the Group's future leaders. Diversity, both in terms of gender and ethnicity, is always a criteria in discussions with external search firms selected to work with us. The Company is also a signatory to the 30% Club. This is a group of FTSE companies which have made a public statement that they believe that gender diversity is good for their business and have set an aspirational target of 30% female representation on their senior leadership teams by 2020. Currently, excluding Tamara Minick-Scokalo* who is on a leave of absence from the Board and who has recently announced she will step-down from the Board at the upcoming AGM, 4 out of 8 of the members of the Board identify as female, which equates to approximately 43% and, while the Company has not achieved a similar level of success to date within the senior executive team, we are continuing to focus on increasing the number of women in leadership roles across the wider Group.

Board and Committee evaluation

The Board is committed to ongoing and regular reviews of its effectiveness in order to ensure that it identifies any areas for improvement and that processes and ways of working continue to evolve and take account of the experience of and feedback from the individual Directors.

At least every three years the review is facilitated by an external third party in compliance with the Code; in the intervening years the process is facilitated by the Company Secretary, working with the Chair.

On behalf of the Board, the Nomination Committee undertakes regular reviews of the progress which has been made to implement the recommendations arising from prior years' annual assessments of the effectiveness of the Board and of each of the principal standing Committees. Last year, the review was facilitated by the Company Secretary utilising a questionnaire to seek feedback from Board members on the performance of the Board as a whole and of the principal Committees. Key actions from the prior year and our progress is set out in the table below.

Actions from our 2019 review	What we did this year
(Main Board) Monitor progress throughout the year in respect of the deployment of the new strategy and attainment of key strategic goals. (Committee) Ensure that the Board continues to have the key skills and experience required to execute the new strategy.	Recommended the appointment of a new Chief Executive Officer to the Board. Identified and recommended to the Board new NEDs to chair the Remuneration and Audit & Risk Committees. Progressed the search for a new Chief Financial Officer.

* Tamara Minick-Scokalo has been on leave for personal health reasons since 1 November 2019, and has not participated in Board activity since that date.

This year, in compliance with good corporate governance practices, the review has been facilitated externally. The review was conducted by Ffion Hague of Independent Board Evaluation. Mrs Hague carried out the last externally facilitated review in 2017 and the Nomination Committee decided to reappoint her to conduct the 2020 review in order to build upon the work performed at the last review and specifically to comment on how well the Board and Board Committees had implemented previous recommendations. Mrs Hague and Independent Board Evaluation are independent of the Company and have no relationship with any of the Directors. The review was undertaken on the basis of 1-2-1 interviews conducted with each of the Directors, the Company Secretary and other frequent participants in Board meetings, and observation of meetings of the Board and each of the principal standing Committees.

Overall Mrs Hague's report found that the Board operates effectively with strong relationships between Directors and a good atmosphere of support and challenge. The considerable level of change within the Board and the senior executive team was noted as an extraordinary factor in this year's evaluation and the Board was found to have managed these changes well, though it would still face considerable challenges in continuing to evolve Board and Committee practices. The evaluation was also set against the backdrop of the emerging COVID-19 pandemic and followed the announcements relating to the departure of the former Chief Executive Officer which themselves provided some evidence for a review and refresh of some of the Board's governance processes and controls.

The key recommendations of the report are:

- Review delegated authorities;
- Review and affirm Board objectives for the year ahead and establish a rolling agenda properly aligned to those objectives and the strategy of the business;
- Commission a culture review, particularly in light of the significant changes in senior leadership;
- Consider the role and scope of the Good4Business committee for the future and how it aligns with the Company's broader ESG plans and strategy;
- Ask the Company Secretary to facilitate an overall review of Board administration including induction processes, timeliness, format and content of Board papers, visibility of the Board's forward agenda, Board visits and engagement with the wider workforce and additional training for Directors including in relation to legal, regulatory and corporate governance changes;
- Review Board and senior leadership succession planning, in conjunction with the Nomination Committee, including external benchmarking where relevant; and
- Review risk management processes to ensure fitness for purpose and alignment to the Company's strategic objectives.

The results of the effectiveness review have been reviewed by the Chair and the Chair of each Board Committee and discussed in a formal meeting of the Board. Recommendations for future action and monitoring have been recorded.

As of the date of this report, the Board has already taken significant action in relation to a number of these recommendations, including:

- A new Group Head of Internal Audit has joined the Company and has presented a revised internal audit plan for approval by the Audit & Risk Committee with key metrics tracking the closure of unresolved audit findings;
- A new General Counsel and Company Secretary has joined the Company and has overseen a review of the Board's reserved matters along with taking steps to introduce standard Board paper formats, annual agendas and other process improvements; and
- Standing down the Good4Business Committee in order to bring ESG matters and strategy back to the main Board in light of their importance and centrality to the Board's forward agenda. Once our strategy and objectives in this area are clear, it may be appropriate to again delegate them to a newly formed committee with a refined scope and terms of reference.

The Nomination Committee will take responsibility for assessing the adequacy of the Board's response to the 2020 annual review and plan for next year's internally facilitated effectiveness review.

The Committee also considered the time commitment required of the Non-executive Directors and is satisfied that they all remain able to commit the required time for the proper performance of their duties. The Non-executive Directors are all considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement with the exception of Helen Owers who was designated as non-independent by the Board, mainly due to her length of service.

Committee performance and effectiveness

The review facilitated by Independent Board Evaluation also encompassed the operation of the Committee. The results of the review were reviewed with myself, as Chair of the Committee, before a wider discussion with other Committee members.

The review found that the Committee functions well, meeting as required and in accordance with best governance practices. The Committee has been particularly active over the past year given the recruitment of Board members and executives. In terms of improvements, members felt that the amount of time available for in-depth discussion of the skills profile of the Board could be increased. The key improvement identified for the Committee was to improve talent management and succession planning.

Priorities for 2021

1. Review of Company culture

As highlighted in the Board evaluation process, this has been a year of considerable turbulence within the Company. The level of change within the Board and senior executive leadership teams has been unprecedented within the memory of the Company. The Board believes that these changes will reinvigorate the Company and provide the basis upon which our business can return to growth, however we are conscious that this level of upheaval can have unintended impacts on corporate culture. The Committee will be diligent in monitoring and assessing our culture through the year to come in order to ensure that we have the right culture to support and enable the delivery of our strategic objectives.

2. Talent management and succession planning

As identified above, talent management and planning for succession is a key priority for the Committee. Working with the Chief Executive Officer and the newly-appointed Chief Human Resources Officer, there will be increased emphasis on deepening our understanding of the talent across the Group and developing and strengthening credible succession plans for Executive Directors and senior management. This will go beyond reporting to the Committee but will be part of a thorough reinvigoration of the training and personal development of all of our people. The Committee will receive increased reporting on and visibility of the much enhanced talent development activities across the Group. In particular, the Committee will focus on ensuring that the development of our key talent pipelines and succession plans continues to support our diversity ambitions.

In tandem with this, the skills profile of the Board will be reassessed and updated during the first half of the financial year with a view to determining the requirements for future Board appointments.

3. Induction

An effective induction process for new Board members is critical to ensuring they are able to make a full contribution to the work of the Board. The Committee will oversee a complete refresh of the induction process throughout the year for both Executive and Non-executive Directors, including ensuring that all recently joined Board members' inductions are completed.

4. Training

The significant change in Board composition together with the fast-moving business and governance environment offers the Committee an opportunity to drive a programme of enhanced Board training facilitated by the newly appointed Group General Counsel and Company Secretary.

5. Appointment of Chief Financial Officer

Specifically, the appointment of a permanent Chief Financial Officer remains a key priority for the Committee. The performance of the role on an interim basis by Alan Bergin has provided an important element of continuity during a period of significant change in the boardroom. Following the appointment of Jonathan Myers, the Committee has resumed progress in the search for a permanent appointment.

Caroline Silver
Chair of the Nomination Committee
23 September 2020

Audit, risk and internal control

Internal control and policies

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss.

The Board believes that throughout the year ended 31 May 2020 and up to the date on which this report was approved, there was in place, adequate processes for identifying, evaluating and managing the Group's significant risks. These processes are reviewed by the Board on a periodic basis, accord with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and include:

- Frequent communication between the Board and the Audit & Risk Committee and management on all critical business issues;
- Regular visits to operating units by the Board, Head Office management and Internal Audit;
- Regular review of budgets, forecasts, periodic reporting and variance analysis;
- Regular review by the Board and Audit & Risk Committee of risk throughout the Group and the risk management processes in place; and
- Taking necessary action to remedy any significant weaknesses found as part of the review of the effectiveness of the internal control system.

Throughout the year, the Board carried out assessments of internal control by considering documentation from the Executive Directors, Audit & Risk Committee, Internal Audit function and external advisors, as well as taking into consideration events since the year end. The internal controls extend to the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out in note 1 to the Consolidated Financial Statements.

The Group has ethical guidelines and a defined fraud reporting and whistle-blowing process which are issued to all employees within the Group.

Notwithstanding the Board's conclusion that the Group's internal controls processes meet the required standards, a number of areas have come to the Audit & Risk Committee's attention which fall short of the Company's expectations for our controls environment.

On 2 April 2020 the Company announced it had concluded an investigation in connection with the departure of Alex Kanellis. Following this investigation,the Company determined it appropriate to commission KPMG to conduct a thorough review of the Company's controls environment. The KPMG review did not uncover any material misstatements or errors, however it raised a number of recommendations for controls improvements which have been accepted by the Board and which are subject to a management action plan overseen by the Audit & Risk Committee. Additional information regarding the KPMG controls report and its findings can be found on pages 108 and 109.

Relations with shareholders

In its financial reporting to shareholders the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

The Company maintains a corporate website, **www.pzcussons.com**. This contains a wide range of information of interest to institutional and private investors and a subscription email service is available which gives access to Company notifications and news releases.

The Company has periodic discussions with institutional shareholders on a range of issues affecting the Group's performance. The Board is also kept informed of investors' views through regular discussion of analysts' and brokers' briefings and investor opinion feedback.

All shareholders, including private investors, have an opportunity to present questions to the Board at the Annual General Meeting, and the Directors make themselves available to meet informally with shareholders before and after the meeting.

General meetings of shareholders

The business to be conducted at the Annual General Meeting of the Company is set out in the separate Notice of Annual General Meeting which is provided to shareholders and is made available on the Company's website along with the Annual Report & Accounts. Resolutions put before shareholders at the Annual General Meeting will usually include resolutions for the appointment of Directors, approval of the Report on Directors' Remuneration, declaration of the final dividend and authorisation for the Board to allot and repurchase shares. In common with many UK businesses and in light of the impact of the COVID-19 pandemic, this year's Annual General Meeting is scheduled to take place later in the year than normal but within the time periods set out under applicable laws.

At the 2020 Annual General Meeting, voting on each resolution will be by way of a poll. At each Annual General Meeting there is an update on the progress of the business over the last year and also on current trading conditions.

Audit & Risk Committee report

Jeremy Townsend
Chair of the Audit & Risk Committee

Key objective of the Committee

To oversee the quality and integrity of the accounting, auditing, reporting and risk management practices of the Company and compliance with related legal and regulatory obligations.

Key responsibilities of the Committee

- Monitor the integrity of the Financial Statements and announcements and review significant financial reporting requirements, issues and judgements;
- Recommend the appointment and removal, approve the terms and remuneration, and assess the independence and performance of the External Auditor, reviewing the scope, findings, cost effectiveness and quality of the audit;
- Review the adequacy and effectiveness of the Group's risk management systems and mitigation programmes;
- Review the adequacy and effectiveness of the Group's systems and processes for internal financial control;
- Review the effectiveness and output of the Group's Internal Audit function and programme; and
- Review the adequacy of the Group's whistle-blowing arrangements and procedures for detecting fraud.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website **www.pzcussons.com**.

Priorities for 2021

- Support induction of a new Chief Financial Officer, when appointed, and the newly appointed Group Head of Internal Audit;
- Monitor delivery of improvements in the policies and control environment across the Group following an externally facilitated controls review performed by KPMG;
- Monitor the improvement and extension of automated IT and system controls and the ongoing cyber security programme;
- Build on recent recruitment to the Internal Audit function and follow up actions from the 2020 internal audit programme; and
- Consider implications for the Group's external audit arising from emerging developments in corporate governance and auditor regulation.

Committee membership

The membership of the Committee throughout the year was as follows:

	Member	Joined	Meetings attended
JT	Jeremy Townsend (Chair from 1 June 2020)	2020	1/1
JM	Jez Maiden (Previous Chair – resigned May 2020)	2016	5/5
DK	Dariusz Kucz	2018	1/1
JN	John Nicolson	2016	5/5
TMS	Tamara Minick-Scokalo*	2018	1/1
PG	Paul Grimwood (resigned April 2020)	2019	3/3

* Tamara Minick-Scokalo has been on leave for personal health reasons since 1 November 2019, and has not participated in Board activity since that date.

Introduction

I am pleased to present the Committee's report for the financial year ended 31 May 2020. This report summarises how the Committee has carried out its responsibilities during the year and the principal activities which we have undertaken.

Committee membership

There was considerable change to the membership over the course of the year. Throughout the year, the Committee was chaired by Jez Maiden who left the Board on 31 May 2020. I had the opportunity to have a thorough handover from Mr Maiden as part of my wider induction to the Board prior to assuming the role of Committee Chair from 1 June 2020. Dariusz Kucz joined the Committee in time for the May 2020 meeting and he joins John Nicolson and myself as the current membership of the Committee at the date of this report. Paul Grimwood attended three meetings of the Committee during his tenure as a Director before announcing his resignation from the Board due to his other commitments and personal circumstances. Tamara Minick-Scokalo is currently on an extended leave of absence from November 2019 and has recently announced that she will step-down from the Board at the upcoming AGM.

I would like to take this opportunity to thank Mr Maiden for his service to the Board and as Chair of the Committee throughout the year. As I look forward to the Committee's agenda for the financial year ending 31 May 2021, I see that I have inherited a well-run and highly engaged Committee that has mapped out an ambitious plan to improve the Company's control environment following a very challenging year.

Both Mr Maiden and myself have held a number of senior finance director roles. Mr Maiden is Group Finance Director of Croda plc, the FTSE 100 chemical company, and I served as Chief Financial Officer of Rentokil Initial Plc, the FTSE 100 commercial pest control and hygiene services business, until my retirement from that role in August 2020. I am also a former Accounting Council Member of the Financial Reporting Council and I have been a Non-executive Director and chair of the audit committee of Galliford Try plc since 2017; and I recently joined the Board of WM Morrison Supermarkets plc where I will also chair the audit committee. I am delighted to have joined the Board of Directors of PZ Cussons and to serve as Chair of its Audit & Risk Committee.

The experience of the other Committee members is summarised on pages 82 and 83. The Board considers each member of the Committee to be independent within the definition of the UK's Corporate Governance Code and believes that they bring a broad and diverse spread of commercial and relevant industry experience, such that the Board is provided with assurance that the Committee has the appropriate skills and experience to be fully effective and meets the Code requirement that at least one member has significant, recent and relevant financial experience.

The Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Head of External Reporting, the Group Head of Internal Audit and representatives from the External Auditor attend the meetings by invitation. In addition, members of the senior management team may be asked to attend to review specific risks and mitigating action plans. The Company Secretary acts as secretary to the Committee.

The Committee periodically, and the Chair of the Committee more regularly, meet with the External Auditor and the Group Head of Internal Audit without the Executives being present. The Chair of the Committee also meets with the Chief Financial Officer and the Group Financial Controller before Committee meetings. This maximises transparency and openness, aids understanding of the key issues and ensures that sufficient time is devoted to them at each meeting.

Financial reporting and areas of significant financial judgement

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. During the year, the Committee reviewed accounting papers prepared by management which provided details on the principal financial reporting judgements, together with reviews completed by the External Auditor. The Committee was also cognisant of the additional impacts from a challenging trading environment and in managing the year without a permanent Chief Financial Officer in role.

The specific areas of audit and accounting judgement reviewed by the Committee during the year were:

Disposal accounting

In implementing its new strategy, the Group has disposed of several businesses and assets. The Committee reviewed the accounting for divestments, focusing on appropriate presentation and disclosure of the disposal impacts in the Financial Statements, including the recycling of amounts previously recognised directly in reserves.

Carrying value of goodwill and other intangible assets

The Group's goodwill and other intangible assets are material balance sheet items and are impacted by ongoing and future trading conditions. Management performed its impairment review of goodwill and other indefinite-life intangible assets, based on key judgements, such as forecasts and estimates of future business performance and cash generation, discount rates and long-term growth rates. The Committee reviewed management's analysis and confirmed the appropriateness of the key judgements, as well as the specific risk factors and sensitivities applied to individual impairment reviews. Following the impairment of the Nutricima and five:am cash-generating units (CGUs) in 2019, as part of the Board's review of subsequent performance, it was concluded by management and agreed by the Committee to impair Rafferty's Garden and five:am by £36.6m. The Committee confirmed appropriate disclosure of impairments and limited headroom has been included in the Financial Statements for 2020.

Classification of exceptional items

Cognisant that the Group has recognised several exceptional items in recent years, the Committee reviewed the treatment and disclosure of amounts included within exceptional items and noted that such items reflected the way in which the Board viewed the underlying performance of the Group, and that the items were treated consistently year on year and were disclosed appropriately.

Committee activities

The Committee adopted a revised calendar from the 2020 financial year, comprising four routine meetings per year. This allows the meetings in July and January to focus on full-year and half-year financial reporting matters, with summary updates on other areas, whilst the November and May meetings focus on internal audit and risk, with summary updates on financial reporting and audit planning matters. In addition, extra meetings can be added as required; in March 2020 an additional meeting was held to discuss an extended controls review, following a Board investigation of certain cash transactions, together with an update on the external and internal audit programmes.

The work of the Committee can be grouped into five areas:

- Financial reporting and areas of significant financial judgement
- External audit
- Internal audit
- Risk management
- Internal controls including anti-corruption and whistle-blowing.

These are set out in more detail below.

Committee calendar

The Committee activities during the 2020 financial year and attendance at the meetings are set out below:

July 2019

- Review of impact and disclosures associated with the adoption of new accounting standards for 2019.
- Approval of going concern basis and review of viability assessments.
- Review of the report of the External Auditor.
- Review of draft report and accounts and results announcement for the year ended 31 May 2019.
- Review and approval of non-audit fees.
- Review of key accounting issues and judgements.
- Meeting with the External Auditor without management present.
- Review of Group litigation register.
- Finalisation of 2020 internal audit programme.

Members present

JM JN TMS*

November 2019

- Review of feedback from the 2019 audit process and external auditor effectiveness.
- Review of impact and disclosures associated with new accounting standards for 2020.
- Review of internal audit programme progress and key issues arising.
- Agreement of half-year external audit plan.
- Review of progress in improving financial reporting processes.
- Review of Audit Quality Inspection report of Deloitte LLP.

Members present

JM JN PG

January 2020

- Review of the interim results announcement for the six months ended 30 November 2019.
- Approval of going concern basis.
- Review of Group litigation register.
- Review of update from the External Auditor.
- Review of internal audit programme and key issues arising.
- Review of Group tax strategy and uncertain tax provisions.
- Review of the Group risk register.
- 'Deep dive' review of a key risk – consumer safety.
- Meeting with the External Auditor without management present.
- Review of External Auditor plan.

Members present

JM JN PG

March 2020

- Review of progress in improving financial reporting processes.
- Review of internal audit programme progress and key issues arising.
- Review of scope of extended controls review.
- IT controls review.

Members present

JM JN PG

May 2020

- Review of interim report from KPMG extended controls review.
- Final review of 2020 internal audit programme and key issues arising.
- Review of the Group risk register.
- Meeting with the Head of Internal Audit without management present.
- Review of the forthcoming annual reporting process.
- Review of External Audit plan.
- IT audit review.

Members present

JM JN JT DK

* Tamara Minick-Scokalo absent on extended leave from November 2019.

Key focus areas during the year

At the start of the year, the Committee identified a range of key focus areas, based on its experience in 2019 and known elevated areas of risk or improvement opportunity in 2020. In addition, during the year further focus areas were highlighted as a result of Committee discussions. The following table sets out these focus areas in the 2020 financial year:

Key focus area	Audit & Risk Committee activity	Progress
Areas of significant financial judgement	The Committee reviewed areas of significant financial judgement, particularly reflecting the implementation of the Group strategy and the impact of the continued challenging trading environment (such as the impact of disposals and the carrying value of certain assets). These are set out in further detail below.	Ongoing
	In addition, following the identification of prior year adjustments during the 2019 financial year-end process, the Committee monitored management's progress in reviewing areas of reporting risk and in addressing the causes of the prior period deficiencies.	Completed
IT controls assurance	Following the earlier implementation of SAP across the Group, the Group has targets to increase its reliance on system controls. As part of the external audit by Deloitte, a review of IT General Controls identified limitations in current maturity. The Committee regularly reviewed the action programme to increase reliance over time.	Ongoing
Information security	Given the ever increasing risk from cyber crime globally, the Committee assessed a follow-up review of all required actions from the previous cyber security maturity review.	Ongoing
Extended controls review	On the request of the Committee, KPMG was instructed to perform a review of the Company's extended controls environment. More information on the KPMG report can be found in this report under the heading KPMG Controls Review.	Review completed and management action plan agreed for FY21

Promotional trade spend

Consistent with 2019, promotional trade spend remains a significant cost for the Group and an area of financial judgement, given the material nature of accrued expenditure and the timing and extent to which temporary promotional activity occurs. The Committee reviewed the control environment and the findings of internal audits in this area and concluded that the reporting and control environment were appropriate.

Tax provisions

The Group operates in a number of overseas territories, including some with rapidly developing or ambiguous tax legislation. Judgements have to be made on the tax treatment of a number of transactions in advance of the ultimate tax determination being known. In assessing the appropriateness of the provision recognised in respect of uncertain tax provisions, the Committee considered reports from management and the External Auditor on the basis of assumptions made. The Committee concluded that the position taken on uncertain tax provisions was appropriate.

Review of control environment

As noted above, the Committee commissioned an extended review of the control environment which included assessments of the risk of management override resulting in a material results misstatement. The key findings are set out in the table above and later in this report under the heading KPMG Controls Review. The Committee received the KPMG report in June and approved management's proposal for key interventions over the course of FY21 aimed at addressing the main findings.

Fair, Balanced and Understandable

As part of its 'business as usual' activity, the Committee reviewed the key financial statements and announcements of the Group.
At the request of the Board, the Committee considered whether the 2020 results and the Annual Report & Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy. The Committee was satisfied that, taken as a whole, the reports were fair, balanced and understandable.

External audit

The external audit is conducted by Deloitte LLP, the 2020 financial year being the third year to be audited by the firm. During the year, the Committee reviewed and approved the external audit plan; an assessment of significant audit risks; the scope of the audit; an assessment of the external audit process, agreeing relevant changes to ways of working; audit quality; non-audit services; and the independence of the External Auditor.

The Committee reviewed the 2019 financial reporting and external audit processes. This had included some unplanned delays in the UK and Nigeria, together with the identification of prior year adjustments. These prior year adjustments reflect historical errors relating to the accounting of the effects of changes in foreign exchange rates, intercompany transactions and the recognition of reserves.

The Committee agreed improvements to the future processes with both management and the External Auditor, together with an adjusted external audit fee for 2019 and the fee for 2020. In addition, as noted above, the Committee continued to monitor management's progress during the year in reviewing areas of reporting risk and in addressing the causes of the deficiencies, to provide confidence that such issues would be avoided in the future. The 2020 year-end reporting and audit processes have been impacted by the COVID-19 pandemic and have been completed without material issue.

Internal audit

The Internal Audit function carries out work across the Company, providing independent assurance and advice to help the organisation achieve its strategic priorities. The function is led by the Group Head of Internal Audit who supervises internal audit teams based in the Company's three principal geographies. The previous role holder left the Company in June 2019. The Committee was active in the recruitment of a replacement, with the new appointee joining in May 2020. During the intervening period, an interim head was seconded from the Company's co-source risk audit partner, KPMG LLP.

The Committee agreed the FY20 audit plan in May 2019. Whilst predominantly risk-based, the audit plan also ensures that all material financial components are routinely reviewed at a local level. The Committee reviews the results of the internal audit reports during each meeting, looking in detail at any reports where processes and controls require improvement. The Committee is also provided with updates on implementation of agreed actions at each meeting. If internal or external circumstances give rise to an increased level of risk, the audit plan can be supplemented accordingly during the year from in-house or co-sourced resources. Any changes to the agreed audit plan are presented to and agreed by the Committee.

During the year, the internal audit function remained fully resourced in Asia and Africa. However, the Committee was mindful that the UK/Centre resource was temporarily constrained. It therefore regularly reviewed delivery of the agreed audit plan, ensuring that almost all of the planned reviews were completed within the year.

The effectiveness of internal audit is reviewed on an annual basis. The FY20 review was conducted by the Committee, with input from the executive leadership team and senior management at each business unit, and covered the function's independence, its experience and expertise, the scope of the annual audit plan, the quality of reports issued and the identification of issues. The Committee concluded that the Internal Audit function remained effective in 2020. Opportunities to further enhance its effectiveness under the new Head were identified.

Risk management

The senior executive team is responsible for identifying, assessing and prioritising the principal risks facing the Group and ensuring, where possible, that appropriate action is taken to manage and mitigate those risks in line with a framework of risk limits and risk appetite which has been set by the Board. The Committee is accountable for reviewing the effectiveness of this approach to risk management, and that of the internal control systems that monitor this, on behalf of the Board, which retains overall responsibility for risk management.

To enable it to complete its oversight, the Committee has established a Risk Management Policy to drive a consistent Group-wide approach to risk identification and management. Material risks facing the Group are identified, informed by both 'top-down' reviews by the Group's senior executive team and 'bottom-up' reviews by business units and functions, and their importance is assessed by reference to their likelihood and potential impact.

Each material risk is allocated to a member of the senior executive team, who retains responsibility for formulating a plan to manage, reduce or transfer risk, as appropriate. The Committee undertakes ongoing reviews of management's plans to ensure that they are being effectively managed and implemented, including 'deep dive' reviews of some risks.

The Committee is also responsible for encouraging and supporting two-way communications in respect of risk issues within the business and with external stakeholders, including shareholders, suppliers and customers. The key risks that the Committee reviewed are set out on pages 56 to 58. During the year, the Board conducted a robust review of the principal risks and uncertainties facing the Group and the output of this review formed the basis of the work undertaken by the Committee during the year.

KPMG Controls Review

Following the announcement in December 2019 of the retirement of Chief Executive Officer, Alex Kanellis, certain matters were brought to the attention of the Company relating to a number of cash payments and withdrawals made by Mr Kanellis over a number of years and which were subsequently announced in an RNS of 2 April 2020. As soon as it became aware of these matters, the Board immediately initiated an independent investigation, led by external law firm Addleshaw Goddard LLP, which is now complete. Following the investigation, the Committee determined it appropriate to engage KPMG to perform a wider review of the Group's controls environment, which has also been concluded. The KPMG review did not result in any findings which had led to any material misstatements, but it highlighted a number of opportunities for key controls to be improved or evolved, including Group culture, governance and compliance and, in particular, in the area of the embedding of certain Group policies, and financial control weaknesses, including in the areas of balance sheet reconciliations, petty cash and control over manual journals.

Management has prepared a detailed action plan responding to each of the recommendations made by KPMG with clear executive ownership and timelines for each recommendation. The Committee notes that significant progress has already been made in a number of key areas, including: i) the formation of an executive Ethics and Compliance Committee; ii) the approval of new whistle-blowing policy; and iii) the approval of the new fraud policy.

The Audit & Risk Committee will oversee the implementation of management's responses to the KPMG report and welcomes the opportunity to drive material improvements in our controls environment.

Governance and whistleblowing

A significant part of the Committee's routine work relates to monitoring the Group's system of internal control. This is set out in the Report on Corporate Governance. In addition, the Committee monitors compliance with its corporate governance and regulatory requirements.

The Committee supported the approval and roll out of a new anti-bribery and corruption policy. It also monitored reports and follow up investigations under the Group's 'Speak Up' whistle-blowing policy, whereby an independent service provider can receive, in confidence, reports of breaches of any legal or Company policy requirements, including those related to accounting, auditing, risk, internal control and related matters.

Effectiveness, independence and reappointment of the External Auditor

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors in reporting to shareholders. During the year, the Committee assessed the effectiveness of Deloitte LLP as Group External Auditor. To assist in the assessment, the Committee considered the quality of audit reporting, the additional insights provided by the audit team and the results of the FRC's Audit Quality Inspection report of Deloitte LLP, noting the overall good quality scores achieved and the commitments to improvements agreed with the FRC. These areas of improvement were discussed by the Committee to understand any impacts on the Group audit. Informed by the output from a questionnaire completed by senior finance personnel across the Group, the Committee satisfied itself that the External Auditor is providing an effective service.

During the year, the Committee reviewed its Provision of Non-Audit Services Policy, available at **www.pzcussons.com**, to ensure its continuing suitability and effectiveness and its compliance with the FRC's Revised Ethical Standard for auditors. The Policy recognises the criticality of the independence and objectivity of the External Auditor and the need to ensure that this is not impaired by the provision of non-audit services. The Policy also recognises, however, that it may be beneficial for the External Auditor to provide certain services because of its existing knowledge of the business or because the information required is a by-product of the audit process. In these circumstances, the External Auditor is permitted to provide certain non-audit services where these are not, and are not perceived to be, in conflict with its independence. The Policy identifies services that are prohibited and those that are permitted subject to formal approval.

All assignments are monitored by the Committee. In 2020, the total fee paid to the External Auditor was £2.1m (2019: £0.8m), comprising £2.0m (2019: £0.8m) for audit services and £0.1m (2019: £nil) for other services, as set out in note 4 to the Consolidated Financial Statements. The non-audit fee to audit fee ratio stands at 0.02. The Committee reviewed and accepted Deloitte's independence letter. In conclusion, the Committee is satisfied that Deloitte LLP was independent.

We are in compliance with the Statutory Audit Services Order 2014. We undertook an audit tender in 2017, which resulted in the appointment of Deloitte LLP. The Committee has considered Deloitte's performance in its first three years as External Auditor and the Chairs of the Board and of the Committee met with Deloitte during the year to assess the operation of the audit from the perspective of both parties. As a result, the Committee recommended to the Board that Deloitte LLP be offered for reappointment at the 2020 Annual General Meeting.

Committee performance and effectiveness

As part of a wider Board process, the Committee undertook an externally facilitated review of its effectiveness, conducted by Independent Board Evaluation. The review identified that the Committee was performing well overall and that the areas for improvement focused mainly on supporting the work highlighted in the KPMG extended controls review. I look forward to developing these areas further as the new Chair of the Committee. In addition, the Committee will play an important role in the induction of the new Chief Financial Officer, once appointed, and in onboarding the new Group Head of Internal Audit. I am available should any shareholder wish to discuss any aspect of this report or the Committee's work.

Jeremy Townsend
Chair of the Audit & Risk Committee
23 September 2020

Remuneration Committee report

Kirsty Bashforth
Chair of the Remuneration Committee (from 1 July 2020)

Key objective of the Committee

In line with its delegation from the Board, the Committee sets the Company's remuneration policy for approval by shareholders and is responsible for the terms and conditions of the remuneration of the members of the Board and senior executives.

Key responsibilities of the Committee

- To set, develop and oversee the implementation of the Directors' Remuneration Policy for the remuneration of the Executive Directors and senior executives, having regard for the remuneration principles of the wider organisation and the relationship between the remuneration of the members of the Board and the wider workforce;
- To evaluate the performance of and determine specific remuneration packages for each Executive Director, the Chair, the Company Secretary and the other senior executives; and
- To maintain an active dialogue with stakeholders, ensuring that shareholders and other advisory bodies' views are taken into account when setting the remuneration of senior executives and members of the Board.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website **www.pzcussons.com**.

Priorities for 2021

- To approve and implement a new Directors' Remuneration Policy (the 'Policy') that will provide appropriate incentives to align the remuneration of our Executive Directors and senior executives with the interests of our stakeholders and appropriately support our strategy and our ethical business principles.

Committee membership

The membership of the Committee throughout the year was as follows:

	Member	Joined	Meetings attended
KB	Kirsty Bashforth (Committee Chair from 1 July 2020)	2019	3/3
HO	Helen Owers (Previous Committee Chair)	2012	5/5
DK	Dariusz Kucz	2018	5/5
JT	Jeremy Townsend	2020	1/1
JM	Jez Maiden (resigned May 2020)	2016	5/5
PG	Paul Grimwood (resigned April 2020)	2019	2/2

Introduction

On behalf of the Board, I am pleased to present our 2020 Remuneration Committee Report. This report is divided into three sections:

1) A summary of the Committee's activities throughout the year and the key decisions that we made;
2) The presentation of the proposed new 2021-2023 Policy which follows a process of shareholder engagement and consultation and which will be submitted to our shareholders in a binding vote to take place at our upcoming AGM; and
3) A report on remuneration which details how the existing remuneration policy was applied throughout the 2020 financial year and how the Committee intends to apply the Policy in the upcoming financial year, which will be subject to an advisory vote to take place at our AGM.

Background to remuneration decisions

This has been a year of transition at PZ Cussons, with considerable change of personnel in the Board and senior executive leadership, implementation of an updated strategy and the emergence of COVID-19. Both the decisions on remuneration in year and the development of the Policy for the upcoming three years have been conducted therefore with considerable pragmatism and practicality against an ever-shifting context. The need to ensure alignment balanced with sufficient flexibility to adapt to rapidly changing conditions has been at the forefront of our thinking.

When considering remuneration earned during the year, as detailed in the Strategic Report, there was positive sales momentum from our investment in Focus Brands and progress in simplifying our portfolio with the sales of local Polish brand Luksja, Minerva in Greece and the announcement of the disposal of Nutricima in Nigeria. Since the outbreak of COVID-19 our workforce has needed to adapt at an extraordinarily accelerated pace.

Customer preferences and choices have been profoundly impacted both by the restrictions on their movement and access to shops and by the economic uncertainty the pandemic has brought about. Our supply chain has been tested in unexpected ways. While many companies have turned to government support packages and furlough options, this was not required at PZ Cussons.

Overall we have seen mixed performance across the Group. We enter the current financial year with a strong balance sheet, and a clear focus on growth. The Committee has also ensured that when considering the Company's performance and remuneration outcomes due consideration has been given to the context of the wider workforce and the policies and market practices which have been applied to them.

Development of and consultation on the new policy has been undertaken at a time of significant change. The Committee took the decision to continue with the work after the outbreak of COVID-19: i) to hone alignment but also ensure flexibility as strategy shaping continues following the arrival of our new CEO; and ii) to formalise the best practice elements of corporate governance in any policy into the future.

The Committee believes that the new Policy shows an appropriate balance for the macroeconomic climate in which we find ourselves and the context of the Company, while at the same time providing meaningful and challenging incentives to our Executive Directors to deliver long-term success in our business.

Governance

Throughout the year the Committee has comprised exclusively independent Non-executive Directors in accordance with the 2018 Corporate Governance Code (the 'Code'). Helen Owers chaired the Committee throughout the 2020 financial year and recently stepped down in order to provide a transition to me as new Committee Chair, from 1 July 2020 after having been a member of the Committee since joining the Board in 2019. This transition is a prelude to Helen Owers' proposed departure from the Board at the upcoming AGM having served as a Non-executive Director since 2012.

The Committee held five scheduled meetings during the 2020 financial year. The Group General Counsel & Company Secretary serves as secretary to the Committee and attends all meetings. Only members of the Committee are entitled to attend, however the Chair, the Chief Executive Officer, the Chief Human Resources Officer and the Group Reward Director attend meetings by invitation where this is appropriate. They do not participate in any discussion regarding their own remuneration. The Committee's remuneration advisors, Korn Ferry, also attend meetings by invitation and the details of the Committee's relationship with its advisors can be found on page 133.

Board changes

FY20 was a period of significant change in the Company's executive leadership and Board. The Chief Financial Officer, Brandon Leigh, stepped down from the Board and ceased employment with the Company on 13 June 2019 and in December 2019 it was announced that Alex Kanellis, the Chief Executive Officer, would retire from the Company on 31 January 2020. Details of the treatment of both Alex's and Brandon's remuneration on cessation of employment were notified on the Company's website in accordance with s430 (2b) of the Companies Act and are also set out on page 131, and all such remuneration was made in accordance with the current remuneration policy of the Company.

Following Mr Kanellis's departure, Caroline Silver took on a temporary executive chair role until Jonathan Myers joined the Company as Chief Executive Officer on 1 May 2020. In light of these additional executive duties and time commitment required for the period until Jonathan Myers commenced employment, the Committee increased the Chair fees to £500,000 (from £250,000) per annum, pro-rated for the period acting as Executive Chair. These increased fees were paid for two months only as agreed by Mrs Silver in light of the COVID-19 pandemic. Mrs Silver has also voluntarily reinvested the net amount of the increased fees for those two months into shares in the Company.

Upon joining the Company as CEO on 1 May 2020, Jonathan Myers' salary was set at £575,000 per annum with a cash allowance provided in lieu of pension at 10% of salary. This represented a 5% reduction in salary to his predecessor and brought pension contributions in line with conditions of the wider workforce.

Remuneration earned during the year ended 31 May 2020

The key aspects of remuneration earned during the year are as follows:

Salary reviews

- As disclosed in last year's Annual Report on Remuneration, in the context of the challenging year, Mr Kanellis, the then Chief Executive Officer, did not receive a salary increase in September 2019. Mr Leigh, the former Chief Financial Officer, had ceased employment prior to the salary review.

Annual bonus pay-out

- FY20 annual bonus included targets primarily relating to three key financial indicators: adjusted profit before tax, net working capital percentage, and adjusted operating contribution margin, with the balance of the bonus being subject to delivery against key business objectives.
- Mr Kanellis was the only Director participating in the FY20 annual bonus. Following the Company's announcement on 2 April 2020, Mr Kanellis was not eligible to receive a bonus in relation to FY20.
- Further details of the targets set for FY20 are disclosed on page 126.

Long-term incentives

- The PSP awards made to Executive Directors in 2017 were subject to EPS growth performance targets measured over the three-year period ended 31 May 2020. These performance conditions were not achieved and accordingly, these awards lapsed in full, as disclosed on page 129.
- The treatment on cessation of employment of Mr Kanellis's and Mr Leigh's outstanding PSP awards is set out on pages 130 and 131.

Wider employee remuneration context

- Over the course of FY20, the Committee resolved to introduce a restricted stock element to variable pay below Executive Director level. It is the Committee's view that this is necessary to enable the Company to compete internationally for the best executive talent with restricted stock being a common form of incentive offered among companies against which we compete for talent. Use of restricted stock is considered to be a powerful tool to enable the alignment of interests of senior managers with shareholders and it will also help retain and motivate key members of our current and future leadership teams. The quantum of awards when compared against performance shares will normally be adjusted to reflect the greater certainty of rewards in line with normal market practice.
- The Committee has also resolved to seek shareholder approval for the implementation of an employee share purchase plan, subject to the Committee reviewing the costs and feasibility of such a plan across our various markets.

Review of Remuneration Policy

As the Committee began the process of preparing the proposed new Policy for presentation to shareholders, it established the objectives of:

- Aligning the Policy to changes to the Code;
- Evolving in line with best practices in executive remuneration;
- Improving the link between executive remuneration and delivery of the Company's strategic objectives; and
- Retaining senior and valued employees.

Dariusz Kucz, as the designated NED with responsibility for employee engagement, engaged with the workforce to explain how executive remuneration aligned to the wider pay policy. He also worked with the Chief Human Resources Officer to understand the remuneration of the wider employee population and to provide assistance to the Committee in ensuring that the approach to remunerating the Directors and senior executives continues to be set in the context of practices throughout the business. Additional information on Mr Kucz's employee engagement role can be found on page 87.

During the development of and consultation on the Policy, the world was hit by the outbreak of the COVID-19 pandemic. The Committee took note of the broad impacts of the pandemic on the economy, our workforce, supply chain, customers, shareholders and other stakeholders and we considered whether these objectives were still correct. On balance the Committee believes that the updated Policy improves the alignment between our executives and our stakeholders and promotes the long-term success of our business, and that the impacts of COVID-19 make this ever more important.

Our Policy is designed to encourage the generation of long-term sustainable shareholder value by aligning the interests of our executives with those of our shareholders. The creation of shareholder value is supported by: i) an annual bonus, which is heavily weighted towards achieving profitable growth and improved operational performance; and ii) also by a long-term incentive which only rewards for delivering long-term earnings growth alongside a focus on sustainability.

This long-term focus of our Policy is enhanced by the requirement to defer a portion of any annual bonus into shares, the application of a further two-year holding period in respect of any shares vesting from the PSP, and through the share ownership requirements requiring Directors to build a holding in shares of at least 200% of salary and the expectation of post cessation shareholdings.

As part of the development of the new Policy, the Committee sought engagement with a number of the Company's major shareholders and selected advisory bodies in order to ensure that their views were taken into account. Whilst, as would be expected, there was not a unified view on how we should remunerate the Directors, overall, the feedback received was engaged and supportive. A minority of shareholders asked us to consider alternative incentive structures and metrics. We have taken all views on board, adjusting specific elements though stopping short of structural changes, and will keep them under review during the Policy period. We have ensured that there is commercial flexibility to change metrics in future years should we feel it is appropriate at that time. The Committee received valuable feedback through two rounds of consultation. The Committee debated and included measures in the proposed policy reflecting the views expressed by some of our shareholders. In particular the Committee amended the proposed policy to include a ROCE underpin in our proposed LTIP.

As a result of the review, the main changes to the Policy are as follows:

- **Pension:** The Company pension contribution rate for Executive Directors (provided either as a contribution to a pension scheme or cash in lieu of pension) has been aligned with the rate provided to the wider workforce in the country the Director is based. In the UK the workforce rate is currently 10% of salary (workforce rate is defined as the mode % rate of pension contribution for UK employees). Jonathan Myers has been appointed as Chief Executive Officer on this rate and any new Executive Director appointments will be made at the same rate as applies to the wider workforce.

- **Annual bonus:** The policy on deferral has been changed so that a portion of any bonus earned will be deferred into shares, typically for three years. For 2021, this will be 25% of any bonus earned being deferred for three years.
- **Performance Share Plan:** While EPS remains the main measure, strategic and sustainability related performance metrics are introduced to provide a more rounded assessment of mid/long-term performance. Furthermore, revenue growth and EPS targets have been set at levels which provide a balance between being challenging yet realistically achievable at the lower end of the range while also providing a meaningful stretch at the upper end of the scale. Along with internal planning, a number of inputs were considered in determining these ranges including the need to return to profitable growth after a challenging period for the Group over the past five years.
- **Share ownership guidelines:** The policy requirement has been increased such that Directors are required to build up and maintain a shareholding worth 200% of salary. Furthermore, we are formalising our post cessation of employment share ownership requirements so that executives leaving employment as 'good leavers' (save in the case of death where no holding requirements will apply) will continue to be required to hold deferred share bonus and long-term incentive plan awards until their original vesting date or the conclusion of any holding period, alongside a post-cessation shareholding expectation of 200% base salary in the first year post cessation reducing to 100% base salary for the subsequent year.
- **Clawback and malus:** Enhanced provisions apply to the entire bonus (cash and deferred shares) and LTIP awards from 2020. These allow the Company to recover amounts at any time within three years of payment in circumstances of a misstatement of results, error in payout calculations or the calculation being based on incorrect information, misconduct, corporate failure or reputational damage.

Our approach to remuneration for the year ending 31 May 2021

Subject to approval at the 2020 AGM, the new Remuneration Policy will be implemented in FY21 with the following key features:

- The annual bonus and PSP opportunity for the Chief Executive Officer will be 150% of salary and 125% for the Chief Financial Officer when appointed (in either case excluding any 'buy-out' if necessary in line with the Policy) which can be earned for delivery against challenging targets.
- The specific annual bonus metrics have been updated to reflect current strategic priorities. In particular, adjusted profit before tax (40% weighting) will be supplemented by a new revenue metric (30% weighting) to support the Group-wide focus on returning to growth. Net working capital (10% weighting) continues to ensure there is a focus on efficient working practices, with the remaining portion being based on two key business objectives of equal weighting (10% each) relating to organisational effectiveness and strategic execution. The overarching objective will then be cascaded via specific objectives for each member of the executive team. The exchange rates used to assess performance against targets will be budgeted rates and not floating rates.
- It should be noted that judgement and discretion are key levers for assessing performance, overlaying formulaic calculated outturn when considered appropriate. As a Committee we will be clear on the specific elements included for this consideration and make these transparent in the Remuneration Report.
- One quarter of any bonus earned will be required to be deferred into shares for three years.
- The targets used for the LTIP for awards to be made in FY21 have also evolved in line with the business. Whilst adjusted EPS growth remains a key measure of underlying financial performance and will determine the vesting of 60% of the award, it is proposed to include clearly defined strategic and sustainability metrics in the LTIP which will each determine 20% of the total PSP vesting.
- The strategic target will measure success in positioning the Company to return to profitable growth and the sustainability target will specifically address and incentivise the Company's ambitions in this area. Further details of the performance metrics are set out on pages 30 to 33.
- As has been the case since 2018, any shares earned at the end of the three-year performance period must be retained for a minimum of two years (i.e. a minimum of five years from the date of grant), subject to certain customary exceptions in the case of major corporate events.
- The Policy introduces an expectation of a post-cessation shareholding for 2 years – year 1, 200% of salary, year 2, up to 100% of salary.
- The range of targets in both the annual bonus and LTIP are set with reference to both internal planning and external market expectations for the Company's performance.
- The Committee expects, subject to shareholder approval at the upcoming AGM, that PSP awards for the Chief Executive Officer will be made in November under the new Policy rules.

Further details of the approach to remuneration for 2021 are set out on page 115.

Concluding remarks

I would like to particularly recognise and thank Helen Owers, the outgoing Chair of the Committee for her many years of devoted service to the Committee and the Board as a whole. Helen has steered the Committee through its first shareholder approved remuneration policy in 2014 and has led as Committee Chair its continuous improvements ever since. I hope to follow in her footsteps as I take on this new role and the entire Board joins me in wishing her all the best in her future endeavours.

I believe that the new Policy provides strong alignment between our strategy, our Executive Directors, our shareholders and our other stakeholders, and aligns with the relevant principles of the 2018 Corporate Governance Code. I hope that our shareholders will agree and approve both the new Policy and the Report on Remuneration in the binding and advisory votes to take place at our upcoming AGM. We are committed to engaging with shareholders in respect of remuneration issues and welcome your views and any discussion on the matters set out within the report.

Kirsty Bashforth
Chair of the Remuneration Committee

Committee calendar

Committee activities and attendance during the year ended 31 May 2020

July 2019

- Review of annual bonus awards for 2019.
- Approval of the annual bonus scheme and salary reviews for 2020.
- Review of vesting of past awards under the Performance Share Plan.
- Approval of annual awards under the Performance Share Plan for 2020.
- Review and approval of the Remuneration Report in respect of 2019.

Members present

HO JM DK

September 2019

- Presentation from the remuneration advisors on governance, remuneration trends and the implications for the business.
- Update from the remuneration advisors regarding Remuneration Policy Review.
- Review and approval of points of detail of the Key Business Objectives for 2020.

Members present

HO JM DK

January 2020

- Review of proposals in respect of a new remuneration policy.
- Review of vesting of past awards under the Performance Share Plan.
- Approval of remuneration for Mrs Silver as temporary executive chair.

Members present

HO KB JM DK PG

March 2020

- Annual review of the Committee Terms of Reference.
- Review of the remuneration policy.
- Presentation from the remuneration advisors on governance, remuneration trends and the implications for the business.

Members present

HO KB JM DK PG

May 2020

- Review and approval of budgeted salary review process and timelines.
- Discussion of KPIs and key business objectives to be applied in respect of the annual bonus scheme for 2021.
- Review of shareholder consultation in respect of the new Remuneration Policy
- Review of the timeline and critical steps in respect of the formulation of a new Remuneration Policy to be put to shareholders at the 2020 AGM.
- Review of market practice and implications of COVID-19.
- Review of draft Directors' Remuneration Report.

Members present

HO KB JM DK JT

Report on Directors' Remuneration

At a glance summary: How we will implement the Policy in 2021

The table below summarises how the Committee intends to implement the Remuneration Policy for the financial year ending 31 May 2021.

Implementation of Remuneration Policy for 2021

Key policy features	2021 implementation	Link to KPIs
Salary		
Base salaries are normally reviewed annually taking into account: • the scope of the role and the markets in which PZ Cussons operates; • the performance and experience of the individual; • pay levels in other organisations of a similar size and complexity; and • pay increases elsewhere in the Group.	• The Chief Executive Officer, J Myers, appointed with effect from 1 May 2020 on a salary of £575,000.	–
Pension/benefits/all-employee share schemes		
Executive Directors will receive pension benefits in line with those generally provided to employees in the location in which they are based. Directors receive market competitive benefits and may participate in all-employee benefit arrangements.	• Chief Executive Officer, J Myers, appointed on pension rate of 10% of salary in line with UK workforce. • Pension contribution for any new appointment expected to be in line with that for the employees in the location where they are based.	–
Annual bonus		
Policy maximum of 150% of salary. Incentive scheme which focuses Directors on delivery of annual goals and milestones which are consistent with the Group's longer-term strategic aims. Committee may adjust outturn where bonus pay-out does not reflect business performance or individual contribution. 25% of any bonus earned deferred into shares for three years. Recovery and withholding provisions apply.	See below	• Revenue • Adjusted profit before tax • Net working capital percentage • Strategic priorities

	Chief Executive Officer	Other Executive Directors
Maximum bonus	150% of salary	125% of salary

Performance metrics:
- Adjusted profit before tax: 40%
- Revenue growth: 30%
- Net working capital percentage: 10%
- Key Business Objectives: 20%

The Committee considers that the bonus targets are commercially sensitive and therefore plans to disclose them only on a retrospective basis in next year's Directors' Remuneration Report.

Long-term incentive plan

Key policy features: Policy maximum of 150% of salary.

Long-term incentive scheme which focuses on generating sustained shareholder value over the longer term and aligning the Directors' interests with those of the Company's shareholders.

Performance measures based on financial, strategic or share price based metrics measured over three years.

Committee may adjust level of vesting to ensure it is reflective of underlying performance.

Holding period applies for two years following vesting (i.e. five years from grant).

Recovery and withholding provisions apply.

Link to KPIs:
- Adjusted basic EPS
- Revenue growth
- Sustainability

	Chief Executive Officer	Other Executive Directors
LTIP award	150% of salary	125% of salary

Performance metrics:

	Weighting	Threshold target	Threshold vesting	Maximum target
Adjusted basic EPS	60%	1%	25%	5%
Revenue growth from Focus Brands	20%	2%	25%	6%
Sustainability	20%			

The range of targets are set having had regard to both internal planning and external market expectations for the Company's future performance.

Chair and Non-executive Director fees

Key policy features: Fees to reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role, and the contribution expected from the Non-executive Directors.

Link to KPIs: –

Fees will be paid in line with the Policy as below:

	1 Sept 2020	1 Sept 2019	2019/20 increase
Basic fees			
Chair	**£250,000**	£250,000	+0%
Non-executive Director	**£52,500**	£52,500	+0%
Additional fees			
Senior Independent Director	**£5,000**	£5,000	+0%
Chair of Audit & Risk or Remuneration Committee	**£10,000**	£10,000	+0%
Chair of Good4Business Committee	**£5,000**	£5,000	+0%
Director responsible for employee engagement	**£5,000**	£5,000	+0%

The choice of metrics reflects the Board's focus on delivering improved profitability, operations efficiency and the strategic changes in the business.

* The Company Chair does not receive additional fees for chairing other Board committees.

Directors' Remuneration Policy

This part of the report complies with the relevant provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It has also been prepared taking into account the 2018 UK Corporate Governance Code and the requirements of the UKLA Listing Rules.

This part of the report is subject to a binding shareholder vote at the 2020 Annual General Meeting (AGM) and, subject to approval, will be effective from the date of the AGM.

Approach to designing the Remuneration Policy

The Committee is responsible for determining, and agreeing with the Board, the Directors' Remuneration Policy, and has oversight of its implementation. The Committee has clear terms of reference and works with management and independent advisors to develop proposals and recommendations and exercises independent judgement when making decisions. This process is considered to manage any potential conflicts of interest.

When considering how to position the remuneration packages for the Executive Directors, the Committee considers market data from UK-listed companies of a similar size and complexity. The Committee also receives and takes into account information from the Chief Human Resources Officer on pay and employment conditions applying to other Group employees, consistent with the Group's general aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces.

In designing an appropriate incentive structure for the Executive Directors and other senior management, the Committee seeks to set challenging performance criteria that are aligned with the Group's business strategy and the generation of sustained shareholder value. The Committee is also mindful of the need to avoid inadvertently encouraging risky or irresponsible behaviour, including behaviour that could raise environmental, social or governance issues.

The Committee considered the principles listed in the 2018 UK Corporate Governance Code when reviewing the Directors' Remuneration Policy and took these into account in its design and implementation:

Clarity: Remuneration arrangements have defined parameters which can be transparently communicated to shareholders and other stakeholders.

Simplicity: Remuneration arrangements for Executive Directors consist of salary, a fixed pension contribution in line with the workforce, participation in the annual bonus scheme, a portion of which is deferred into shares, and annual PSP awards which provide focus over the longer term performance. Unnecessary complexity is avoided by the Committee in operating the arrangements. Executive directors are also eligible to participate in the proposed Employee Share Purchase Plan.

Risk: The remuneration arrangements are designed to have a robust link between pay and performance thereby mitigating the risk of excessive reward. In addition, behavioural risks are considered when setting targets for performance-related pay and the arrangements have safeguards to ensure that pay remains appropriate, including Committee discretion to adjust incentive outturns, deferral of incentive payments in shares, recovery provisions and share ownership requirements.

Predictability: The Committee set specific targets for different levels of performance which are communicated to the individuals and disclosed to shareholders.

Proportionality: The annual bonus and PSP have performance metrics which are aligned with the Company's KPIs and the payouts reflect achievement against the targets. The Committee may reduce payouts under the bonus and PSP if they are not in line with underlying performance. Safeguards are identified to ensure that poor performance is not rewarded.

Alignment to culture: The Directors' remuneration arrangements are cascaded down through the organisation ensuring that there are common goals. The Committee reviews remuneration arrangements throughout the Company and takes these into account when setting Directors' remuneration.

Changes to the Policy

The following changes have been made to the Remuneration Policy.

Pension

The pension contribution rate has been aligned with the rate provided to the wider workforce in the country the Director is based. In the UK the workforce rate is currently 10% of salary.

Annual bonus

The policy on deferral has been changed so that a portion of any bonus earned will be deferred into shares, typically for three years. For 2020/21 this will be a minimum of 25% of any bonus being deferred.

Performance Share Plan

Flexibility has been introduced to allow the use of strategic and sustainability performance metrics. In addition, the Policy includes the ability for the Committee to apply discretion to adjust formulaic outturns to ensure that they are in line with underlying performance. The two-year post vesting holding period has also been incorporated into the Policy.

Share ownership guidelines

The policy requirement has been increased such that Executive Directors are required to build up and maintain a shareholding worth 200% of salary. Furthermore, the Policy includes a post cessation of employment share ownership requirement that requires executives leaving employment as 'good leavers' (save in the case of death where no holding requirements will apply) to continue to hold deferred share bonus and long-term incentive plan awards until their original vesting date or the conclusion of any holding period. Customary exclusions apply, such as in the event of certain corporate events. The Company has set an expectation that executives retain shares to the lower of the value of the current in-employment share ownership guideline of 200% of salary and the value of shares held on cessation of employment. This will apply in the first year post cessation of employment and then reduce to a maximum holding of 100% of salary for the second year.

Clawback and malus

Enhanced provisions apply to the entire bonus (cash and deferred shares) and PSP awards which may apply at any time within three years of payment in circumstances of a misstatement of results, error in payout calculations or the calculation being based on incorrect information, misconduct, corporate failure or reputational damage.

Remuneration framework

The components of Executive Directors' remuneration are described below:

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fixed remuneration				
Base salary	To provide an appropriate level of fixed cash income to recruit and retain talent through the provision of competitively positioned base salaries.	Base salaries are normally reviewed annually taking into account: • the scope of the role and the markets in which PZ Cussons operates; • the performance and experience of the individual; • pay levels in other organisations of a similar size and complexity; and • pay increases elsewhere in the Group.	To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum for salary increases under this policy. Salary increases are reviewed in the context of salary increases across the wider Group. Any increase in excess of those elsewhere in the Group would be considered very carefully by the Committee. The circumstances in which higher increases may be awarded include but are not limited to: • an increase in the scope and/or responsibility of a role; • an increase upon promotion to Executive Director; • where a salary has fallen significantly below market positioning; or • the transition over time of a new Executive Director recruited on a below market salary to a more competitive market positioning as the Executive Director gains experience in the role.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries.
Benefits	Recruitment and retention of senior executive talent through the provision of a competitively positioned and cost-effective benefits package. Benefits may also be provided to assist in the effective performance of an Executive Director's duties.	Benefits that may be provided include car benefits, life assurance, health insurance for the Executive Director and family, permanent health cover and personal tax advice. Executive Directors may also participate in any all-employee share or benefits plans on the same basis as any other employees. Where relevant, additional benefits may be offered if considered appropriate and reasonable by the Committee, such as assistance with the costs of relocation.	The maximum opportunity will be based on the cost of providing the benefits. This will be set at a level that the Committee considers appropriate to provide a sufficient level of benefit based on individual circumstances.	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Provision for retirement	Designed to enable an Executive Director to generate an income in retirement and to provide an overall remuneration package that is competitive in the market.	Participation in a defined contribution pension plan or provision of a cash allowance in lieu of a pension contribution.	A Company pension contribution in line with the rate provided to the wider workforce in the country the Executive Director is based. For the UK this is currently 10% of base salary in respect of each financial year into the scheme on behalf of the Executive Director, subject to a minimum employee contribution of 5% of base salary; or cash allowance of up to 10% of base salary.	Not applicable.
Variable remuneration				
Annual bonus scheme and deferred annual bonuses	Designed to motivate Executive Directors to focus on annual goals and milestones that are consistent with the Group's longer-term strategic aims.	Measures and targets are set annually at the beginning of the relevant financial year and pay-out levels are determined by the Committee after the year end based on performance against those targets. A minimum of 25% of the bonus earned will be deferred into shares. The deferral period will be 3 years (unless the Committee determines otherwise). A dividend equivalent may be payable on deferred shares that vest. The Committee may apply discretion to amend the bonus pay-out should this not, in the view of the Committee, reflect underlying business performance or individual contribution. Recovery and withholding provisions apply to cash and deferred shares.	The maximum annual bonus opportunity that may be earned for any year is 150% of base salary. The current maximum opportunity for Executive Director roles is: • Chief Executive: 150% of salary. • Other Executive Directors: 125% of salary	The performance measures and targets are set by the Committee each year. The majority of the annual bonus is based on challenging financial targets that are set in line with the Group's KPIs. In addition, a smaller element of the annual bonus may be subject to achievement against key business objectives and/or personally tailored objectives. For each financial objective set, up to 10% of the relevant part of the bonus becomes payable at the threshold performance level rising on a graduated scale to the maximum performance level. The structure and nature of the strategic objectives vary, such that it is not practical to specify any pre-set percentage of bonus that becomes payable for threshold performance. Maximum annual bonus will only be paid for achieving significant financial outperformance above the budget set for the year.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan (PSP)	Designed to motivate the Executive Directors to focus on the generation of sustained shareholder value over the longer term, and to align their interests with those of the Group's shareholders.	Annual awards of rights over shares calculated as a percentage of base salary. Vesting is subject to the attainment of predetermined performance targets measured over a performance period of at least three years. The performance period normally starts at the beginning of the financial year in which the date of grant falls. The Committee may use discretion to adjust the level of vesting should it, in the view of the Committee, not reflect underlying performance. Dividend equivalents accrue on shares subject to PSP awards and are paid on vesting in respect of those shares that vest. Award levels and performance conditions are reviewed before each award cycle to ensure that they remain appropriate. Any shares that vest will normally be subject to an additional two-year holding period. Recovery and withholding provisions apply to awards granted under the PSP.	Award opportunities in respect of any financial year are limited to rights over shares with a market value determined by the Committee at grant of a maximum of 150% of base salary. The current maximum opportunity for Executive Director roles is: • Chief Executive: 150% of salary. • Other Executive Directors: 125% of salary	Awards to Executive Directors will be subject to challenging financial, strategic or share price related targets measured over the performance period. Financial targets (e.g. adjusted EPS and/or shareholder return measures) will apply to at least half of the total award. Vesting does not take place until the threshold performance requirement is met (as applicable to each relevant metric), at which point no more than 25% vests. Vesting increases on a graduated basis from threshold performance to the maximum target.
Other aspects				
Shareholding guidelines	Alignment of the Executive Directors' interests with those of the Group's shareholders.	Requirement to build up interests in the Company's shares worth 200% of salary. Executive Directors will be expected to retain a minimum of half the after tax number of vested shares from PSP awards towards the satisfaction of the guideline.	Not applicable.	Not applicable.
Post-employment share ownership requirements	Ensures there is an appropriate amount of 'tail risk' for Executive Directors post cessation of employment	Executives will be expected to maintain a minimum shareholding of 200% of salary for the first year following ceasing to be a Board Director and 100% of salary for the second year, or in either case if lower, the shareholding on cessation.	Not applicable.	Not applicable.

Recovery and withholding provisions

The Committee may, in its discretion, apply malus and/or clawback to annual bonus and PSP awards at any time within three years of payment in circumstances of a misstatement of results, error in payout calculations or the calculation being based on incorrect information, misconduct, corporate failure or reputational damage.

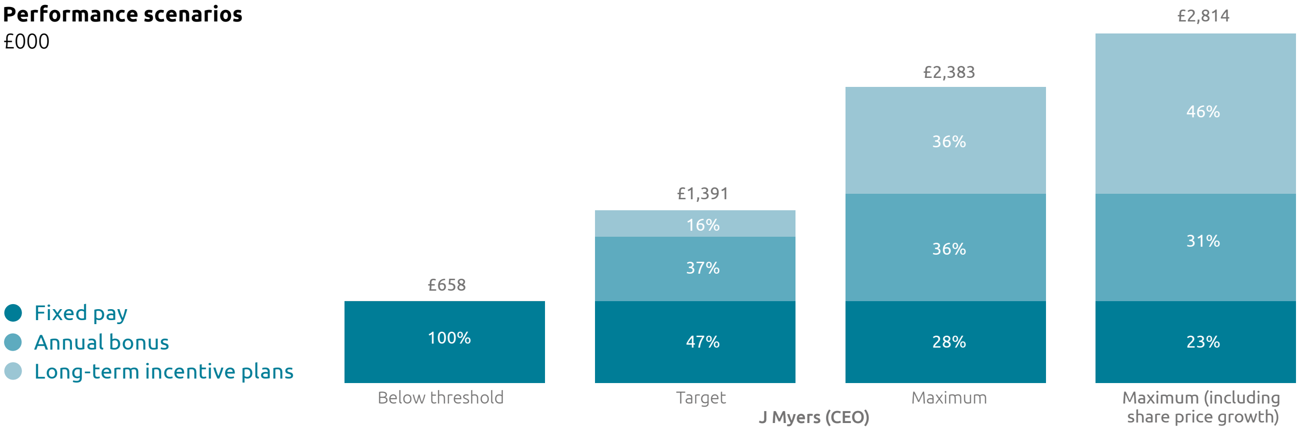
Malus may be applied at any time prior to the vesting of any award or payment of any declared bonus and clawback can be applied after an award or bonus is paid or vests and where the triggering event occurs at any time prior to the third anniversary of the date the award or bonus vests/is paid. The clawback may be affected through a withholding of variable pay, by reducing the size of, or imposing further conditions on, any outstanding or future awards, or by requiring the individual to return the value of the cash or shares delivered to recover the amount overpaid.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Non-executive Director fees	To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-executive Directors.	Fees are normally reviewed every two years and amended to reflect market positioning and any change in responsibilities. The Committee recommends the remuneration of the Chair to the Board. Fees paid to Non-executive Directors are determined and approved by the Board as a whole. The Non-executive Directors do not participate in the annual bonus plan or any of the Group's share incentive plans. The Company covers the costs of attending meetings and Non-executive directors may be reimbursed for any business expenses incurred (including any tax due) in fulfilling their roles.	Fees are based on the level of fees paid to Non-executive Directors serving on boards of similar sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and an additional fee for further duties (for example, chairing of a committee or Senior Independent Director responsibilities). The maximum level of fees payable to the Non-executive Directors will not exceed the limit set out in the Company's Articles of Association.	Not applicable.

Balance of fixed versus variable remuneration

The Committee believes that an appropriate proportion of the executive remuneration package should be variable and performance-related in order to encourage and reward superior corporate and individual performance. The following chart illustrates executive remuneration in specific performance scenarios including a maximum performance scenario with a 50% increase in share price.

Performance scenarios
£000



	Minimum performance	Target performance	Maximum performance	Maximum performance including share price growth
Fixed elements of remuneration	Base salary as at 31 May 2020, an estimate of the value of benefits (£25,000) and pension contributions at 10% of base salary			
Annual bonus	**0%**	**60% of maximum opportunity** J Myers – 60% of 150% of salary	**100% of maximum opportunity** J Myers – 150% of salary	**100% of maximum opportunity** J Myers – 150% of salary
Long-term incentive plans	**0%**	**25% of award** J Myers – 25% of 150% of salary	**100% of award** J Myers – 150% of salary	**100% of award with a 50% increase in share price over the vesting period** J Myers – 150% of salary

Recruitment remuneration arrangements

When hiring a new Executive Director, the Committee will set the Executive Director's ongoing remuneration in a manner consistent with the Policy detailed in the table above.

To facilitate the hiring of candidates of the appropriate calibre, the Committee may make an award to buy out variable remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including the form of award, the value forfeit, any performance conditions and the time over which the award would have vested. The intention of any buy-out would be to compensate in a like-for-like manner as far as is practicable.

The maximum level of variable pay that may be awarded to new Executive Directors (excluding buy-out arrangements) in respect of their recruitment will be in line with the maximum level of variable pay that may be awarded under the annual bonus plan and PSP, i.e. a total face value opportunity of 300% of salary. The Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

Executive Director contracts and loss of office payments

Executive Directors have indefinite service contracts and no Executive Director has a notice period in excess of one year or a contract containing any provision for predetermined compensation on termination exceeding one year's salary and contractual benefits. Details of the current Executive Director's service contract is shown below:

Name	Date of contract
J Myers	1 May 2020

Upon the termination of an Executive Director's employment, the Committee's approach to determining any payment for loss of office will normally be guided by the following principles:

- The Committee shall seek to apply the principle of mitigation where possible, as well as seeking to find an outcome that is in the best interests of the Company and shareholders as a whole, taking into account the specific circumstances;
- Relevant contractual obligations, as set out above, shall be observed or taken into account;
- The Committee reserves the right to make additional exit payments where such payments are made in good faith to satisfy an existing legal obligation (or by way of damages for breach of any such obligation) or to settle or compromise any claim or costs arising in connection with the employment of an Executive Director or its termination, or to make a modest provision in respect of legal costs and/or outplacement fees;
- The treatment of outstanding variable remuneration shall be as determined by the relevant plan rules, as set out on the next page; and
- Any payments for loss of office shall only be made to the extent that such payments are consistent with this Policy.

Performance Share Plan

Cessation of directorship/employment within three years of date of grant:	
Death	The award will normally vest as soon as practicable following death. The Committee will have sole discretion as to the extent to which the award will vest, taking into account, if the Committee considers it appropriate, time pro-rating and the extent to which the performance condition has been satisfied.
Injury, ill health, disability, sale of the participant's employing company or business out of the Group or any other reason if the Committee so decides	Awards will be subject to any applicable holding period unless the Committee determines otherwise. The award will normally vest on the original vesting date, taking into account the extent to which the performance conditions have been met. Alternatively, the Committee has the discretion to allow the award to vest at the time of cessation of directorship/employment by the Group, taking into account the extent to which the performance conditions have been met up to that date. Unless the Committee determines otherwise, the Committee will reduce the award to reflect the period that has elapsed at the time of cessation.
Any other reason	The award will lapse upon cessation of directorship/employment.
Cessation of directorship/employment after three years of date of grant (i.e. in respect of shares held for a compulsory holding period):	
Death	The award will vest as soon as practicable following death.
Lawful dismissal without notice by the Company	The award will lapse upon cessation of directorship/employment.
Any other reason	The award will generally be released at the end of the holding period. Alternatively, the Committee has the discretion to allow the award to be released in part, or in full, at the time of, or following, cessation of directorship/employment. The extent to which awards are released in these circumstances will be determined by the Committee taking into account the performance conditions.
Annual bonus scheme – cash element	
The extent to which any annual bonus is paid in respect of the year of departure will be determined by the Committee (in such proportion of cash and shares as it considers appropriate) taking into account the performance metrics and whether it is appropriate to time pro-rate the award for the time served during the year.	
Annual bonus scheme – deferred share element	
Death, injury, disability, redundancy, retirement, the sale of the participant's employing company or business out of the Group or any other reason if the Committee so decides	The award will vest on the normal vesting date unless the Committee determines otherwise.
Any other reason	The award will lapse upon cessation of directorship/employment.

Retirement benefits will be received by any Executive Director who is a member of any of the Group's pension plans in accordance with the rules of such plan.

Change in control

The rules of the PSP provide that, in the event of a change of control or winding-up of the Company, all awards will vest early taking into account i) the extent to which the Committee considers that the performance conditions have been satisfied at that time and ii) the pro-rating of the awards to reflect the proportion of the performance period that has elapsed, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. Deferred bonus awards will normally vest in full on a takeover or winding-up of the Company. In the event of a special dividend, demerger or similar event, the Committee may determine that awards vest on the same basis. In the event of an internal corporate reorganisation, awards may be replaced by equivalent new awards over shares in a new holding company. Similarly, in the event of a merger of equals, the Committee may invite participants to voluntarily exchange their awards that would otherwise vest for equivalent new awards over shares in a new holding company.

The Committee may in the circumstances referred to above determine to what extent any bonus should be paid in respect of the financial year in which the relevant event takes place, taking into account the extent to which the Committee determines the relevant performance metrics have been (or would have been) met.

Statement of consideration of employment conditions elsewhere in the Company

When reviewing and setting Executive Director remuneration, the Committee takes into account the pay and employment conditions of all employees of the Group. The Group-wide pay review budget is one of the key factors when reviewing the salaries of the Executive Directors. Although the Group has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

Communication with shareholders

The Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements.

The Committee takes into account the views of significant shareholders when formulating and implementing the Policy.

Terms and conditions for Non-executive Directors

Non-executive Directors are appointed pursuant to the terms of their appointment letters for an initial period of three years, normally renewable on a similar basis. Notwithstanding this, all Non-executive Directors are subject to annual re-election at the Company's Annual General Meeting and their election is subject to a dual-vote including the votes of only those shareholders who are not members of the concert-party shareholders. The expiry of the letters of appointment are set out below.

Name	Expiry of term
C Silver (chair)	31 March 2023
K Bashforth	31 October 2022
P Grimwood	31 October 2022
D Kucz	30 April 2021
J Maiden	31 October 2022
T Minick-Scokalo	30 April 2021
J Nicolson	30 April 2022
H Owers	26 November 2020
J Townsend	31 March 2023

Paul Grimwood stepped down from the Board with effect from 30 April 2020. Jez Maiden stepped down from the Board with effect from 31 May 2020. Tamara Minick-Scokalo has been on personal leave for health reasons since November 2019.

The letters of appointment of Non-executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

Annual Report on Remuneration

Information contained within the Annual Report on Remuneration has not been subject to audit unless stated.

Single total figure of remuneration (audited)

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the Directors for the year ended 31 May 2020:

	Salary/fees[1]		Benefits[2]		Bonus[3]		PSP[4]		Pension[5]		Total	
	2020 (£)	2019 (£)	**2020 (£)**	2019 (£)	**2020 (£)**	2019 (£)	**2020 (£)**	2019 (£)	**2020 (£)**	2019 (£)	**2020 (£)**	2019 (£)
Executive Directors												
J Myers[6]	**47,917**	–	**1,874**	–	**–**	–	**–**	–	**4,792**	–	**54,582**	–
G A Kanellis[7]	**404,667**	604,004	**15,316**	77,530	**–**	–	**–**	–	**80,933**	120,801	**500,916**	802,335
B H Leigh[8]	**13,820**	369,861	**777**	16,939	**–**	–	**–**	–	**2,764**	73,972	**17,361**	460,772
	466,404	973,865	**17,967**	94,469	**–**	–	**–**	–	**88,489**	194,773	**572,860**	1,263,107
Non-executive Directors												
C Silver (Chair)[9]	**291,667**	250,000	**4,145**	5,203	**–**	–	**–**	–	**–**	–	**295,812**	255,203
K Bashforth[10]	**30,625**	–	**416**	–	**–**	–	**–**	–	**–**	–	**31,041**	–
P Grimwood[11]	**26,250**	–	**416**	–	**–**	–	**–**	–	**–**	–	**26,666**	–
D Kucz	**57,500**	52,500	**4,231**	6,945	**–**	–	**–**	–	**–**	–	**61,731**	59,445
J Maiden[12]	**62,500**	62,500	**1,339**	2,091	**–**	–	**–**	–	**–**	–	**63,839**	64,591
T Minick-Scokalo[13]	**21,875**	52,500	**1,917**	4,547	**–**	–	**–**	–	**–**	–	**23,792**	57,047
J Nicolson	**62,500**	62,500	**3,074**	4,837	**–**	–	**–**	–	**–**	–	**65,574**	67,337
H Owers[14]	**62,500**	62,500	**2,939**	3,438	**–**	–	**–**	–	**–**	–	**65,439**	65,938
J Townsend[15]	**8,750**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8,750**	–
	624,167	542,500	**18,477**	26,061	**–**	–	**–**	–	**–**	–	**642,644**	569,561
Total	**1,090,571**	1,516,365	**36,444**	121,530	**–**	–	**–**	–	**88,489**	194,773	**1,215,504**	1,832,668

1 The amount of salary/fees payable in the period.
2 Taxable benefits comprise life assurance, healthcare insurance and car allowance. In respect of the Non-executive Directors, certain travel and accommodation expenses in relation to attending Board meetings are also treated as a taxable benefit.
3 Details of the performance measures and weightings as well as results achieved under the annual bonus arrangements in place in respect of the year are shown on pages 126 and 127.
4 The awards made under the Performance Share Plan in 2017 will lapse in full, such that the Executive Directors will receive no value. Details of the performance measures as well as results achieved are shown on page 127. Mr Myers will not receive any base salary increase with an effective date 1 September 2020.
5 With effect from 1 June 2008, the Executive Directors became eligible for membership of the Company's defined contribution pension arrangement. Mr Kanellis and Mr Leigh each received a salary supplement equivalent to 20% of base salary until cessation of employment. Mr Myers receives a salary supplement of 10% of salary.
6 J Myers was appointed Chief Executive Officer with effect from 1 May 2020.
7 G A Kanellis retired from the Company on 31 January 2020. Details of his payment for loss of office are shown on page 130.
8 B H Leigh ceased employment with the Company on 13 June 2019. Details of his payment for loss of office are shown on page 131.
9 C Silver assumed the role of Executive Chair for the period between Mr Kanellis stepping down from the Board on 31 January 2020 and 30 April 2020 when Mr Myers commenced his role as Chief Executive Officer. Details of her pay during this period are set out on page 125.
10 K Bashforth was appointed to the Board on 1 November 2019.
11 P Grimwood was appointed to the Board on 1 November 2019 and stepped down with effect from 30 April 2020.
12 J Maiden stepped down from the Board on 31 May 2020.
13 T Minick-Scokalo has been on leave for personal health reasons since 1 November 2019.
14 H Owers will step down from the Board at the 2020 AGM.
15 J Townsend was appointed to the Board on 1 April 2020.

Individual elements of remuneration

Base salary

Base salaries for individual Executive Directors are reviewed by the Remuneration Committee annually, with increases taking effect from 1 September, and are set with reference to the scope of the role and the markets in which PZ Cussons operates, the performance and experience of the individual, pay levels in other organisations of a similar size and complexity and pay increases elsewhere in the Group.

There was no increase to the base salary of Mr Kanellis with effect from 1 September 2019. Mr Leigh's salary on departure was £371,700.

	FY20 base salary (£)	Increase %
G A Kanellis[1]	607,000	0
B Leigh[2]	371,700	n/a

1 Mr Kanellis stepped down from the Board on 31 January 2020.
2 Mr Leigh stepped down from the Board on 13 June 2019.

Mr Myers has been appointed Chief Executive Officer with effect from 1 May 2020 on a salary of £575,000.

Non-executive Director fees

The current fee structure, effective 1 June 2020, is as follows:

Role	Fee
Board Chair	£250,000
Non-executive Director base fee	£52,500
Additional fees for Committee Chair	
Audit & Risk	£10,000
Remuneration	£10,000
Good4Business	£5,000
Additional fee for Senior Independent Director	£5,000
Additional fee for Director responsible for employee engagement	£5,000

Following Mr Kanellis's departure, the Company Chair, Caroline Silver, took on a temporary role as Executive Chair until Jonathan Myers joined the Company as Chief Executive Officer on 1 May 2020. In light of these additional executive duties and associated extra time commitment of the role, the Committee agreed that Mrs Silver's fee should be increased from £250,000 to £500,000 per annum, pro-rated for the period acting as Executive Chair from 1 February 2020 to 30 April 2020. In light of the impact of COVID-19, Mrs Silver elected not to receive the enhanced fee for the month of April and she reinvested the net amount of the increased fees for February and March in shares of the Company. From 1 May 2020 her fee reverted to its normal rate.

Annual bonus for the year ended 31 May 2020

In respect of the year ended 31 May 2020, the Chief Executive Officer, Alex Kanellis, was the only Director in the annual bonus scheme. The Chief Financial Officer's entitlement to participate in the annual bonus scheme ceased on his departure from the Company on 13 June 2019.

Under this scheme, the Chief Executive Officer was eligible to earn a cash bonus of up to 150% of base salary with any bonus earned in excess of 100% of base salary being deferred into Company shares which vest after three years and are subject to recovery and withholding provisions and continued employment.

For the 2020 financial year, the bonus included challenging financial and strategic targets that were aligned with delivering against the Board's approved budget and planning for the year ahead. As in prior years, and consistent with our KPIs, the performance metrics included adjusted profit before tax, net working capital percentage and adjusted operating contribution margin. Together these financial targets comprised 80% of the overall bonus opportunity. A number of strategic objectives comprised the remaining 20% of maximum bonus opportunity.

As set out in the Company's s. 430 (2B) statement of 2 April 2020, the Committee determined that Mr Kanellis would not be eligible for a bonus for the year ended 31 May 2020. The targets set and performance against them are however set out below.

Financial targets

The financial targets and our performance against them are set out below:

Metric	Proportion of total bonus	Targets	Actual performance	Proportion of total bonus payable
Adjusted profit before tax	62%	Target: £73.3m Stretch target: £77.0m	£61.6m	0%
Net working capital percentage	9%	18.5%	17.5%	9%
Adjusted operating contribution margin	9%	17.3%	15.3%	0%

Strategic targets

The 2020 strategic objectives related to completion of key strategic growth initiatives, execution of key margin improvement projects, achievement of overhead savings and the development of plans to fulfil the Company's Plastic Promise.

Metric	Proportion of total bonus	Milestones achieved	Proportion of total bonus payable
Implement fewer, bigger, better growth initiatives. Complete the global digital commerce framework	7%	Key growth initiatives across selected brands and selected geographies were implemented. Within digital commerce a number of targeted transformation plans were implemented. However, COVID-19 has had a significant impact on our businesses and the relative extent of achievement was reduced in light of the top line growth achieved	0%
Africa return to growth	7%	The organisation has implemented corrective action plans to reduce complexity and improve efficiency in Nigeria but these have been offset by the losses incurred in the financial year driven by macroeconomic decline as a result of the reduction in the price of oil and the impact of COVID-19	0%
Disposals	4%	Completion of sale of shares in Minerva S.A. Edible Oils and Food Enterprises and sale of Luksja brand	4%
Sustainability: continue to drive progress in plastics reduction and palm oil traceability	2%	Targets set at the start of the year were achieved and included: (1) deliver refill and recyclable packs, (2) reduction in the number of plastic pumps, and (3) traceability of palm oil and derivatives	2%

Annual bonus for the year ended 31 May 2021

Executive Directors will continue to be eligible to participate in the annual bonus scheme in respect of the year ending 31 May 2021 under the new Policy, subject to approval by shareholders at the AGM. The annual bonus opportunity for the Chief Executive Officer will continue to be 150% of salary which can be earned for delivery against challenging targets, with 60% of maximum payable for on-target performance under the financial metrics. In relation to other Executive Director appointments, the maximum annual bonus would be limited to 125% of salary earned for the part of the year in employment.

The specific annual bonus metrics have however been updated to reflect current strategic priorities. In particular, adjusted profit before tax (40% weighting) will now be supplemented by a new revenue metric (30% weighting) to drive organic growth. Net working capital percentage (10% weighting) continues to be used to ensure there is a focus on efficient working practices with the remaining portion being based on key business objectives relating to organisational effectiveness and strategic execution (10% weighting each).

The Directors consider that the Group's future targets are matters that are commercially sensitive; they could provide our competitors with insights into our business plans and expectations and should therefore remain confidential to the Company at this time (although they will be retrospectively disclosed in next year's Report on Directors' Remuneration). Targets for the FY21 bonus have been set by the Committee to be appropriately demanding but also reflective of current commercial circumstances, internal planning and market expectations.

Bonuses are payable at the discretion of the Committee and the Committee may apply discretion to amend the bonus pay-out should it not, in the view of the Committee, reflect underlying business performance or individual contribution.

A minimum of one quarter of any bonus earned will be required to be deferred into shares for three years.

Awards made under the annual bonus scheme in respect of the year ending 31 May 2021 will be subject to recovery and withholding provisions that would enable the Committee to recover amounts paid in circumstances of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business, iii) an erroneous calculation of a performance condition, iv) reputational damage or v) corporate failure. The ability to apply these provisions operates for a period of up to three years for awards to Executive Directors and other senior executives.

Long-term incentive plans

Performance Share Plan

Executive Directors and certain senior executives are generally eligible to participate in the Performance Share Plan, which provides for the grant of conditional rights to receive nil-cost shares subject to continued employment over a three-year vesting period and the satisfaction of certain performance criteria established by the Committee. The current version of the Plan, the 2014 Performance Share Plan, was approved by shareholders and adopted at the 2014 Annual General Meeting. New plan rules to align with the provisions of the new Policy will be tabled for approval by shareholders at the upcoming AGM with a full summary of the principal terms included in the 2020 Notice of AGM.

Awards vesting in respect of the year ended 31 May 2020

The year ended 31 May 2020 represented the final year of the three-year performance period for awards made under the Performance Share Plan in 2017. The overall performance during the three years was such that no proportion of the awards made to the Executive Directors will vest and they will lapse, as below:

EPS performance	Annual compound EPS growth	Level of vesting	Performance achieved	Resulting level of award (% of maximum opportunity)
Threshold	4%	25%	-11.7%	0%
Maximum	12%	100%		

Awards granted in the year ended 31 May 2020 (audited)

As disclosed in last year's Report on Directors' Remuneration, and in line with the Company's Remuneration Policy, during the year ended 31 May 2020 an award was made to G A Kanellis under the Performance Share Plan over shares with a value equal to 150% of base salary for the CEO, as set out below:

	Scheme	Basis of award	Number of shares	Face value at grant date	Percentage vesting for threshold performance	Performance period end date
G A Kanellis	2014 Performance Share Plan	150% of salary	413,863	£910,500	25%	31 May 2022

G A Kanellis was awarded 413,863 shares under the PSP on 24 July 2019 calculated using the average mid-market closing share price on 23 July 2019 of 220p, which was the share price used to determine the number of shares subject to the award in accordance with the rules of the Performance Share Plan. Mr Kanellis subsequently retired from the Company on 31 January 2020 with his outstanding PSP awards lapsing (see page 130 for details of treatment of remuneration following the cessation of his employment).

Awards to be granted in the year ending 31 May 2021

The Committee intends to make awards under the new Performance Share Plan to Executive Directors and any appointed CFO during the year ending 31 May 2021 in line with the Company's new Directors' Remuneration Policy. The award to Mr Myers will be in respect of shares equivalent to 150% of salary as agreed with Mr Myers on joining.

The metrics for the awards to be made under the PSP in 2021 have also evolved in line with the business's mid- to long-term priorities. Whilst EPS growth remains the key measure of underlying financial performance, it is proposed to include a strategic revenue metric and a sustainability metric with a 20% weighting each.

The strategic revenue target will measure revenue growth from Focus Brands and the sustainability target will support the work being undertaken to deliver ESG objectives.

Measure	EPS growth	Strategic target	Sustainability target
Weighting	60% weighting	20% weighting	20% weighting
Description	Growth in adjusted EPS over 3-year performance period	Revenue growth from Focus Brands measured relative to growth in revenue from non Focus Brands	Complete a B Impact Assessment facilitated by B Lab on a representative sample of our portfolio including our UK business (including UK Beauty) and our Indonesian operating unit. Based on the results of the B Impact Assessment, agree with the Board an associated validated action plan including a long-term externally measured sustainability goal, (which may or may not include B-Corp certification) at either group or operating company level, along with year-by-year milestone targets towards such goal.
Threshold target (25% vesting)	1% per annum	2%	Completion of B Impact Assessment and agreement with the Board on an associated long term sustainability goal.
Maximum target (100% vesting)	5% per annum	6%	Completion of B Impact Assessment, agreement on an associated long term sustainability goal, year-by-year milestone targets with an agreed implementation plan and evidence of early progress against the agreed action plan.

Furthermore, EPS targets have been adjusted from prior year levels in order to provide a balance between being realistic and meaningful for participants at the lower end of the range and providing a stretch at the top end of the range. In determining this range the Committee considered internal planning, the performance of the Company over recent years and the need to return to profitable growth along with market conditions and the uncertainty arising from COVID-19.

In determining the vesting of a PSP award in accordance with these measures, the Committee with also consider the Company's ROCE across the relevant performance period in determining whether to apply discretion to alter formulaic outcomes taking into account the overall performance of the business.

As has been the case since 2018 and in line with the new Remuneration Policy, the awards to be granted in the year ending 31 May 2021 will be subject to a two-year holding period on vested shares such that all shares (other than any shares required to be sold to meet any tax liabilities) will need to be retained for a minimum period of five years from grant.

Recovery provisions apply to awards made under the Performance Share Plan. These are in line with those for the annual bonus, and have been updated under the new Policy for the 2020 awards. The provisions apply for a period of up to three years from vesting of awards.

Statement of Directors' shareholding and share interests

The Committee has established share ownership guidelines that require Executive Directors:

> To build up and retain holdings of shares (and/or deferred shares net of tax) worth 200% of salary from time to time; and
> Until this share ownership threshold is met, to invest 50% of any after-tax annual bonus into the Company's shares and retain shares with a value equal to 50% of the net gain after tax arising from the acquisition of shares pursuant to any of the Company's share incentive plans.

All Executive Directors have complied with the above guidelines in respect of the year ended 31 May 2020.

Interests in shares (audited)

The interests in the Company's shares of each of the Executive Directors as at 31 May 2020 (together with interests held by any connected persons) were:

	Ordinary shares held at 31 May 2020	Interests in share incentive schemes that are not subject to performance conditions as at 31 May 2020	Interests in share incentive schemes that are subject to performance conditions as at 31 May 2020[2]
J Myers[3]	–	–	–
G A Kanellis	717,557[1]	–	–
B H Leigh	–[1]	–	334,511

1 As at the date of cessation of employment.
2 Includes unvested awards under the Performance Share Plan that remain subject to performance.

During the period, each of the Executive Directors complied with the shareholding requirements set by the Committee. There have been no changes in J Myers' interests between 31 May 2020 and the date of this report. The interests of B H Leigh and G A Kanellis were correct as at the time they ceased employment with the Company.

The Non-executive Directors' shareholdings are disclosed on page 136 within the Report of the Directors.

Performance Share Plan (audited)

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

	Date of award	Number of options/ awards at 1 June 2019	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/ awards at 31 May 2020**	Share price at date of award (£)	Share price at date of vesting (£)	Gain (£)	Vesting/ transfer date
G A Kanellis[3]	27-Jul-16[1]	268,750	–	–	268,750	**–**	3.24	–	–	27-Jul-19
	27-Jul-17[2]	245,400	–	–	245,400	**–**	3.637	–	–	n/a
	25-Jul-18	410,135	–	–	410,135	**–**	2.22	–	–	n/a
	24-Jul-19	–	413,863	–	413,863	**–**	2.20	–	–	n/a
B H Leigh[4]	27-Jul-16[1]	137,808	–	–	137,808	**–**	3.24	–	–	27-Jul-19
	27-Jul-17[2]	125,221	–	–	–	**125,221**	3.637	–	–	27-Jul-20
	25-Jul-18	205,149	–	–	–	**205,149**	2.22	–	–	26-Jul-21
	6-Aug-18	4,141	–	–	–	**4,141**	2.22	–	–	6-Aug-21

1 Awards made on 27 July 2016 lapsed in full on 27 July 2019.
2 Awards made on 27 July 2017 lapsed in full on 27 July 2020.
3 G A Kanellis ceased employment with the Company on 31 January 2020. The treatment of the shares under award upon cessation of his employment is set out on page 130.
4 B H Leigh stepped down from the Board on 13 June 2019. The treatment of the shares under award upon cessation of his employment is set out on page 131.

Deferred bonus awards (audited)

The outstanding awards granted to each Director of the Company as deferred bonus awards are as follows:

	Date of award[1]	Number of options/awards at 1 June 2019	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	**Number of options/awards at 31 May 2020**	Market price at date of award (£)	Normal vesting date
G A Kanellis	25-Aug-17	116,566	–	–	116,566	–	3.49	n/a
B H Leigh[2]	25-Aug-17	25,587	–	25,587	–	–	3.49	n/a

1 Awards ordinarily vest on the third anniversary of grant, conditional only on continued employment.
2 G A Kanellis retired from the Company on 31 January 2020 with his deferred bonus awards lapsing on cessation of employment.
3 B H Leigh stepped down from the Board on 13 June 2019. The 25,587 deferred bonus shares relating to the 2017 senior executive annual bonus scheme vested on 13 June 2019.

Pension benefits (audited)

Alex Kanellis was a member of the defined benefit pension arrangements provided by the Company. All of these defined benefit plans were closed to future accrual on 31 May 2008 and replaced by defined contribution arrangements and/or the provision of cash allowances in lieu of pension. Benefits built up in the defined benefit plans continued to receive a salary link until 31 May 2013. The pension entitlements and corresponding transfer values below relate solely to the defined benefit arrangements:

G A Kanellis	Benefits held within both the PZ Cussons Directors' Retirement Benefits Plan and the PZ Cussons Pension Fund and Life Assurance Scheme for Staff Employed Outside the UK. The total entitlement across both arrangements was calculated at 31 May 2013 as 1/30th of Final Pensionable Salary at 31 May 2013 for each year of service within the Company's defined benefit pension arrangements (ceasing on 31 May 2008). From 31 May 2013, total benefits revalue on an annual basis in line with the increase in the Consumer Prices Index (CPI) in the prior year to September (up to retirement age). All benefits are payable from age 62. In total, the sum of the deferred pensions within these two arrangements at 31 May 2020 was £356,895 per annum.

Following closure of the Company's defined benefit plans, Directors became eligible for membership of the Company's defined contribution pension arrangements and/or the provision of cash allowances in lieu of thereof. More information on the benefits received in this respect is set out in note 5 to the table on page 124.

Loss of office payments and payments to former Directors (audited)

Alex Kanellis

The Chief Executive Officer Alex Kanellis was due to retire from the Company on 31 January 2020. Following the announcement on 12 December 2019 and as set out in the Company's announcement of 2 April 2020, the Board approved the remuneration on retirement as follows:

- Salary, pension and benefits were paid up to 31 January 2020, the date he ceased employment with the Company.
- Retained his entitlement cover under the Company's private medical insurance policy until 11 December 2020 to the value of £983.
- A sum of up to £21,000 plus VAT will be paid as a contribution in relation to legal and tax services, to be paid directly to the relevant third-party service providers.
- A contribution of up to £40,000 plus VAT will be paid towards outplacement support, to be paid directly to a third-party service provider.
- He was not eligible to receive a payment under the annual bonus scheme for the financial year ended 31 May 2020.
- Outstanding deferred bonus awards and PSP awards lapsed on cessation of employment.
- Total loss of office payments to Mr Kanellis amounted to £61,000.

Brandon Leigh

As announced on 13 June 2019, Mr Leigh stepped down from the Company's Board and ceased employment on 13 June 2019. In accordance with the terms of his employment contract the payments in connection with the termination of his employment included:

- Accrued salary up to the date he ceased employment with the Company for the month of June 2019 plus a further payment of £33,791 in lieu of 20 days' accrued but untaken holiday.
- A lump sum payment totalling £480,040 in lieu of the value of 12 months' basic salary and contractual benefits.
- No entitlement to a payment under the Company's annual bonus arrangements for the year ended 31 May 2019.
- The Committee determined that the previously earned 25,587 deferred bonus shares relating to the 2017 senior executive annual bonus scheme would vest on 13 June 2019. These shares related to the part-deferral of annual bonus earned based on performance in the financial year ended 31 May 2017.
- The Committee determined that in connection with Mr Leigh's mutually agreed departure he would retain pro-rata rights to the unvested 2016, 2017 and 2018 awards under the Company's Performance Share Plan (PSP) (in respect of 137,808, 125,221, and 209,290 shares respectively). As a result, these share awards will continue to remain eligible to vest on the normal vesting dates. Any vesting of these awards will only take place subject to the satisfaction of the relevant performance conditions at the end of the relevant performance periods and the number of shares in each award will be pro-rated to reflect the period of employment since the relevant grant date. Any vesting will also be subject to the rules of the PSP and the terms associated with the grant of each award (including any applicable holding period). The 2016 and 2017 Awards lapsed in full as the threshold EPS target has not been met.
- A sum of up to £10,200 will be paid as a contribution in relation to legal services, to be paid directly to a third-party service provider.
- The Company offered to provide outplacement services if requested but no request has been made.
- Total loss of office payments to Mr Leigh amounted to £523,831.

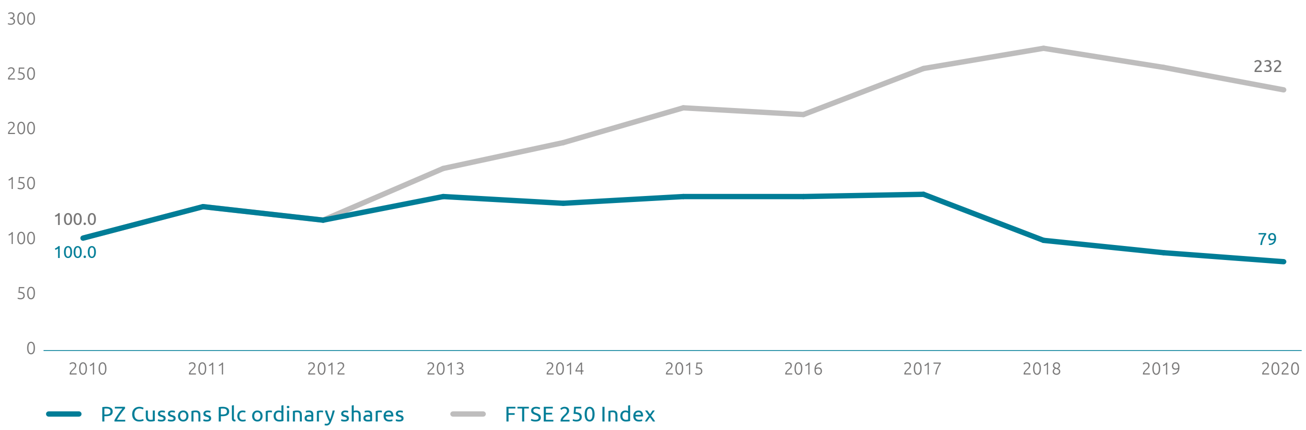
Limits on shares issued to satisfy share incentive plans

The Company's share incentive plans may operate over new issued ordinary shares, treasury shares or ordinary shares purchased in the market. In relation to all of the Company's share incentive plans, the Company may not, in any ten-year period, issue (or grant rights requiring the issue of) more than 10% of the issued ordinary share capital of the Company to satisfy awards to participants, nor more than 5% of the issued ordinary share capital for executive share plans. In respect of awards made during the year ended 31 May 2020 under the Company's share incentive plans, no new ordinary shares were issued.

Performance graph

The graph below illustrates the performance of PZ Cussons Plc measured by Total Shareholder Return (TSR) over the ten-year period to 31 May 2020 against the TSR of a holding of shares in the FTSE 250 Index over the same period, based on an initial investment of £100. The FTSE 250 Index has been chosen as PZ Cussons Plc is a constituent of that index.

PZ Cussons Plc TSR vs FTSE 250 Index TSR (Audited)
Value (£)



Chief Executive Officer remuneration for previous ten years

	Total remuneration (£)	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2019/20[1]	**659,665**	**n/a**	**n/a**
2018/19	802,335	0%	0%
2017/18	732,077	0%	0%
2016/17	1,586,330	100.0%	0%
2015/16	1,104,601	47.4%	0%
2014/15	1,463,325	72.8%	32.5%
2013/14	1,052,912	78.0%	0%
2012/13	1,104,089	69.5%	0%
2011/12	599,070	0%	0%
2010/11	1,484,017	18.0%	100.0%

1 For 2019/20 the figure for total remuneration represents the pay of Mr Kanellis from 1 June 2019 to 31 January 2020, the fees paid to Mrs Silver while acting as Executive Chair from 1 February 2020 through 30 April 2020 and the pay of Mr Myers since his appointment on 1 May 2020. No bonus was paid to any of these individuals and 2017 LTIP awards lapsed in full.

The Total Remuneration for 2019/20 represents the CEO single figure using method A.

Relative importance of spend on pay

The table below shows PZ Cussons' distributions to shareholders and total employee pay expenditure for the financial years ended 31 May 2019 and 31 May 2020, and the percentage change:

	2020 £m	2019 £m	% change
Total employee costs	**80.1**	91.7	(12.6%)
Dividends paid	**24.2**	34.6	(30.0%)
Profit before tax and exceptional items	**62.0**	72.3	(14.2%)

Change in CEO remuneration and for employees over 2020

The table below shows the change in annual CEO remuneration (defined as salary, taxable benefits and annual bonus), compared to the change in employee annual remuneration for a comparator group, from 2019 to 2020.

The PZ Cussons (International) Limited employee population was chosen as a suitable comparator group because it is considered to be the most relevant, due to the UK employment location and the structure of total remuneration (staff are able to earn an annual bonus as well as receiving a base salary and benefits).

	CEO[1]			Average % change for other employees
	2020 (£)	2019 (£)	% change	
Salary	**–**	604,004	n/a	2%
Benefits[2]	**–**	77,530	n/a	0%
Bonus	**–**	–	n/a	0%

1 Mr Kanellis served as Chief Executive Officer until 31 January 2020, following which Mrs Silver assumed the role of Executive Chair from 1 February 2020 to 30 April 2020. Mr Myers was appointed Chief Executive Officer with effect from 1 May 2020. Details of their pay can be found in the Single Figure table and subsequent notes on page 124.

2 2019 benefits are in respect of Mr Kanellis and include the provision of a long service award.

CEO to all-employee pay ratio

Method A was used as it was the most appropriate given the data available to complete the analysis. The CEO single figure used is the sum of pay received by Mr Kanellis for the period of time he served as CEO, the fees paid to Mrs Silver whilst she acted as Executive Chair and the pay received by Mr Myers for the period of time he served as CEO during the year.

The ratio is considered to be reflective of the pay, reward and progression policies within the Company's UK employee population. Pay levels for roles are set taking into account internal relativities and external benchmarks and promotions are considered on an annual cycle. It is noted that the CEO figure is a combination of the individuals in the role during the year and, alongside the fact that there were no incentive payments in respect of these individuals, means that the ratio may increase in future years should the CEO receive annual bonus and/or LTIP payouts.

CEO pay ratio	2020
Method	A
CEO single figure	£659,665
Upper quartile	9
Median	**13**
Lower quartile	19

The salary and total pay for the individuals identified at the Lower quartile, Median and Upper quartile positions in 2020 are set out below:

2020	Salary	Total pay
Upper quartile individual	£64,000	£74,797
Median individual	£40,000	£50,013
Lower quartile individual	£23,960	£35,133

Consideration by the Directors of matters relating to Directors' remuneration

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were being considered:

- K Bashforth (Chair from 1 July 2020)
- H Owers (Chair until 30 June 2020)
- J Maiden (Member until 31 May 2020)
- D Kucz
- P Grimwood (member from 1 November 2019 to 1 April 2020)
- J Townsend (member since 1 April 2020)

The Committee was advised in relation to Directors' remuneration during the year by Korn Ferry who were appointed in 2017 following a competitive tender process. Korn Ferry is a founder member of the Remuneration Consultants Group and has signed the voluntary Code of Practice for remuneration consultants. During the year, it has advised the Committee in relation to market data and evolving market practice and with regard to the review of the Remuneration Policy. The fees paid to Korn Ferry in respect of this work were charged on a time and materials basis and totalled £106,946 excluding VAT for the year. The Committee is satisfied that the advice it has received from Korn Ferry has been objective and independent. Korn Ferry does not have any other connections with PZ Cussons or any Director of the Company.

During the year, the Committee consulted Mrs Silver (in her capacity as Non-executive Chair) on issues where it felt her experience and knowledge could benefit its deliberations and she attended meetings by invitation. The Committee also consulted Mr Kanellis (Chief Executive Officer) on proposals relating to the remuneration of members of the Group's senior management team and he too attended meetings by invitation. The Global Human Resources Director also attended meetings by invitation. The Committee is supported by the Company Secretary who acts as Secretary to the Committee. Invitees are not involved in any decisions or discussions regarding their own remuneration.

Statement of shareholder voting

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. During the year, the Committee actively engaged with shareholders and shareholder representative bodies in respect of the renewal of the Directors' Remuneration Policy and how it will be implemented in the 2021 financial year, including the performance conditions to be applied to awards under the annual bonus and Performance Share Plan. Feedback was taken into account when agreeing the final proposals.

The Remuneration Committee Chair will be available to answer questions from shareholders regarding remuneration at the 2020 Annual General Meeting.

The votes cast at the 2019 AGM in respect of the approval of the 2019 Report on Directors' Remuneration and at the 2017 AGM in respect of the approval of the Directors' Remuneration Policy are shown below:

Advisory vote on the 2019 Report on Directors' Remuneration (2019 AGM):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
322,918,818	99.96	140,706	0.04	323,059,524	6,401,118

Binding vote on the Directors' Remuneration Policy (2017 AGM):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
345,938,029	99.84%	570,645	0.16%	346,508,674	3,872,099

By order of the Board of Directors

Kirsty Bashforth
Chair of the Remuneration Committee
23 September 2020

Report of the Directors

The Directors of the Company are listed on pages 82 and 83.

Principal activities

The principal activities of the Group are the manufacture, distribution, marketing and sale of Personal Care (including Beauty), Home Care, Food & Nutrition, and Electrical products. The subsidiary undertakings and joint ventures principally affecting the profits, liabilities and assets of the Group are listed in note 32 of the Consolidated Financial Statements.

Results and dividends

A summary of the Group's results for the year is set out in the Financial Review on pages 40 to 44 of the Strategic Report.

The Directors recommend a final dividend of 3.13p (2019: 5.61p) per ordinary share to be paid on 3 December 2020 to ordinary shareholders on the register at the close of business on 9 October 2020, which, together with the interim dividend of 2.67p (2019: 2.67p) paid on 6 April 2020, makes a total of 5.80p for the year (2019: 8.28p).

Scope of the reporting in this Annual Report & Accounts

The Group's statement on corporate governance, which can be found on pages 82 to 109 is incorporated by reference and forms part of this Report of the Directors. For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the Management Report can be found in the Strategic Report and this Report of the Directors, including the sections of the Annual Report & Accounts incorporated by reference.

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

Section	Topic	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Report on Directors' Remuneration – pages 115 to 134
5	Waiver of emoluments by a Director	Report on Directors' Remuneration
6	Waiver of future emoluments by a Director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	ESOT: see note 25 of the Consolidated Financial Statements
13	Shareholder waivers of future dividends	ESOT: see note 25 of the Consolidated Financial Statements
14	Agreements with controlling shareholders	Report of the Directors pages 135 to 141
15	Employee involvement	Our People on pages 36 to 39, and Board Engagement with Employees on page 87

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

Directors' interests

The Directors' and connected persons' interests in the share capital of the Company at 31 May 2020, together with their interests at 1 June 2019, are detailed below:

Ordinary shares

Beneficial	**2020 Number**	2019 Number
Mrs C Silver	**42,500**	30,000
Mr J Myers	**–**	–
Mr G A Kanellis	**717,557**	717,557
Mrs K Bashforth	**5,000**	–
Mr P Grimwood	**–**	–
Mr D Kucz	**7,500**	7,500
Mrs T Minick-Scokalo	**–**	–
Mr J K Maiden	**1,000**	1,000
Mr J Nicolson	**–**	–
Mrs H Owers	**1,000**	1,000
Total	**774,557**	757,057

1 The figures in the tables do not include 10,371,030 (2019: 10,384,591) ordinary shares purchased and held by the Employee Share Option Trust (ESOT) as at 31 May 2020. The ESOT is a discretionary trust under which the class of beneficiaries who may benefit comprises certain employees and former employees of the Company and its subsidiaries including members of such employees' and former employees' immediate families. Some or all of the shares held in the ESOT may be the subject of awards to Executive Directors of the Company under the PZ Cussons Plc Performance Share Plan, details of which are given in the Report on Directors' Remuneration. Accordingly, those Executive Directors are included in the class of beneficiaries and are deemed to have a beneficial interest in all the shares acquired by the ESOT.

2 The figures in the tables do not include conditional shares granted under the PZ Cussons Plc Performance Share Plan or deferred share awards under the senior executive annual bonus scheme.

No Director had any beneficial interest during the year in shares or debentures of any subsidiary company. Save for their service contracts or letters of appointment, there were no contracts of significance subsisting during, or at the end of, the financial year with the Company or any of its subsidiaries in which a Director of the Company was materially interested.

During the year and up to the date of this report, the Company maintained liability insurance for its Directors and officers and pension fund trustee liability insurance for Mr Kanellis in his capacity as trustee of certain of the Group's pension schemes. As of the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their duties. The Directors are also indemnified against the cost of defending criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that, where the defence is unsuccessful, the Director must repay those defence costs.

Other substantial interests

The Company has been made aware of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 23 September 2020:

	As at 23 September 2020		As at 31 May 2020	
	Number of shares	%	Number of shares	%
Zochonis Charitable Trust	60,900,619	14.21	60,900,619	14.21
Sir J B Zochonis Will Trust	49,320,712	11.50	49,320,712	11.50
Heronbridge Investment Mgt	31,157,024	7.27	34,756,518	8.11
Majedie Asset Mgt	25,442,280	5.93	24,656,851	5.75
J B Zochonis Settlement	19,927,130	4.65	19,927,130	4.65
Lindsell Train Investment Mgt	18,682,474	4.36	19,066,404	4.45
Mrs C M Green Settlement	15,322,741	3.57	15,322,741	3.57

No shares were issued during the year. Further information about the Company's share capital is given in note 24 of the Consolidated Financial Statements.

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

For the purposes of the Listing Rules, certain shareholders in the Company (principally comprising the founding Zochonis family or certain wider family groups, certain Company trusts, the Executive Directors of the Company and current or former employees) are deemed to be controlling shareholders of the Company (together, the 'Concert Party'). As at 23 September 2020, the Concert Party held 219,684,361 shares, representing approximately 51.24% of the Company's issued share capital.

As required by the Listing Rules, the Board confirms that the Company entered into a written relationship agreement with the Concert Party on 17 November 2014 containing the Independence Provisions and a procurement obligation (the 'Relationship Agreement'). The Board also confirms that, during the period from 17 November 2014 to 31 May 2020 (being the end of the financial year under review):

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

Political and charitable contributions

Charitable contributions in the UK during the year amounted to £503,000 (2019: £677,000). No political contributions were made (2019: £nil).

Research and development

The Group maintains in-house facilities for research and development in the UK, Indonesia, Thailand, Nigeria and Australia. In addition, research and development is subcontracted to approved external organisations. Currently all such expenditure is charged against profit in the year in which it is incurred, as it does not meet the criteria for capitalisation under IAS 38 'Intangible assets'.

Greenhouse Gas Emissions report

Global greenhouse gas (GHG) emissions data for the year:

	Financial year 2019/20			Financial year 2018/19		
	UK	**Offshore**	**Total**	UK	Offshore	Total
Scope 1 (absolute tonnes of CO_2)	**477**	**37,877**	**38,354**	472	45,044	45,516
Scope 2 (absolute tonnes of CO_2)	**0**	**12,047**	**12,047**	123	15,793	15,916
Total (absolute tonnes of CO_2)	**477**	**49,924**	**50,401**	595	60,837	61,432

Scope 1 – Combustion of fuel to operate our factories, facilities and offices.

Scope 2 – Electricity purchased to operate our factories, facilities and offices.

From 1 June 2019 to 31 May 2020 GHG emissions were recorded at 129kg of carbon dioxide per tonne of production.

Further details on the Group's environmental performance is contained within the Good4Business report on pages 62 to 79.

Employment of disabled persons

During the year the Group has maintained its policy of providing equal opportunities for the appropriate employment, training and development of disabled persons. If any employees should become disabled during the course of their employment our policy is to oversee the continuation of their employment and to arrange training for these employees.

Employee information

The Group recognises the benefits of keeping employees informed of the progress of the business and of involving them in their Company's performance. The methods of achieving such involvement are different in each company and country and have been developed over the years by local management working with local employees in ways that suit their particular needs and environment, with the active encouragement of the parent organisation.

Diversity and inclusion

PZ Cussons is an extremely diverse organisation in terms of its ethnic and cultural make-up and this is something that we continue to promote. We employ many different nationalities that reflect the geographic spread of our businesses. We are clear that we want our leadership team to reflect the diversity of the markets in which we function and for that reason we are focused on developing and promoting local talent. We do not employ any person below the local legal working age and we will not, in any circumstances, employ anyone below the age of 16.

Further details on the composition of our global employee population are set out in the table below:

	2020		2019		2018		2017	
	No.	**%**	No.	%	No.	%	No.	%
Women employees	**899**	**27**	1,064	28	1,183	28	1,252	26
Men employees	**2,461**	**73**	2,717	72	3,003	72	3,523	74
Women senior managers	**68**	**35**	77	34	80	35	87	34
Men senior managers	**125**	**65**	150	66	147	65	167	66
Women Group Board Directors[1]	**4**	**50**	3	38	3	38	3	38
Men Group Board Directors[2]	**4**	**50**	5	62	5	62	5	62
Employees with over 15 years' service	**1,168**	**35**	1,211	32	1,297	31	1,289	27
Employees over 50	**438**	**13**	424	11	411	10	401	8

1 Includes Tamara Minick-Scokalo who has been on leave of absence for part of the year. Excluding Mrs Minick-Scokalo, this figure would be 3 directors and 43%.
2 See note 1.

External Auditor

Deloitte LLP has signified its willingness to continue in office as External Auditor to the Company and, in accordance with section 485 of the Companies Act 2006, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting. A statement on the independence of the External Auditor is included in the Report of the Audit & Risk Committee on page 109.

Principal risks and uncertainties facing the Group

The Group's business activities, financial condition and results of operations could be affected by a variety of risks or uncertainties. These are summarised in the Principal Risks and Uncertainties section on pages 50 to 58 of the Strategic Report.

Annual General Meeting

The Company's 2020 Annual General Meeting will be held at the Company's registered office, Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG at 10.30am on 26 November 2020. The resolutions that will be proposed at the 2020 Annual General Meeting are set out in the separate Notice of Annual General Meeting, which accompanies these Governance and Financial Statements.

Share capital

As at 31 May 2020, the Company's issued share capital consisted of 428,724,960 ordinary shares of 1p each.

Rights and obligations attaching to shares

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

Restrictions on voting

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

Powers of Directors

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

Purchase of own shares

Pursuant to shareholder approval given at the 2019 Annual General Meeting, the Company is authorised to make market purchases of its own ordinary shares. The Directors intend to seek renewal of this authority at future Annual General Meetings including the 2020 Annual General Meeting. No shares were purchased from 1 June 2019 to 28 July 2020 (2019: nil) other than the acquisitions undertaken by the ESOT (see note 25 of the Consolidated Financial Statements).

Restrictions on the transfer of securities

There are no restrictions on the transfer of securities in the Company except:

> That certain restrictions may from time to time be imposed by laws and regulations (for example, relating to insider trading); and
> Pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group and liquidity position are described within the Financial Review. In addition, note 18 of the Consolidated Financial Statements includes policies in relation to the Group's financial instruments and risk management and policies for managing credit risk, liquidity risk, market risk, foreign exchange risk, price risk, cash flow and interest rate risk and capital risk.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report & Accounts. A viability statement and going concern assessment has been prepared and approved by the Board and this is set out on pages 50 and 51.

Events after the balance sheet date

By the end of September we expect to complete the sale of the assets associated with Nutricima Ltd, which carried out the Group's food and nutrition operations in Africa. The cash proceeds largely offset the asset values. Upon completion of the transaction, a loss of £34.2m, which will be included within exceptional items, will be recognised in relation to historic foreign exchange reserves.

Post year end an action was filed on behalf of the government of Nigeria with the claim to three properties purchased historically by PZ Cussons. The book value of the properties are £2.5m. The claim is in its early stages and therefore it is not yet clear how the claim would be settled were it successful. This is not specific to PZ Cussons and impacts 150 properties in Lagos, Nigeria.

Additional disclosures

Other information that is relevant to the Report of the Directors, and which is incorporated by reference into this report, can be located as follows:

- Proposed future developments for the business are set out on pages 22 to 29.
- Details of Group subsidiaries including overseas branches are set out in note 32 on pages 220 to 221.
- Financial instruments and risk management are set out in note 18 on pages 198 to 206.
- Trade payables under vendor financing arrangements are set out in note 19 on page 207.

Directors' statement as to disclosure of information to the External Auditor

In the case of each of the persons who were Directors of the Company at the date when this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's External Auditor is unaware; and
- Each of the Directors has taken all the steps that he or she ought to have taken as Director to make himself or herself aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates which are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company Financial Statements, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping 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 enable them to ensure that the Financial Statements and the Report on Directors' Remuneration comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website, **www.pzcussons.com**. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance and position, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 82 and 83 confirm that, to the best of their knowledge:

- The Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law), give a true and fair view of the assets, liabilities, financial position and result of the Company;
- The Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties which it faces.

This information is given and should be interpreted in accordance with the provision of section 418(2) of the Companies Act 2006.

The Strategic report and Directors' report have been approved by the Board of Directors and signed on its behalf by

Kevin Massie
Group General Counsel & Company Secretary
23 September 2020

FINANCIAL STATEMENTS


eco
RE-USE
YOUR PUMP
MOISTURE
Cussons
Carex
derma care
caring antibacterial
HAND WASH
eco
REFILL BOTTLE

Independent Auditor's Report
to the members of PZ Cussons Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of PZ Cussons Plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 33 for the consolidated financial statements, and related notes 1 to 12 for the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: > Carrying value of five:am and Rafferty's Garden assets; > Classification of exceptional items; and > Management override of controls. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £2.875m which was determined on the basis of adjusted profit before tax.
Scoping	The scope of our audit covered 87% of revenue, 85% of adjusted profit before tax and 85% of net assets.
Significant changes in our approach	In the prior year, we included uncertain tax positions as a key audit matter. The judgements related to those matters have reduced significantly since the prior year and therefore these do not form key audit matters in the current year. In the current year we have included exceptional items for the first time as there is a greater element of judgement in classifying exceptional items compared to the prior year. As referred to in the Audit & Risk Committee Report on page 107, the Board were made aware of certain matters relating to the former Chief Executive Officer. Given that these matters related to an Executive Board member and prior year adjustments were also identified in the year we considered it appropriate to include management override of controls as a key audit matter.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impacts of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4. Conclusions relating to going concern, principal risks and viability statement continued

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 50 to 58 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on pages 50 and 51 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on pages 50 and 51 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Carrying value of five:am and Rafferty's Garden assets

Key audit matter description	As at 31 May 2020, the Group recognised goodwill of £42.8m (FY19: £51.0m), software of £35.7m (FY19: £44.6m), and brands/patents of £225.9m (FY19: £273.6) as per note 10 of the financial statements; and Property, Plant and Equipment ('PPE') of £106.9m (FY19: £148.8m) as per note 11 of the financial statements. During the year ended 31 May 2020, the Group recognised an impairment charge of £36.6m against five:am and Rafferty's Garden assets, which has been presented as exceptional items as disclosed in note 3 to the financial statements. £6.7m of this charge has been charged against goodwill, £28.1m against brands/patents and £1.8m against PPE. £17.8m of this charge related to five:am and £18.8m related to Rafferty's Garden. Both of these Cash Generating Units ("CGUs") are based in Australia.

Key audit matter description continued	Management identified the heightened risk of impairment within these two CGUs during the year as a result of continued poor macroeconomic factors in Australia, including the impact of COVID-19 driving a reduced trading performance against expectations, as well as changes to both the long-term growth rate and discount rate. Management prepared discounted cash flow models to assess the recoverable value of the assets attributable to five:am and Rafferty's Garden CGUs. The key inputs that required judgement are: > Growth rates; and > Discount rates. Management concluded that in both cases, due to there not being a reliable estimate for the calculation of Fair Value Less Costs of Disposal that Value In Use was the most appropriate basis for determining the carrying value of CGUs. As noted above, impairment charges were identified as being required for both CGUs. Further detail in relation to management's impairment considerations has been provided in note 10 to the financial statements. The key inputs noted above have been identified as a key source of estimation uncertainty on page 178. This area has also been a key matter for discussion during the year end by the Audit and Risk Committee, as detailed in its report on pages 104 to 109. Due to the level of judgement in the key inputs, this give rise to the possibility of there being an inherent risk of fraud in this area.
How the scope of our audit responded to the key audit matter	We understood management's process for identifying indicators of impairment and for performing the impairment assessment. We obtained an understanding of key relevant controls relating to asset impairment models, the underlying forecasting processes and the impairment reviews performed. We evaluated and challenged the key assumptions and inputs into the impairment models, which included performing sensitivity analysis, to evaluate the impact of selecting alternative assumptions. In challenging the assumptions, we have: > Considered the appropriateness of the identification of five:am and Rafferty's Garden as distinct CGUs; > Assessed the discount rate applied. In doing so, we involved our internal valuation specialists to evaluate management's discount rates, which involved benchmarking against available market views and analysis; > Understood the extent to which forecasts can be reliably derived by the Company; > Assessed whether forecast cash flows were consistent with Board approved forecasts, including how those forecasts considered the impact of COVID-19 and analysed reasonably possible downside sensitivities. We evaluated the base case forecasts based on our knowledge of the respective businesses and of local macroeconomic factors. We audited the integrity of the impairment models and cash flow forecasts to test arithmetical accuracy. We recalculated the impairments charged and agreed the balances to underlying financial records. We considered the compliance of management's impairment models with the requirements of IAS 36 'Impairment of Assets'. We also reviewed the presentation and disclosure of management's impairment assessment in the financial statements to assess whether the disclosure is consistent with management's methodology and assumptions, and also in line with relevant accounting standards.
Key observations	We have obtained suitable audit evidence to support the base case assumptions adopted by management, and therefore concur with the conclusions of management that the impairments recognised for five:am and Rafferty's Garden are appropriate. For both CGUs, the pre-tax discount rates and growth rates used in management's base case models were optimistic compared to our expected ranges, but the net effect of the differences when applied to management's base cases were not material.

5. Key audit matters continued

5.2. Classification of exceptional items

Key audit matter description	In the year to 31 May 2020, the Group recognised exceptional items pre-tax of £34.4m (FY19: £32.8m) as disclosed in note 3 of the financial statements and within the Audit & Risk Committee report on page 107. Exceptional items, and amounts derived from them such as adjusted profit measures, are considered to be non-GAAP measures on the basis that the exceptional items are not defined within IFRS. Judgement is therefore required in classifying exceptional costs. This judgement has increased in the year as restructuring programmes have continued for a prolonged period. Accordingly, the extent to which costs are truly exceptional rather than relating to underlying trading is a key area of judgement. Similarly, it is important to identify all exceptional items, not only those that are debits to the consolidated income statement, to give balance to the overall position, as noted by the ESMA guidelines on alternative performance measures. Management has included disclosure of its policy in respect of the classification of items as exceptional in note 1. Management have included projects costs; net profits on the disposal of businesses and brands; and impairment charges as exceptional items in the current year. Some of these items are similar in nature to amounts recorded in previous years, as they relate to multi-year restructuring projects. No COVID-19 incomes or costs have been included within exceptional items.
How the scope of our audit responded to the key audit matter	We have performed the following in our response to this key audit matter: > Obtained an understanding of the relevant controls relating to exceptional items; > Substantively tested a sample of the exceptional items recognised in the year to supporting documentation, such as invoices or sale agreements; > Understood the nature of those items recognised and challenged the quantum of these items against the provisions of IAS 1 'Presentation of financial statements' and the Group's published definition of exceptional items; and > Considered the completeness of exceptional items through our testing of other income and expenses. We have reviewed the financial statement disclosures and assessed whether the balance of disclosures are appropriate when reporting non-GAAP measures throughout the financial statements.
Key observations	From the results of our audit procedures, we have identified that a number of assets (including brands in the Middle East and Ghana) have been disposed in the year, generating a profit of £2.2m. The profit has been included in the underlying profit and not within exceptional items. Overall, we have concluded the presentation and prominence of items described as exceptional in the financial statements meet the requirements of IAS 1.

5.3. Management override of controls

Key audit matter description	Following the announcement in December 2019 of the resignation of the Chief Executive Officer, certain matters were brought to the attention of the Company which were subsequently announced in an RNS on 2 April 2020. The matter at hand related to a number of cash payments and withdrawals made by the previous Chief Executive Officer over a period of years that had not previously been disclosed to the Board. Given that they were actions taken by a senior member of management, we considered management override of control to be of greater significance in the current year. As a result, management engaged advisers to carry out work to assess the impact on the control environment as well as the financial results. More details have been provided on page 107.

Key audit matter description continued	In addition and separately, in the year to 31 May 2020, management has identified prior year errors resulting in an increase to net investments in joint ventures of £3.1m; a decrease to cash and short-term deposits of £1.6m; and a decrease to the currency translation reserve of £3.6m. This resulted in an overall decrease to retained earnings at 1 June 2018 of £3.1m (31 May 2019: £3.5m) and an increase to non-controlling interests at 1 June 2018 of £1.0m (31 May 2019: £1.0m). The impact of the adjustments on the income statement for year ended 31 May 2019 is to reduce operating profit by £0.4m which represent losses on permanent equity loans. More details are provided in note 1c to the accounts. These errors related to the following transactions: > Certain foreign exchange losses on a loan with a Group company in Ghana which were not recognised; > Certain intercompany transactions between the UK and Nigeria which were not recognised as costs in Nigeria; and > Certain accounting entries relating to currency revaluation of the Group's permanent equity loans which had been incorrectly stated. In combination, these adjustments represented a material adjustment to the financial statements in prior years.
How the scope of our audit responded to the key audit matter	We responded to the matters identified by carrying out procedures that included: > Challenging and agreeing the scope of review carried out by the advisers; > Carrying out our own additional, focused journal testing to look for journals that we considered had characteristics of being indicative of management override of control. These characteristics included key word searches and transactions where cash withdrawals were posted directly to the income statement; > Increasing our substantive testing for the current financial year across all areas of the financial statements that were subject to testing; > Changing our approach from the prior year to performing more substantive testing as we were not able to rely on controls in respect of any financial cycle or location; > Increasing the levels of review by more senior members of the audit team, and involving a forensic specialist; > Challenging management's consideration of each error identified in the period, against the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.' We challenged management on its process for identifying errors and the completeness of potential adjustments; and > Assessing the disclosures made in the Annual Report and Accounts in relation to both the Group's control environment and the prior period adjustments.
Key observations	From the results of our audit procedures, we did not identify inappropriate journal entries that were indicative of management override of control. We have obtained suitable audit evidence to conclude with management's identification and treatment of prior year errors in line with IAS 8. We conclude that the related disclosures are reasonable and appropriate.

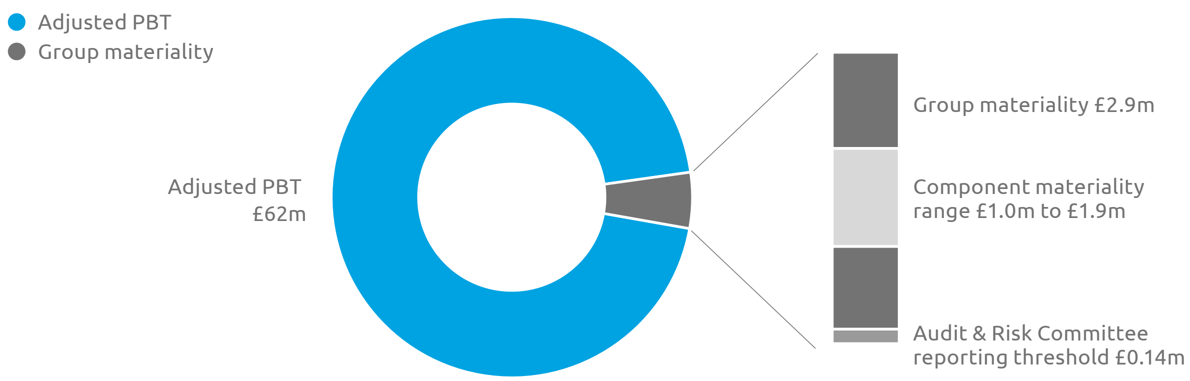
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£2.9m (2019: £3.4m)	£1.4m (2019: £1.4m)
Basis for determining materiality	4.7% of adjusted pre-tax profit, consistent with the prior year. The profit before tax figure has been adjusted for exceptional items only. This has been reconciled on page 30.	Parent Company materiality equates to 1% of net assets, which is capped at 50% of Group materiality (2019: 1% of net assets capped at 40% of Group materiality).
Rationale for the benchmark applied	We consider an adjusted profit before tax measure to be the most relevant measure of performance for the primary user of the accounts, being shareholders. This is on the basis that the adjusted profit before tax is more reflective of the underlying nature and trading of the Group and therefore is considered to be a more representative basis upon which to determine materiality.	We consider that the users of the accounts are most interested in the net assets of the Company on the basis that they will determine the extent to which dividends can be paid.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 50% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- the quality of the control environment and our conclusion, as noted below, that we were not able to rely on controls as noted in section 7.2;
- reduced trading performance leading to additional pressures and incentives for management to override controls;
- high turnover of management or key accounting personnel and the matters noted in the management override of controls key audit matter above; and
- prior period errors found in the current year as noted in the management override of controls key audit matter above.

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £150,000 (2019: £170,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

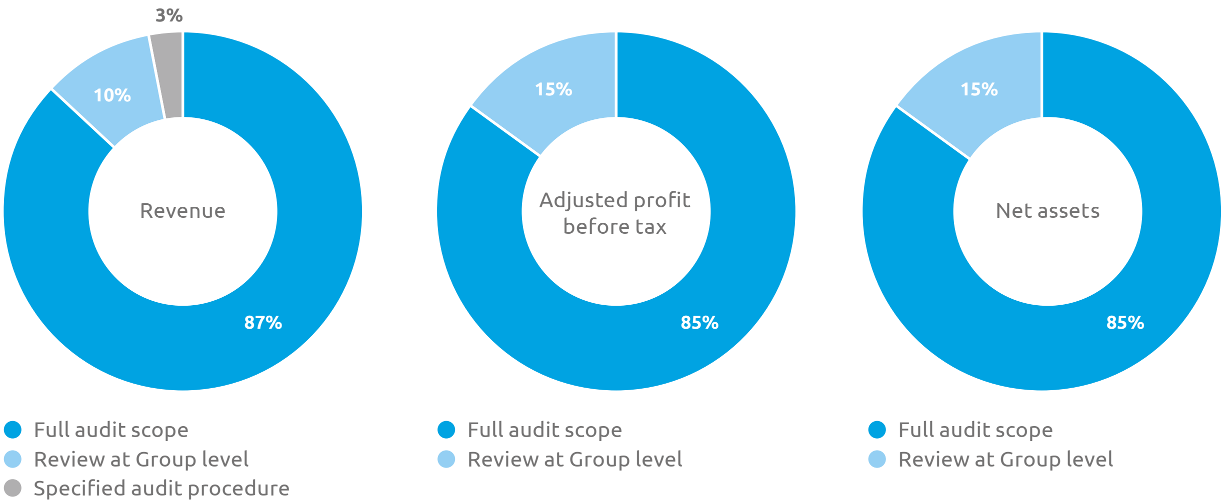
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on this assessment, we focussed our Group audit scope primarily on the audit work relating to 10 components which were subjected to full scope audits. Our full scope audits covered components in the UK, Nigeria, Australia, Kenya and Indonesia. We performed specified audit procedures on three components including Singapore, Ghana and one legal entity within the UK, as well as one trading entity within the US. The Parent Company is located in the UK and audited directly by the Group audit team. In the prior year, the Ghanaian entity was a full scope audit, and the entities in Kenya and the US were not in our Group scope. Furthermore, last year we included the Group's Greek entity in full scope in the prior year, however due to the sale in the current year, we did not include that entity in the current year scope.

As a consequence of the audit scope determined, we achieved coverage of approximately 87% (2019: 84%) of revenue, 85% (2019: 72%) of adjusted profit before tax and 85% (2019: 86%) of net assets. Our audit work at each component was executed at levels of materiality applicable to each individual component which were lower than Group materiality. Component materiality ranged from £1.0m to £1.8m (2019: £0.7m to £2.28m).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.



7.2. Our consideration of the control environment

We identified that the following key IT systems were relevant to the audit:

- SAP, which is the ERP system used across all components of the Group and is used to record the underlying transactions within the Group;
- Promax, which is used within PZ Cussons UK and PZ Cussons Australia to record the underlying transactions in relation to trade promotional spend undertaken with customers; and
- Oracle FCCS, a consolidation tool which is used to consolidate the Group's results as part of the financial reporting process.

We involved IT specialists to test the controls related to these IT systems. We had initially planned to rely upon those IT controls, however we subsequently concluded that this was not appropriate ahead of the year end due to the issues identified by management (which are discussed within the management override of controls section within the key audit matters above). Furthermore, in relation to SAP, we identified that a small number of instances where SAP accounts were not disabled on a sufficiently timely basis following employees leaving the Group, which undermined the access controls in place and removed our ability to rely on those controls.

7. An overview of the scope of our audit continued

7.2. Our consideration of the control environment continued

We had initially planned to rely on controls in the following business cycles for entities that were within full audit scope for the purposes of our Group audit in the UK, Nigeria, Indonesia and Australia:

- Revenue;
- Trade promotional spend;
- Cost of sales;
- Operating expenses;
- Property, plant and equipment;
- Trade receivables;
- Trade payables;
- Accrued expenses.

We subsequently concluded that this was not appropriate ahead of the year end due to the issues identified by management (which are discussed within the management override of controls section within the key audit matters above), together with our inability to place reliance on the IT controls inherent in those business cycles.

7.3. Working with other auditors

The Group audit team designed the audit procedures for all relevant significant risks to be addressed by the component auditors and issued Group referral instructions detailing the nature and form of the reporting required. Due to the global pandemic, our visits to each of the significant finance function locations which were planned were not able to take place. We had planned to visit components in at least Nigeria, Indonesia (which would have included meeting with the Australian component team) and Kenya. Instead, these meetings were carried out by online meetings. We also held a number of online meetings both throughout and after the component audits.

We included all component audit teams in our team briefings, discussed their risk assessment, attended close meetings by conference call and reviewed documentation of the findings from their work remotely.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit & Risk Committee reporting** – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board;
- results of our enquiries of management, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, forensic and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of assets and promotional trade spend. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1. Identifying and assessing potential risks related to irregularities continued

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, the UK Listing Rules, the Bribery Act and UK and overseas pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory solvency requirements, environmental regulations, the regulatory frameworks related to the sale of beauty, cosmetic and healthcare products and employment law.

11.2. Audit response to risks identified

As a result of performing the above, we identified the carrying value of five:am and Rafferty's Garden assets and management override of controls as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explain those matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing the supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud in promotional trade spend, we reviewed the subsequent settlement of the estimates made by management, analysed the key trends in the year and carried out detailed testing over certain agreements that straddled the year end; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the shareholders at the AGM on 27 September 2017 to audit the financial statements for the year ending 31 May 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 2018 to 2020.

14.2. Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jane Boardman BSc FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK

23 September 2020

Consolidated Income Statement

Year ended 31 May 2020

	Notes	Year ended 31 May 2020 Before exceptional items £m	Year ended 31 May 2020 Exceptional items (note 3) £m	Year ended 31 May 2020 Total £m	(Restated)* Year ended 31 May 2019 Before exceptional items £m	(Restated)* Year ended 31 May 2019 Exceptional items (note 3) £m	(Restated)* Year ended 31 May 2019 Total £m
Continuing operations							
Revenue	2	**587.2**	**–**	**587.2**	603.0	–	603.0
Cost of sales		**(360.2)**	**–**	**(360.2)**	(365.0)	–	(365.0)
Gross profit		**227.0**	**–**	**227.0**	238.0	–	238.0
Selling and distribution costs		**(91.7)**	**–**	**(91.7)**	(89.9)	–	(89.9)
Administrative expenses		**(72.0)**	**(32.7)**	**(104.7)**	(71.3)	(28.7)	(100.0)
Share of results of joint ventures	13	**2.8**	**–**	**2.8**	1.7	–	1.7
Operating profit / (loss)	2	**66.1**	**(32.7)**	**33.4**	78.5	(28.7)	49.8
Finance income		**0.9**	**–**	**0.9**	0.5	–	0.5
Finance costs		**(5.0)**	**–**	**(5.0)**	(6.7)	–	(6.7)
Net finance costs	6	**(4.1)**	**–**	**(4.1)**	(6.2)	–	(6.2)
Profit / (loss) before taxation		**62.0**	**(32.7)**	**29.3**	72.3	(28.7)	43.6
Taxation	7	**(14.7)**	**5.0**	**(9.7)**	(15.9)	4.4	(11.5)
Profit / (loss) for the year from continuing operations	4	**47.3**	**(27.7)**	**19.6**	56.4	(24.3)	32.1
Discontinued operations							
Loss from discontinued operations	30	**(2.4)**	**(1.7)**	**(4.1)**	(2.8)	(3.9)	(6.7)
Profit / (loss) for the year		**44.9**	**(29.4)**	**15.5**	53.6	(28.2)	25.4
Attributable to:							
Owners of the Parent	9	**48.5**	**(29.2)**	**19.3**	54.0	(28.3)	25.7
Non-controlling interests		**(3.6)**	**(0.2)**	**(3.8)**	(0.4)	0.1	(0.3)
		44.9	**(29.4)**	**15.5**	53.6	(28.2)	25.4
Basic EPS (p)	9	**11.59**	**(6.98)**	**4.61**	12.91	(6.77)	6.14
Diluted EPS (p)	9	**11.59**	**(6.98)**	**4.61**	12.91	(6.77)	6.14

IFRS 16 was adopted on 1 June 2019 for statutory reporting using the modified approach and therefore prior year figures have not been restated. As a result the primary statements are shown on an IFRS 16 basis for the year to 31 May 2020 and IAS 17 basis for prior periods. Further details are set out in note 1 and note 27.

* The results for the year ended 31 May 2019 have been restated to reflect prior year adjustments. Further details are set out in note 1.

Consolidated Statement of Comprehensive Income

Year ended 31 May 2020

	Notes	2020 £m	(Restated)* 2019 £m
Profit for the year		15.5	25.4
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefit obligations	23	1.9	(2.4)
Deferred tax (loss) / gain on re-measurement of post-employment benefit obligations	21	(0.4)	0.4
Tax on items that will not be subsequently reclassified to profit or loss		–	(0.6)
Total items that will not be reclassified to profit or loss		1.5	(2.6)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(6.6)	(2.3)
Cash flow hedges – fair value (loss) / gain in year net of taxation	18	(0.4)	0.6
Cost of hedging reserve	18	0.1	(0.3)
Recycle of equity reserves on disposal of subsidiary	31	(8.6)	–
Total items that may be subsequently reclassified to profit or loss		(15.5)	(2.0)
Other comprehensive expense for the year net of taxation		(14.0)	(4.6)
Total comprehensive income for the year		1.5	20.8
Attributable to:			
Owners of the Parent		5.5	21.3
Non-controlling interests		(4.0)	(0.5)

* The results for the year ended 31 May 2019 have been restated to reflect prior year adjustments. Further details are set out in note 1.

Consolidated Balance Sheet

At 31 May 2020

	Notes	31 May 2020 £m	(Restated)* 31 May 2019 £m	(Restated)* 1 June 2018 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	10	**304.4**	369.2	400.2
Property, plant and equipment	11	**106.9**	148.8	156.6
Long-term right-of-use assets	27	**13.7**	–	–
Other investments		**–**	–	0.3
Net investments in joint ventures	13	**40.9**	36.9	26.0
Trade and other receivables	15	**–**	–	0.4
Deferred taxation assets	21	**15.4**	10.4	–
Tax receivable	7	**6.9**	–	–
Retirement benefit surplus	23	**42.9**	36.3	33.3
		531.1	601.6	616.8
Current assets				
Inventories	14	**104.6**	131.9	132.6
Trade and other receivables	15	**104.1**	157.5	163.9
Derivative financial assets	18	**0.7**	1.6	–
Current tax receivable		**9.6**	2.1	–
Current asset investments	16	**0.3**	0.3	0.3
Cash and short-term deposits	17	**78.7**	51.9	101.1
		298.0	345.3	397.9
Assets held for sale	12	**20.5**	–	–
		318.5	345.3	397.9
Total assets		**849.6**	946.9	1,014.7
Equity				
Share capital	24	**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Hedging reserve		**–**	0.3	–
Currency translation reserve		**(100.6)**	(84.5)	(81.8)
Other reserve		**(39.0)**	(39.0)	(39.0)
Retained earnings		**526.1**	540.3	551.2
Attributable to owners of the Parent		**391.5**	422.1	435.4
Non-controlling interests		**25.4**	29.2	30.0
Total equity		**416.9**	451.3	465.4
Liabilities				
Non-current liabilities				
Borrowings	18	**127.0**	204.0	–
Trade and other payables	20	**0.4**	0.6	1.0
Long-term lease liability	27	**10.4**	–	–
Deferred taxation liabilities	21	**64.4**	72.1	65.6
Retirement benefit obligations	23	**12.2**	11.3	12.0
		214.4	288.0	78.6

	Notes	31 May 2020 £m	(Restated)* 31 May 2019 £m	(Restated)* 1 June 2018 £m
Current liabilities				
Overdrafts	18	**1.2**	–	16.5
Borrowings	18	**–**	2.0	251.9
Trade and other payables	19	**161.8**	170.6	174.4
Short-term lease liability	27	**3.4**	–	–
Derivative financial liabilities	18	**0.9**	1.0	1.1
Current taxation payable		**47.8**	32.4	25.6
Provisions	22	**3.2**	1.6	1.2
		218.3	207.6	470.7
Total liabilities		**432.7**	495.6	549.3
Total equity and liabilities		**849.6**	946.9	1,014.7

* The balance sheets as at 31 May 2019 and as at 1 June 2018 have been restated to reflect prior year adjustments. Further details are set out in note 1.

The Financial Statements from pages 156 to 231 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

Caroline Silver
23 September 2020

Jonathan Myers

Consolidated Statement of Changes in Equity

	Notes	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Other reserve £m	Hedging reserve £m	Non-controlling interests £m	Total £m
		Attributable to owners of the Parent							
At 1 June 2018 (as previously reported)		4.3	(85.4)	0.7	554.3	(39.0)	–	29.0	463.9
Effect of prior year adjustment		–	3.6	–	(3.1)	–	–	1.0	1.5
At 1 June 2018 (restated)*		4.3	(81.8)	0.7	551.2	(39.0)	–	30.0	465.4
Profit for the year		–	–	–	25.7	–	–	(0.3)	25.4
Other comprehensive income / (expense)									
Re-measurement of post-employment obligations	23	–	–	–	(2.4)	–	–	–	(2.4)
Exchange differences on translation of foreign operations (restated)*		–	(2.1)	–	–	–	–	(0.2)	(2.3)
Cash flow hedges – fair value gains in year net of taxation		–	–	–	–	–	0.6	–	0.6
Cost of hedging reserve		–	–	–	–	–	(0.3)	–	(0.3)
Deferred tax on re-measurement of post-employment obligations	21	–	–	–	0.4	–	–	–	0.4
Tax on other equity related items		–	(0.6)	–	–	–	–	–	(0.6)
Total comprehensive (expense) / income for the year		–	(2.7)	–	23.7	–	0.3	(0.5)	20.8
Transactions with owners:									
Ordinary dividends	8	–	–	–	(34.6)	–	–	–	(34.6)
Non-controlling interests dividend paid		–	–	–	–	–	–	(0.3)	(0.3)
Total transactions with owners recognised directly in equity		–	–	–	(34.6)	–	–	(0.3)	(34.9)
At 31 May 2019 (restated)*		4.3	(84.5)	0.7	540.3	(39.0)	0.3	29.2	451.3
At 1 June 2019 (restated)*		4.3	(84.5)	0.7	540.3	(39.0)	0.3	29.2	451.3
Transition adjustment upon adoption of IFRS 16 'Leases'		–	–	–	(1.5)	–	–	–	(1.5)
At 1 June 2019		4.3	(84.5)	0.7	538.8	(39.0)	0.3	29.2	449.8
Profit for the year		**–**	**–**	**–**	**19.3**	**–**	**–**	**(3.8)**	**15.5**
Other comprehensive income / (expense)									
Re-measurement of post-employment obligations	23	**–**	**–**	**–**	**1.9**	**–**	**–**	**–**	**1.9**
Exchange differences on translation of foreign operations		**–**	**(6.4)**	**–**	**–**	**–**	**–**	**(0.2)**	**(6.6)**
Cash flow hedges – fair value gains in year net of taxation	18	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**–**	**(0.4)**
Cost of hedging reserve	18	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Sale of subsidiary – recycle of equity reserves		**–**	**(9.7)**	**–**	**1.1**	**–**	**–**	**–**	**(8.6)**
Deferred tax on re-measurement of post-employment obligations	21	**–**	**–**	**–**	**(0.4)**	**–**	**–**	**–**	**(0.4)**
Tax on other equity related items		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income / (expense) for the year		**–**	**(16.1)**	**–**	**21.9**	**–**	**(0.3)**	**(4.0)**	**1.5**
Transactions with owners:									
Ordinary dividends	8	**–**	**–**	**–**	**(34.6)**	**–**	**–**	**–**	**(34.6)**
Non-controlling interests dividend paid		**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Non-controlling interests forfeited dividend		**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Total transactions with owners recognised directly in equity		**–**	**–**	**–**	**(34.6)**	**–**	**–**	**0.2**	**(34.4)**
At 31 May 2020		**4.3**	**(100.6)**	**0.7**	**526.1**	**(39.0)**	**–**	**25.4**	**416.9**

* The results for the year ended 31 May 2019 have been restated to reflect prior year adjustments. Further details are set out in note 1.

Consolidated Cash Flow Statement

Year ended 31 May 2020

	Notes	2020 £m	(Restated)* 2019 £m
Cash flows from operating activities			
Cash generated from operations	26	137.7	82.9
Taxation paid		(16.8)	(10.3)
Interest paid	6	(5.1)	(7.2)
Net cash generated from operating activities		115.8	65.4
Cash flows from investing activities			
Interest income	6	0.9	0.5
Purchase of property, plant and equipment and software	10, 11	(6.7)	(14.1)
Proceeds from sale of assets		0.6	4.1
Cash flow from disposal of companies & businesses		35.2	–
Funding to joint ventures		(1.5)	(6.8)
Net cash generated from / (used in) investing activities		28.5	(16.3)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(0.3)	(0.3)
Dividends paid to Company shareholders	8	(34.6)	(34.6)
IFRS 16 finance lease payments	27	(3.2)	–
Increase in borrowings	17	–	204.0
Repayment of loan facility	17	(79.0)	(250.0)
Net cash used in financing activities		(117.1)	(80.9)
Net increase / (decrease) in cash and cash equivalents		27.2	(31.8)
Cash and cash equivalents at the beginning of the year		51.9	84.6
Effect of foreign exchange rates	17	(1.6)	(0.9)
Cash and cash equivalents at the end of the year	17	77.5	51.9

* The cash flow for the year to 31 May 2019 has been restated to reflect prior year adjustments. Further details are set out in note 1.

Notes to the Consolidated Financial Statements

General information

PZ Cussons Plc is a public limited company registered in England and Wales which is listed on the London Stock Exchange and is domiciled and incorporated in the UK under the Companies Act 2006. The address of the registered office is given on page 234.

These Financial Statements are presented in Pounds Sterling and have been presented in £m to one decimal place. Foreign operations are included in accordance with the policies set out in note 1.

For the year ended 31 May 2020 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies:

Subsidiary Name	Companies House Registration Number
St Tropez Holdings Ltd	05706646
PZ Cussons International Finance Ltd	08589433
Thermacool Engineering Company Ltd	09266188
Bronson Holdings Ltd	09771991

1. Accounting policies

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

The preparation of Financial Statements, in conformity with IFRSs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Key sources of estimation uncertainty can be found on page 178.

The Financial Statements have been prepared on a going concern basis and on a historical cost basis except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Financial Statements have been prepared using consistent accounting policies except as stated below.

a) 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 2019:

- IFRS 16 'Leases'

a) i) IFRS 16 'Leases'

In the current year, the Group, for the first time, has applied IFRS 16 'Leases' (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of IFRS 16 for the Group is 1 June 2019.

The Group has adopted IFRS 16 retrospectively from 1 June 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Balance Sheet on 1 June 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Group is not party to any leases where it acts as a lessor, but the Group does have a number of property and equipment leases.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options, and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

The Group's leasing activities and its accounting policies under IFRS 16 'Leases'
The nature of the Group's leasing activities is mainly properties, with small elements of equipment and cars. Rental contracts are typically made for fixed periods of 1 to 15 years but may have extension options as described in (i) below.

(i) Extension and termination options
Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the FY20 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

1. Accounting policies continued

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset.

The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the Other operating expenses line in the Income Statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the Consolidated Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Approach to transition

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right-of-use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

Practical expedients adopted on transition

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 June 2019.

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group also elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 31 May 2019 instead of performing impairment reviews under IAS 36;
- reliance on the previous identification of a lease (under IAS 17) for all contracts that existed on 1 June 2019;
- exclusion of indirect costs from the measurement of the right-of-use asset at 1 June 2019;
- the accounting for operating leases with a remaining term of less than 12 months as at 1 June 2019 as short-term leases: and
- the use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted above), the Group now recognises right-of-use assets and lease liabilities in the Consolidated Balance Sheet, initially measured at the present value of the future lease payments as described above.

Lease incentives (e.g. rent free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Income Statement, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in other operating expenses.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on-balance sheet into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement. Under IAS 17 operating lease payments were presented as operating cash outflows.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 June 2019 is 4.6%.

Financial impact on adoption of IFRS 16

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities.

The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16.

	As reported at 31 May 2019 £m	Impact of IFRS 16 £m	As at 1 June 2019 £m
Non-current assets			
Right-of-use asset	–	12.4	12.4
Prepayments	**2.1**	(2.1)	–
Deferred tax asset	–	0.4	0.4
Total impact on assets	**2.1**	10.7	12.8
Current liabilities			
Lease liabilities	–	2.8	2.8
Non-current liabilities			
Lease liabilities	–	9.4	9.4
Total impact on liabilities	–	12.2	12.2
Retained earnings			
As previously reported	**540.3**	(1.5)	538.8
Restated retained earnings	**540.3**	(1.5)	538.8

Of the total right-of-use assets of £12.4 million recognised at 1 June 2019, £9.0 million related to leases of property, £3.1 million to leases of vehicles and £0.3 related to machinery.

The table below presents a reconciliation from operating lease commitments disclosed at 31 May 2019 to lease liabilities recognised at 1 June 2019.

	£m
Operating lease commitments disclosed under IAS 17 at 31 May 2019	13.5
Short-term and low-value lease commitments straight-line expensed under IFRS 16	(0.3)
Effect of discounting	(1.0)
Lease liabilities recognised at 1 June 2019	**12.2**

1. Accounting policies continued

In terms of the Income Statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. During the 12 months ended 31 May 2020, in relation to leases under IFRS 16 the Group recognised the following amounts in the Consolidated Income Statement:

	£m
Depreciation	3.0
Interest expense	0.5
Lease payments (not dependent on an index or rate)	(3.7)
	(0.2)

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation'
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'
- Amendments to IAS 19 'Employee Benefits Plan Amendment, Curtailment or Settlement'
- IFRIC 23 'Uncertainty over Income Tax Treatments'

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 May 2020 reporting year and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course:

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28;
- Amendments to IFRS 3 'Business Combinations';
- Amendments to IAS 1 'Presentation of Financial Statements'; and
- Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors'

c) Restatement due to prior year adjustments

In preparing these Financial Statements, management identified a number of errors relating to prior periods. Accordingly, prior year adjustments have been made. Certain of the prior year adjustments reflect historical errors relating to accounting for the effects of changes in foreign exchange rates, IAS 21, and the recognition of reserves, IAS 37. These errors are as follows:

- Certain foreign exchange losses on a loan with a Group company in Ghana were not recognised;
- Certain intercompany transactions between the UK and Nigeria were not recognised as costs in Nigeria; and
- Certain accounting entries relating to currency revaluation of the Group's permanent as equity loans have been incorrectly stated.

The net impact of these three adjustments is to increase net investments in joint ventures at 1 June 2018 by £3.1m (31 May 2019: increase by £1.3m), to decrease cash & short-term deposits at 1 June 2018 by £1.6m (31 May 2019: decrease by £1.6m), to decrease the currency translation reserve at 1 June 2018 by £3.6m (31 May 2019: decrease by £2.2m), to decrease retained earnings at 1 June 2018 by £3.1m (31 May 2019: decrease by £3.5m) and to increase non-controlling interests at 1 June 2018 by £1.0m (31 May 2019: increase by £1.0m). The impact of the adjustments on the Income Statement for the year ending 31 May 2019 is to reduce operating profit by £0.4 million which represents the losses on permanent as equity loans.

These adjustments have been recognised as prior year errors in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' with the Financial Statements restated accordingly. The impact of the prior year adjustments on the affected primary statement line items is shown in the tables below:

	31 May 2019 £m				1 June 2018 £m		
	As previously reported	Adjustment to brought forward reserves	Adjustment (in-year impact)	**As restated**	As previously reported	Adjustment to brought forward reserves	**As restated**
Consolidated Income Statement							
Share of results of joint ventures	2.3	–	(0.6)	**1.7**	1.7	–	**1.7**
Cost of sales (FX)	(437.5)	–	0.2	**(437.3)**	(477.5)	–	**(477.5)**
Operating profit	43.7	–	(0.4)	**43.3**	64.8	–	**64.8**
Profit before tax	37.0	–	(0.4)	**36.6**	59.2	–	**59.2**
Profit attributable to owners of the parent	26.1	–	(0.4)	**25.7**	40.3	–	**40.3**
Consolidated Statement of Other Comprehensive Income							
Profit for the year	25.8	–	(0.4)	**25.4**	41.4	–	**41.4**
Exchange differences on translation of foreign operations	(0.9)	–	(1.4)	**(2.3)**	(29.0)	–	**(29.0)**
Other comprehensive income for the year net of taxation	(3.2)	–	(1.4)	**(4.6)**	(8.4)	–	**(8.4)**
Total comprehensive income for the year	22.6	–	(1.8)	**20.8**	33.0	–	**33.0**
Consolidated Balance Sheet							
Net investments in joint ventures	35.6	3.1	(1.8)	**36.9**	22.9	3.1	**26.0**
Cash and short-term deposits	53.5	(1.6)	–	**51.9**	102.7	(1.6)	**101.1**
Currency Translation Reserve	86.7	(3.6)	1.4	**84.5**	85.4	(3.6)	**81.8**
Retained Earnings	(543.8)	3.1	0.4	**(540.3)**	(554.3)	3.1	**(551.2)**
Equity attributable to owners of the parent	(423.4)	(0.5)	1.8	**(422.1)**	(434.9)	(0.5)	**(435.4)**
Non-controlling interests	(28.2)	(1.0)	–	**(29.2)**	(29.0)	(1.0)	**(30.0)**
Consolidated Statement of Changes in Equity							
Currency Translation Reserve							
At 1 June	85.4	(3.6)	–	**81.8**			
Exchange differences on translation of foreign operations	0.7	–	1.4	**2.1**			
At 31 May	86.7	(3.6)	1.4	**84.5**			
Retained Earnings							
At 1 June	(554.3)	3.1	–	**(551.2)**			
Profit for the year	(26.1)	–	0.4	**(25.7)**			
At 31 May	(543.8)	3.1	0.4	**(540.3)**			
Non-controlling interests							
At 1 June	(29.0)	(1.0)	–	**(30.0)**			
At 31 May	(28.2)	(1.0)	–	**(29.2)**			

1. Accounting policies continued

Basis of consolidation

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficit below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Income Statement in the period of acquisition.

The total profits or losses of subsidiaries are included in the Consolidated Income Statement and the interest of non-controlling interests is stated as the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Comprehensive income attributable to the non-controlling interests is attributed to the non-controlling interests even if this results in the non-controlling interests recognising a deficit balance.

The interest of non-controlling interests in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Where non-controlling interests are acquired, the excess of cost over the value of the non-controlling interest acquired is recorded in equity.

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The fair value of consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', which are recognised and measured at the lower of the assets' previous carrying value and fair value less costs-to-sell. All acquisition costs are expensed as incurred as exceptional items.

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

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement.

Goodwill also includes amounts to reflect deferred tax liabilities established in relation to acquisitions in accordance with IFRS 3 'Business combinations'. Goodwill is initially recognised as an asset and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests in joint ventures

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

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

Revenue recognition

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

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

Trade promotions

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

1. Accounting policies continued

Foreign currencies

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are presented in Sterling, which is the functional currency of the Company, and the presentational currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the actual rate of exchange prevailing on the dates of the transactions, or at average rates of exchange if they represent a suitable approximation to the actual rate. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing balance sheet rate. Exchange differences are recognised in other comprehensive income.

Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

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

Finance income and costs

Finance income is earned on bank deposits and finance costs are incurred on bank borrowings. Both are recognised in the Income Statement in the period in which they are incurred.

Government grants

Government grants related to property, plant and equipment are reflected in the Balance Sheet as deferred income and credited to the Income Statement over the useful lives of the assets concerned. Government grants relating to income are reflected in the Balance Sheet as deferred income and credited to the Income Statement over the period to which the grant relates.

Research and development

Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalisation set out in IAS 38 'Intangible assets'.

Operating profit

Operating profit is the profit of the Group (including share of joint venture profit) before finance income, finance costs and taxation.

Retirement benefit obligations

The Group operates retirement benefit schemes in the UK and for most overseas countries in which it carries out business. Those in the UK are defined benefit schemes and defined contribution schemes; overseas schemes vary in nature depending on local practice. The UK defined benefit schemes were closed to future accrual on 31 May 2008.

The Group accounts for its defined benefit schemes under IAS 19 'Employee Benefits'.

The deficit / surplus of the defined benefit pension schemes is recognised on the Balance Sheet (with surpluses only recognised to the extent that the Group has an unconditional right to a refund) and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and the defined benefit obligation / surplus is updated on an annual basis, by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Pension charges / income recognised in the Income Statement consists of administration charges of the scheme and a cost based on the interest / income on net pension scheme liabilities / surpluses calculated in accordance with IAS 19.

Differences between the actual return on assets and interest income, experience gains and losses and changes in actuarial assumptions are included directly in the Group's Statement of Comprehensive Income.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Exceptional items

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

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

1. Accounting policies continued

Taxation

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

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

The Group makes provisions for current tax payable based on the Directors' best estimate of likely tax liabilities that may arise based on interpretations of current and expected tax legislation. Where tax legislation is not clear or is ambiguous the Directors make estimates of potential tax exposures that are reviewed and revised as additional information becomes available.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

The Group continues to believe that it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. In assessing these income tax uncertainties, management is required to make judgements in the determination of the unit of account, and the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As the Group operates in a multinational tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes known.

Property, plant and equipment

Land and buildings held at the date of transition to IFRS for use in the production or supply of goods or services, or for administration purposes are stated in the Balance Sheet at deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses. All other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight-line method, on the following basis:

Freehold buildings at rates not less than	2%
Leasehold buildings at rates which will reduce the book value to nil on or before the termination of the leases with a minimum of	2%
Plant and machinery not less than	8%
Fixtures, fittings and vehicles not less than	20%

In the case of major projects depreciation is provided from the date the project in question is brought into use. Land and assets in the course of construction are not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement for the year.

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

Property, plant and equipment that is subject to depreciation is 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 suffers impairment is reviewed for possible reversal of the impairment at each balance sheet date.

Other intangible assets

An acquired brand is only recognised on the Balance Sheet where it is supported by a registered trademark, where brand earnings are separately identifiable and the brand could be sold separately from the rest of the business. Brands acquired as part of a business combination are recorded in the Balance Sheet at fair value at the date of acquisition. Trademarks, patents and purchased brands are recorded at purchase cost. In accordance with IAS 36 'Impairment of assets', as the brands have indefinite lives they are tested for impairment annually, and more frequently where there is an indication that the asset may be impaired. Any impairment is recognised immediately in the Income Statement.

The Directors believe that the acquired brands have indefinite lives because, having considered all relevant factors, there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group. Further, the Directors have the intention and the ability to maintain the brands. In forming this conclusion they have not taken into consideration planned future expenditure in excess of that required to maintain the asset at that standard of performance. Indefinite life brands are allocated to the cash-generating units to which they relate and are tested annually for impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as income. Profit or losses on disposal of brands are included within operating profit within exceptional items.

1. Accounting policies continued

Software development

Expenditure on research activities is recognised in the Income Statement as an expense as incurred. Expenditure on development activities directly attributable to the design and testing of identifiable software products and systems are capitalised if the product or systems meet the following criteria:

- the completion of the development is technically and commercially feasible to complete;
- adequate technical resources are sufficiently available to complete development;
- it can be demonstrated that future economic benefits are probable; and
- the expenditure attributable to the development can be measured reliably.

Development activities involve a plan or design for the production of new or substantially improved products or systems. Directly attributable costs that are capitalised as part of the software product or system include employee costs. Other development expenditures that do not meet these criteria as well as ongoing maintenance are recognised as an expense as incurred. Development costs for software are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding ten years) at the point at which they come into use.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated based on standard costs with material price and usage variances apportioned using the periodic unit pricing method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Where net realisable value is lower than cost, provision for impairment is made which is charged to cost of sales in the Income Statement.

Trade receivables

Trade receivables are initially recognised at fair value, normally being the invoiced amount, and subsequently carried at invoiced amount less allowance for expected credit losses, which equals amortised cost since the terms are generally 30 days and the recognition of interest would be immaterial. An estimate of the amount of allowance for expected credit losses is recognised and reduces the carrying amount of the trade receivables. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Bad debts are written off when identified and charged to administrative expenses.

Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts includes cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of deposit. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management.

Where the Group has the legally enforceable right, and has settled balances on a net basis at the reporting date, bank overdrafts and cash balances are offset and presented on a net basis within the Financial Statements.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments
The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and to fluctuations in interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group designates gross positions and hedge documentation is prepared in accordance with IFRS 9.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income, and any ineffective portion is recognised immediately in the Income Statement.

Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

(c) Available for sale financial assets
Available for sale financial assets include current asset investments, which relate to unlisted equity investments. These are held at cost because their fair value cannot be reliably measured.

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

1. Accounting policies continued

Trade payables

Trade payables are initially recognised at fair value, normally being the invoiced amounts, and subsequently measured at invoiced amounts, which equal amortised cost, using the effective interest rate method, since generally the payment terms are such that the impact of discounting would be immaterial.

(a) Trade payables under vendor financing arrangements

Accounts payable under vendor financing arrangements are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables, but are specified in the disclosures. The credit period does not exceed 12 months and the accounts payables are therefore not discounted.

The Group has an arrangement with a bank under which the bank offers vendors the option to receive earlier payment of accounts payables. Vendors utilising the financing arrangement pay a credit fee to the bank. The Group does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. Based on the Group's assessment the liabilities under the vendor financing arrangement are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables with separate disclosures in the notes. The credit period does not exceed 12 months and the accounts payables are therefore not discounted. Account payables under vendor financing arrangements were £4.8m (2019: £6.0m), see note 19.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Investments

Investments (other than interests in joint ventures) are recognised and derecognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as available for sale. Subsequently, investments are measured at cost because those are investments in unquoted equities for which a fair value cannot be reliably measured. Loans to joint ventures, presented in the balance sheet as 'investments' are classified as loans and receivables and measured at amortised cost.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

Capital redemption reserve
Amounts in respect of the redemption of certain of the Company's ordinary shares are recognised in the capital redemption reserve.

Currency translation reserve
On translation of the Group's overseas operations and related balances from their local functional currency to the Group's presentational currency, foreign exchange differences arise, the cumulative effect of which are recognised in the currency translation reserve.

Segmental reporting
Operating segments are identified in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board. For reporting purposes, in accordance with IFRS 8 'Operating Segments', the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report, with the CODM identifying three reporting segments being Europe & the Americas, Asia Pacific and Africa.

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

Share based payments
The Group operates a Performance Share Plan for senior executives, which involves equity-settled share based payments.

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

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.

Accounting estimates and judgements
The Group's significant accounting policies under IFRS have been set by management with the approval of the Audit & Risk Committee. The application of these policies requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period.

1. Accounting policies continued

Key sources of estimation uncertainty

Pensions

The Group's UK defined benefit pension schemes are closed to new members and future accruals. Year-end recognition of the liabilities under these schemes and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the Income Statement and on the pension liability / asset in the Balance Sheet. See note 23 for details of key estimates and assumptions applied in valuing the pension schemes.

Fair value of goodwill, intangible assets and tangible fixed assets

The Group records all intangible assets acquired as part of a business combination at fair value. Intangible assets are deemed to have indefinite lives and as such are not amortised but are subject, as a minimum, to annual tests for impairment. Determining whether intangible assets are impaired requires an estimation of the recoverable amount through determining the value-in-use of the cash-generating units to which the intangible asset relates or the goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The key estimates made by the Group include the discount rate, growth rates in revenue and gross margin and terminal growth rates, details of which are discussed in note 10. Currently the most sensitive estimates relate to the Rafferty's Garden and five:am CGUs. The sensitivity analysis in respect of the recoverable amount of these CGUs is also presented in note 10.

Current tax

The current tax liabilities / assets directly relate to the actual tax payable / receivable on the Group's profits and are determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates, as well as the requirements of IFRIC 23, which has been adopted in the year. Assumptions and judgements are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the Income Statement in the period in which it is determined.

Included within the current tax liability of the Group are four material current tax estimates with carrying values as at 31 May 2020 of £15.3m (2019: £15.4m), £4.1m (2019: £5.5m), £3.9m (2019:£2.7m) and £3.6m (2019: £3.6m).

The tax estimate of £15.3m has arisen due to a difference in technical standpoint between PZ Cussons Plc and a tax authority on a subjective and complex piece of legislation. This difference of opinion has led to an audit of the associated tax returns. This potential tax liability has been provided for in full due to the subjectivity of the legislation. It is expected that the range of possible outcomes could be a liability between £nil and £15.3m.

The tax estimate of £4.1m has arisen due to the risk of non-tax deductibility of a specific category of expense where it has come to light that formal government approval in the relevant jurisdiction may have been be required. Clarification has been published during this fiscal year confirming that this is not an issue for the current tax year or subsequent periods. The provision covers potential historical risk. It is expected that the range of possible outcomes could be a liability between £nil and £4.1m. This potential tax liability has been provided for in full due to the subjectivity of the historic guidance around the requirement for the government approval.

The tax estimate of £3.9m has arisen due to the risk that a tax authority may challenge the arm's length nature of certain intercompany raw material supplies into that jurisdiction. While the cost of the raw material supplied is in line with that charged by third parties there is a risk that this may be challenged. The potential tax liability has been provided for in full due to the subjectivity of transfer pricing in this particular geography. It is expected that the range of possible outcomes could be a liability between £nil and £3.9m.

The tax estimate of £3.6m has arisen due to the risk that a tax authority may challenge the tax residency of a company not incorporated in that jurisdiction. This risk is based on the argument that the past functions of this entity could suggest tax residency outside of the incorporation jurisdiction. While the functions of this entity have been altered to address this risk going forwards, the risks associated with past years remain until such time that the tax status of this entity has been audited by the relevant authorities. The potential tax liability has been provided in full due to the subjectivity of the legislation around the tax residency of the entity based on previous functions. It is expected that the range of possible outcomes could be a liability between £nil and £3.6m.

Critical areas of judgement

Foreign exchange rates in Nigeria
The Nigerian foreign exchange regime is such that there are currently two official rates of exchange; the Central Bank of Nigeria spot rate ('CBN') and NAFEX.

After closely monitoring the profile of exchange rates accessed by the Group for settlement of transactions throughout the year, and observing a trend towards the majority of the Group's transactions now being settled at NAFEX rates, that is anticipated to continue, the Group concluded that NAFEX is the most appropriate rate to translate Dollar-denominated balances in Nigeria and the results of Nigerian operations as at 31 May 2020.

Basis of recognition of pension scheme surplus
Judgement is applied in the consideration of trustees' rights in relation to pension scheme surpluses. The trust deeds for the Directors' and Main staff plan provide the Group with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in these two UK schemes is recognised in full. Where it is deemed that there is no such unconditional right to refund, such as in the case of the expatriate plan, where the trustees have unilateral rights to wind up the scheme and distribute the surplus to members, no surplus is recognised.

Assessment of useful lives of acquired brands
The Directors are required to assess whether the useful lives of acquired brands are finite or indefinite. Under IAS 38 'Intangible assets', an intangible asset should be regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

In forming their judgement that the acquired brands have indefinite lives, the Directors give consideration to such factors as their expected usage of the brands, typical product life cycles, the stability of the markets in which the brands are sold, the competitive positioning of the brands, and the level of marketing and other expenditure required to maintain the brands.

2. Segmental analysis

The Chief Operating Decision Maker 'CODM' has been identified as the Executive Board which comprises the Chief Executive Officer at the date of this report. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate. For reporting purposes, in accordance with IFRS 8 'Operating segments', the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report.

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

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

2. Segmental analysis continued

Reporting segments

2020	Europe & the Americas £m	Asia Pacific £m	Africa £m	Eliminations £m	Total £m
Gross segment revenue	310.8	194.7	187.5	(105.8)	587.2
Inter segment revenue	(96.3)	(9.5)	–	105.8	–
Revenue	214.5	185.2	187.5	–	587.2
Segmental operating profit before exceptional items and share of results of joint ventures	55.0	18.5	(10.2)	–	63.3
Share of results of joint ventures	–	–	2.8	–	2.8
Segmental operating profit before exceptional items	55.0	18.5	(7.4)	–	66.1
Exceptional items	6.2	(38.0)	(0.9)	–	(32.7)
Segmental operating profit	61.2	(19.5)	(8.3)	–	33.4
Finance income					0.9
Finance cost					(5.0)
Profit before taxation					29.3
Depreciation and amortisation	12.4	4.7	6.8	–	23.9
Impairment of intangible assets	6.3	34.8	–	–	41.1
Impairment of tangible assets	–	1.8	–	–	1.8

2019 (restated)*	Europe & the Americas £m	Asia Pacific £m	Africa £m	Eliminations £m	Total £m
Gross segment revenue	320.3	204.7	208.8	(130.8)	603.0
Inter segment revenue	(119.1)	(11.7)	–	130.8	–
Revenue	201.2	193.0	208.8	–	603.0
Segmental operating profit before exceptional items and share of results of joint ventures	54.2	20.4	2.2	–	76.8
Share of results of joint ventures	–	–	1.7	–	1.7
Segmental operating profit before exceptional items	54.2	20.4	3.9	–	78.5
Exceptional items	(7.3)	(23.7)	2.3	–	(28.7)
Segmental operating profit	46.9	(3.3)	6.2	–	49.8
Finance income					0.6
Finance cost					(6.8)
Profit before taxation					43.6
Depreciation and amortisation	11.0	3.6	6.4	–	21.0
Impairment of intangible assets	–	21.3	–	–	21.3
Impairment of tangible assets	–	1.0	–	–	1.0

* See note 1c) for details.

The Group's Parent Company is domiciled in the UK. The split of revenue from external customers and non-current assets between the UK, Nigeria and rest of the world (Other) is:

2020	UK £m	Nigeria £m	Other £m	Total £m
Revenue	**193.0**	**156.5**	**237.7**	**587.2**
Goodwill and other intangible assets	**271.5**	**2.7**	**30.2**	**304.4**
Property, plant and equipment	**27.0**	**55.1**	**24.8**	**106.9**
Pension surplus	**42.9**	**–**	**–**	**42.9**
Financial instruments	**44.3**	**–**	**–**	**44.3**

2019	UK £m	Nigeria £m	Other £m	Total £m
Revenue	177.0	173.8	252.2	603.0
Goodwill and other intangible assets	279.6	14.1	75.5	369.2
Property, plant and equipment	32.8	71.6	44.4	148.8
Pension surplus	36.3	–	–	36.3
Financial instruments	17.0	7.7	11.0	35.7

The Group analyses its revenue by the following categories:

	2020 £m	2019 £m
Personal Care	**380.0**	387.5
Home Care	**86.0**	91.1
Food & Nutrition	**37.2**	42.2
Electricals	**76.2**	76.8
Other	**7.8**	5.4
	587.2	603.0

3. Exceptional items

Year to 31 May 2020

Exceptional items included within operating profit:	Exceptional items before taxation £m	Taxation £m	Exceptional items after taxation £m
Group structure & systems project	**4.9**	**(1.1)**	**3.8**
Group strategy project	**5.9**	**–**	**5.9**
Profit on sale of Greece business	**(7.9)**	**–**	**(7.9)**
Profit on sale of Luksja Brand	**(5.1)**	**1.4**	**(3.7)**
Impairment of Australian assets	**36.6**	**(5.3)**	**31.3**
	34.4	**(5.0)**	**29.4**

Year to 31 May 2019

Exceptional items included within operating profit:	Exceptional items before taxation £m	Taxation £m	Exceptional items after taxation £m
Group structure and systems project	5.0	(1.1)	3.9
Group strategy project	4.2	–	4.2
Sale of Norpalm investment in Ghana	(3.3)	0.8	(2.5)
Guaranteed Minimum Pension (GMP) past service cost	0.7	(0.1)	0.6
Impairment of Nigerian and Australian assets	26.2	(4.2)	22.0
	32.8	(4.6)	28.2

3. Exceptional items continued

Explanation of exceptional items

Year to May 2020

Group structure and systems project
The Group incurred exceptional costs of £4.9 million relating to the continuation of the project to realign the organisation design to create a more effective operating model. These mainly consist of restructuring costs relating to reduction in the organisational model at HQ and in the Regions.

Group strategy project
The Group incurred exceptional costs of £5.9 million relating to the planned disposal of the trade and assets of Nutricima. These costs largely relate to advisory and legal fees and the impairment of the attributable element of the Group's ERP system.

Profit on sale of Greece business
The Group recognised exceptional income of £7.9 million relating to the sale of Minerva, the Greece business. This represents the profit on disposal net of project related costs. More detail is provided in notes 30 & 31.

Profit on sale of Luksja brand
In February 2020, the Group sold the Luksja personal care brand in Poland. Exceptional income of £5.1m has been recognised which represents the profit on disposal net of project related costs. More detail is provided in note 30.

Impairment of Australian assets
The Group performed a review of future growth assumptions in relation to five:am and Rafferty's Garden in Australia and concluded that the value-in-use of these cash-generating units was lower than the carrying value and therefore booked an aggregate impairment charge of £36.6 million (£6.7 million goodwill, £28.1 million other intangible assets and £1.8 million property, plant and equipment) per IAS 36. More detail is provided in note 10.

Year to May 2019

Group structure and systems project
The Group incurred exceptional costs of £5.0 million relating to the project to realign the organisation design to create a more effective operating model. These represent a continuation of the same project on which exceptional costs were recognised in previous years and mainly consist of restructuring costs.

Group strategy project
The Group incurred exceptional costs of £4.2 million relating to the strategic review of the Group's operating units. These costs largely represent professional services fees.

Sale of Norpalm investment in Ghana
In April 2019, the Group sold the Norpalm investment that was held in Ghana. Net proceeds of £3.6 million were received against a book value of £0.3 million resulting in exceptional income of £3.3 million.

Guaranteed Minimum Pension (GMP) past service cost
This relates to the provision required for GMP equalisation following a UK High Court judgement confirming companies are required to equalise male and female members' benefits. As at the half year to 30 November 2018, this provision was estimated at £2.0 million, however the provision as at 31 May 2019 has been revised to £0.7 million following a detailed analysis by the Group's third-party independent actuary.

Impairment of Australian and Nigerian assets
The Group performed a review of future growth assumptions in relation to five:am in Australia and Nutricima in Nigeria and concluded that the value-in-use of these cash-generating units was lower than the carrying value and therefore booked an aggregate impairment charge of £26.2 million (£12.0 million goodwill, £12.8 million other intangible assets and £1.4 million property, plant and equipment) per IAS 36.

4. Profit for the year – analysis by nature

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

	2020 £m	(Restated)* 2019 £m
Net foreign exchange losses	2.8	1.3
Research and development costs	2.4	2.5
Impairment of property, plant and equipment (note 11)	1.8	1.4
Depreciation of property, plant and equipment (note 11)	15.1	16.9
Impairment of intangible assets (note 10)	42.9	24.8
Amortisation of intangible assets (note 10)	6.7	6.2
Depreciation of right-of-use assets (note 27)	3.5	–
Loss / (gain) on disposal of assets	0.1	(3.5)
Raw and packaging materials and goods purchased for resale (note 14)	381.4	418.0
Inventory provisions (note 14)	7.3	5.1
Accounts receivable provisions (note 15)	1.0	1.4
Operating lease rentals	–	2.0
IFRS 16 short-term or low value lease rentals	0.2	–
Employee costs (note 5)	80.1	91.7
Auditor's remuneration (see below)	2.1	0.8

* See note 1c) for details.

Auditor's remuneration

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

	2020 £m	2019 £m
Fees payable to the Company's Auditor for the audit of the Company's annual Financial Statements and Consolidation	0.9	0.2
Fees payable to the Company's Auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	1.1	0.6
Total audit fees	2.0	0.8
Fees payable to the Company's Auditor and its associates for other services:		
– Audit-related assurance services	0.1	–
Total fees	2.1	0.8

Fees for permitted non-audit services paid to the Company's Auditor totalled £43,000 (2019: £42,000).

5. Directors and employees

Employee costs

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

	2020 Number	2019 Number
Production	2,253	2,476
Selling and distribution	870	991
Administration	448	519
	3,571	3,986

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

	2020 £m	2019 £m
Wages and salaries	73.0	81.1
Social security costs	3.7	5.3
Other pension costs	3.4	5.3
	80.1	91.7

The other pension costs consist of:

	2020 £m	2019 £m
Defined benefit schemes (note 23)	–	0.7
Defined contribution schemes (note 23)	2.7	3.9
Nigerian gratuity scheme (note 23)	0.7	0.7
	3.4	5.3

All current Executive Directors are included within the defined contribution scheme.

Directors' remuneration

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

	2020 £m	2019 £m
Short-term employee benefits	1.9	1.6
Post-employment benefits	0.1	0.2
Total	2.0	1.8

Additional details are within the Report on Directors' Remuneration on pages 115 to 134.

6. Net finance costs

Continued operations

	2020 £m	2019 £m
Interest receivable on cash deposits	0.9	0.5
Interest income	0.9	0.5
Interest payable on bank loans and overdrafts	(3.6)	(5.1)
Interest payable to external third parties	(0.3)	(0.5)
Interest expense on the lease liabilities recognised on transition to IFRS 16	(0.5)	–
Finance costs incurred on Revolving Credit Facility renewal	(0.6)	(1.1)
Net finance costs	(4.1)	(6.2)

Discontinued operations

	2020 £m	2019 £m
Interest income	–	–
Interest payable	(0.1)	(0.5)
Net finance costs	(0.1)	(0.5)

7. Taxation

	2020 £m	2019 £m
Current tax		
UK corporation tax charge for the year	7.8	4.3
Adjustments in respect of prior years	0.1	0.6
Double tax relief	(0.8)	(1.5)
	7.1	3.4
Overseas corporation tax charge for the year	11.1	10.4
Adjustments in respect of prior years	(0.4)	(0.5)
	10.7	9.9
Total current tax charge	17.8	13.3
Deferred tax		
Origination and reversal of temporary timing differences	(13.8)	(0.4)
Adjustments in respect of prior years	0.4	(0.7)
Effect of rate change adjustments	4.9	(1.0)
Total deferred tax charge	(8.5)	(2.1)
Total tax charge	9.3	11.2

7. Taxation continued

UK corporation tax is calculated at 19% (2019: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group has chosen to use the UK corporation tax rate for the reconciliation of the charge for the year to the profit before taxation per the Consolidated Income Statement, as this is where the majority of the Group's profit is derived.

	2020 £m	2019 £m
Profit before tax	**24.8**	37.0
Tax at the UK tax rate of 19.00% (2019: 19.00%)	**4.7**	7.0
Adjusted for:		
Tax effect of expenses that are not deductible / taxable	**8.7**	8.7
Tax effect of non-taxable income	**(6.8)**	(3.0)
Effect of UK rate change on deferred taxation	**4.9**	(1.0)
Tax effect of share of results of joint ventures	**(0.9)**	(0.6)
Overseas withholding tax suffered	**1.3**	2.3
Net adjustment to amount carried in respect of unresolved tax matters	**0.1**	(1.1)
Creation of deferred tax assets not recognised	**0.2**	0.2
Adjustments in respect of prior years	**0.1**	(0.6)
Difference in foreign tax rates (non-UK residents)	**(3.0)**	(0.7)
Tax charge for the year	**9.3**	11.2

The main movements in the tax reconciliation from the tax at UK corporation tax rate and the actual tax charge for the year are explained as follows:

- The effect of items being treated as non-tax deductible has increased the tax charge for the year by £8.7m. Of this amount, the largest impact is due to non-deductible professional service costs relating to the Group's strategy project, which increased the tax charge by £2.5m. In addition, the impairment of non-deductible goodwill has increased the tax charge by £1.6m.
- The effect of items being treated as non-taxable has reduced the tax charge for the year by £6.8m. The largest impact is due to non-taxable disposal of Minerva S.A., which reduced the tax charge by £4.7m.
- The impact of changes to the enacted corporation tax rates has increased the tax charge by £4.9m. The impact largely relates to the increase in the corporation tax rate in the UK from 17% to 19%.
- Under UK tax law any local withholding taxes are an irrecoverable cost. The impact of the withholding taxes suffered increases the tax charge by £1.3m.
- PZ Cussons Plc is subject to taxation in all of the countries in which it operates. The tax legislation applicable in these countries is often complex and subject to interpretation both by management and government authorities. These judgemental interpretations give rise to quantifiable risks which are provided for on the Balance Sheet. The adjustment this year increases the tax charge by £0.1m.
- The Group operates in a number of overseas tax jurisdictions, which have tax rates in excess of the UK rate. The impact primarily of losses generated in higher tax jurisdictions is a reduction in the tax charge of £5.0m.

The resulting Income Statement tax charge for the year represents a post-exceptional effective tax rate of 37.50% (2019: 30.27%).

The Group continues to believe that it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. In assessing these income tax uncertainties, management is required to make judgements in the determination of the unit of account, and the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As the Group operates in a multinational tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes available and facts and circumstances change.

Taxation on items taken directly to other comprehensive income was a credit of £3.5m (2019: gain of £0.4m) and mainly relates to deferred tax on pensions (charge of £0.4m) and Minerva S.A. (credit of £3.3m).

Gross-up of uncertain tax positions

The Group holds a number of uncertain tax positions within the Group's current tax liability which represents the Group's estimated cash tax outflow should any of these risks crystallise. A number of these tax liabilities are in fact a net position, made up of a liability which would be payable to one competent authority and a corresponding asset which would be recoverable from another competent authority. For the year ended 31 May 2020, the Group has reclassified these corresponding assets into non-current assets. This adjustment has increased non-current assets by £5.7m with a corresponding reduction in current liabilities of the same amount. This revised presentation better reflects the facts and circumstances around these specific uncertain tax positions. It should be noted that this adjustment has had no impact on the Income Statement, net assets or cash flow of the Group for the year ended 31 May 2020.

8. Dividends

	2020 £m	2019 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2019 of 5.61p (2018: 5.61p) per ordinary share	**23.5**	23.5
Interim dividend for the year ended 31 May 2020 of 2.67p (2019: 2.67p) per ordinary share	**11.1**	11.1
	34.6	34.6
Proposed final dividend for the year ended 31 May 2020 of 3.13p (2019: 5.61p) per ordinary share	**13.1**	23.5

The Board is recommending a final dividend of 3.13p (2019: 5.61p) per share, making a total dividend for the year of 5.80p (2019: 8.28p) per share. The gross amount for the proposed final dividend is £13.1 million (2019: £23.5 million).

The date of the Annual General Meeting has been fixed for 26 November 2020. Subject to shareholder approval, dividend warrants in respect of the proposed final dividend will be posted on 3 December 2020 to members on the register at the close of business on 9 October 2020.

9. Earnings per share

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

	2020 Number 000	2019 Number 000
Basic weighted average	418,353	418,332
Diluted weighted average	418,353	418,332

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

	2020 Number 000	2019 Number 000
Average number of ordinary shares in issue during the year	428,725	428,725
Less: weighted average number of shares held by Employee Share Option Trust	(10,372)	(10,393)
Basic weighted average shares in issue during the year	418,353	418,332
Dilutive effect of share incentive plans	–	–
Diluted weighted average shares in issue during the year	418,353	418,332

At 31 May 2020, the Employee Share Option Trust held 10,371,030 ordinary shares (2019: 10,384,591 ordinary shares).

Adjusted earnings per share

From continuing operations

	2020	(Restated)* 2019
Basic earnings per share	5.59p	7.75p
Exceptional items	6.57p	5.83p
Adjusted basic earnings per share	12.17p	13.58p
Diluted earnings per share	5.59p	7.75p
Exceptional items	6.57p	5.83p
Adjusted diluted earnings per share	12.17p	13.58p

* See note 1 for details.

From continuing and discontinued operations

	2020	(Restated)* 2019
Basic earnings per share	4.61p	6.14p
Exceptional items	6.98p	6.77p
Adjusted basic earnings per share	11.59p	12.91p
Diluted earnings per share	4.61p	6.14p
Exceptional items	6.98p	6.77p
Adjusted diluted earnings per share	11.59p	12.91p

* See note 1 for details.

Adjusted basic and diluted earnings per share figures are calculated by dividing adjusted profit after tax for the year by the weighted average number of shares in issue (as above). The adjusted profit after tax for the year is as follows:

From continuing operations

	2020 £m	(Restated)* 2019 £m
Profit attributable to owners of the Parent	**23.4**	32.4
Exceptional items (net of taxation effect)	**27.5**	24.4
Adjusted profit after tax	**50.9**	56.8

From continuing and discontinued operations

	2020 £m	(Restated)* 2019 £m
Profit attributable to owners of the Parent	**19.3**	25.7
Exceptional items (net of taxation effect)	**29.2**	28.3
Adjusted profit after tax	**48.5**	54.0

* See note 1 for details

10. Goodwill and other intangible assets

	Goodwill £m	Software £m	Brands £m	Total £m
Cost				
At 1 June 2018	71.0	55.2	289.1	415.3
Currency retranslation	(0.6)	0.1	(2.7)	(3.2)
Additions	–	0.6	–	0.6
Reclassifications from property, plant and equipment	–	3.1	–	3.1
Revised analysis between cost and amortisation of intangible assets between categories	–	1.0	–	1.0
At 31 May 2019	70.4	60.0	286.4	416.8
Currency retranslation	(0.1)	(0.1)	–	(0.2)
Additions	–	1.7	–	1.7
Sale of subsidiary	(1.2)	(1.0)	(8.9)	(11.1)
Reclassifications from property, plant and equipment	–	2.6	–	2.6
Reclassified as held for sale (note 12)	–	–	(9.2)	(9.2)
At 31 May 2020	**69.1**	**63.2**	**268.3**	**400.6**
Accumulated amortisation				
At 1 June 2018	7.4	7.7	–	15.1
Currency retranslation	–	0.1	–	0.1
Charge for the year	–	6.2	–	6.2
Reclassifications from property, plant and equipment	–	0.4	–	0.4
Revised analysis between cost and amortisation of intangible assets between categories	–	1.0	–	1.0
Impairment loss	12.0	–	12.8	24.8
At 31 May 2019	19.4	15.4	12.8	47.6
Currency retranslation	0.2	–	1.5	1.7
Charge for the year	–	6.8	–	6.8
Sale of subsidiary	–	(1.0)	–	(1.0)
Impairment loss	6.7	6.3	28.1	41.1
At 31 May 2020	**26.3**	**27.5**	**42.4**	**96.2**
Net book values				
At 31 May 2020	**42.8**	**35.7**	**225.9**	**304.4**
At 31 May 2019	51.0	44.6	273.6	369.2

10. Goodwill and other intangible assets continued

Transfers from property, plant and equipment mainly represent the capitalised element of software costs relating to the completion of the Business Planning and Consolidation tool project. Amortisation is charged to administrative expenses in the Income Statement.

Software includes the ERP system (SAP). The carrying value of this asset as at 31 May 2020 is £29.9m, with seven years of amortisation remaining.

The carrying amounts of software are reviewed at each reporting date to determine whether there is any indication of impairment.

Goodwill and other intangible assets (excluding software), which include the Group's acquired brands, all have indefinite useful lives and are subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The method used is as follows:

- intangible assets (including goodwill) are allocated to appropriate cash-generating units (CGUs) based on the smallest identifiable group of assets that generate cash inflows independently in relation to the specific intangible / goodwill.
- the recoverable amounts of the CGUs are determined through value-in-use calculations that use cash flow projections from approved budgets and plans over a period of five years which are then extrapolated beyond the five-year period based on estimated long-term growth rates.

As the Group's other intangible assets, which represent brand values, and goodwill have all arisen from previous business combinations, CGUs have been identified as the business units acquired, as they represent the smallest group of assets which independently generate cash inflows. This is the case for all intangible assets and goodwill other than the Beauty division acquired brands where the CGU has been identified as the overall operating unit.

The table below summarises the allocation of goodwill and other intangible assets to each CGU.

	Goodwill 2020 £m	Goodwill 2019 £m	**Other intangible assets 2020 £m**	Other intangible assets 2019 £m
Original Source	**–**	–	**9.8**	9.8
Beauty division brands	**40.4**	40.4	**188.2**	188.2
Rafferty's Garden	**–**	6.8	**22.9**	35.6
Nutricima	**–**	–	**9.2**	9.6
five:am	**–**	–	**4.3**	20.7
Other[1]	**2.4**	3.8	**0.7**	9.7
Total	**42.8**	51.0	**235.1**	273.6
Reclassified as held for sale:				
Nutricima	**–**	–	**(9.2)**	–
Total	**42.8**	51.0	**225.9**	273.6

1 Other includes goodwill arising on the purchase of shares in PZ Cussons Nigeria Plc.

The carrying value of each CGU as used in the value-in-use model may differ to the values disclosed above due to the inclusion of any non-current assets directly related to driving economic benefit from the brand.

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

Other key assumptions applied in determining value-in-use are:

- growth rates – short-term growth rates are based on the latest approved management forecasts. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate applicable for the geographies in which the CGUs operate;
- terminal growth rates; and
- discount rate – the discount rate is based on a pre-tax Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group as the base discount rate, adjusted for risks specific to each CGU.

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

	Pre-tax discount rate FY20	Pre-tax discount rate FY19	**Long-term growth rate FY20**	Long-term growth rate FY19
Original Source	**6.8%**	9.3%	**0.7%**	1.8%
Beauty division brands	**6.8%**	9.3%	**0.7%**	1.8%
Rafferty's Garden	**7.4%**	10.0%	**2.3%**	2.3%
five:am	**4.4%**	9.3%	**2.3%**	2.3%

The discount rates disclosed above are the pre-tax discount rates applied in the FY20 value-in-use calculations. Discount rates have been used which reflect the similar geographic and product diversification within each CGU's market and the similar risks associated with each CGU.

Long-term growth rates have been set for each CGU based on estimated long-term growth rates for the territories in which the CGUs operate. All CGUs, other than Nutricima, operate in geographies which include the UK, Australia, the USA and central Europe.

Long-term growth rates have been set with reference to estimated long-term GDP growth forecasts which have been deemed an appropriate proxy for long-term growth. The long-term growth rate for the Nutricima CGU reflects the estimated long-term growth rate in the key geography of Nigeria in which the CGU operates and, consistent with the other CGUs, has been set with reference to long-term inflation forecasts.

Having performed the annual impairment tests, impairments on two CGUs totaling £36.6m have been recognised for the year ended 31 May 2020 (31 May 2019: £27.7m). In forming this conclusion the Directors reviewed a sensitivity analysis performed by management, which focused on the reasonably possible downsides of key assumptions, both individually and in reasonably possible combinations, and considered whether these reasonably possible downsides give rise to an impairment, with the conclusion that no reasonable possible changes in key assumptions would cause the recoverable amount of the CGU to be less than the carrying value, other than for Rafferty's Garden and five:am.

For the Rafferty's Garden CGU, the recoverable amount determined by the Directors was £22.9m. As the CGU had a carrying value of £41.8m, the Directors concluded that an impairment of £18.9m was necessary in order to reflect the CGU at the higher of its value-in-use or fair value less costs of disposal as per IAS 36. The key drivers behind the decrease in value in use when compared to prior year include worsening macroeconomic factors which impacted growth rates and the discount rate. In addition, the Directors carried out a strategic review of the export market for China and South East Asian markets, which resulted in a change in the future cash flows expected from the business. A number of these inputs have also changed in the year as a result of the COVID-19 pandemic, which the Directors have considered as part of the forecasted cashflows. The FY20 performance was behind previous expectations due to market share loss in an increasingly competitive market and the failure to grow the export business. Management has revisited the forecasts for this CGU in the outer years i.e. FY21 to FY25 to reflect this changing landscape.

10. Goodwill and other intangible assets continued

The impairment charge of £18.9m has been recognised as an exceptional item in line with the Group's accounting policy and is split across the relative classes of assets as follows: goodwill £6.8m and other intangible assets £12.1m, in accordance with IAS 36 'Impairment of Assets'. The key assumptions considered by the Directors, where a reasonably possible change could give rise to impairment, were the discount factor and terminal growth rate applied to the value-in-use model. Small changes in these inputs could have a material effect on the carrying value of this CGU.

If the discount rate were to increase by 0.5% and the terminal growth rate were to decrease by 0.5%, which whilst not management's current expectation is considered by the Directors to be reasonably possible, this would lead to a further impairment charge of £4.5m.

For the five:am CGU, the recoverable amount determined by the Directors was £4.9m. As the CGU had a carrying value of £22.7m, the Directors concluded that an impairment of £17.8m was necessary in order to reflect the CGU at the higher of its value-in-use or fair value less costs of disposal as per IAS 36. The key drivers behind the decrease in value in use when compared to prior year include worsening macroeconomic factors which impacted growth rates and the discount rate. In addition, the Directors have reflected the failure of the launch of the mass market 'Simply' range which had been forecast to deliver significant scale for the brand and hence incremental cash flows, and has since been de-listed following the launch. Finally the Directors have also factored in the impact of COVID-19 which has seen a significant reduction in the hospitality business and reduced the size of the private label business, and given the current status of the pandemic it is prudent to discount any significant recovery.

The FY20 performance was behind previous expectations due to an increasingly competitive market, failure to grow the export business and the adverse impact of COVID-19. Management has revisited the forecasts for this CGU in the outer years i.e. FY21 to FY25 to reflect this changing landscape.

The impairment charge of £17.8m has been recognised as an exceptional item in line with the Group's accounting policy and is split across the relative classes of assets as follows: other intangible assets £16.0m and property, plant and equipment £1.8m, in accordance with IAS 36 'Impairment of Assets'. The key assumptions considered by the Directors, where a reasonably possible change could give rise to impairment, were the discount factor and terminal growth rate applied to the value-in-use model. Small changes in these inputs could have a material effect on the carrying value of this CGU.

If the discount rate were to increase by 0.5% and the terminal growth rate were to decrease by 0.5%, which whilst not management's current expectation is considered by the Directors to be reasonably possible, this would lead to a further impairment charge of £0.9m.

11. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Assets in the course of construction £m	Total £m
Cost					
At 1 June 2018	121.8	178.4	64.0	12.9	377.1
Currency retranslation	0.7	1.3	0.2	(0.1)	2.1
Additions	0.1	0.7	0.3	12.4	13.5
Disposals	(0.7)	(0.7)	(0.8)	–	(2.2)
Reclassification	0.2	7.9	0.2	(8.3)	–
Reclassification to software within intangible assets	–	–	–	(3.1)	(3.1)
Revised analysis between cost and depreciation of fixed assets within and between categories	(1.5)	3.9	(9.2)	(2.6)	(9.4)
At 31 May 2019	120.6	191.5	54.7	11.2	378.0
Currency retranslation	(2.6)	(3.1)	(0.5)	(0.3)	(6.5)
Additions	0.4	0.2	0.1	4.2	4.9
Disposals	(0.6)	–	(0.6)	(0.1)	(1.3)
Reclassified as held for sale	(6.7)	(17.6)	–	–	(24.3)
Reclassification	0.5	1.8	1.6	(3.9)	–
Disposal of subsidiary	(12.5)	(39.7)	(2.3)	–	(54.5)
Reclassification to software within intangible assets	–	–	–	(2.6)	(2.6)
At 31 May 2020	**99.1**	**133.1**	**53.0**	**8.5**	**293.7**
Accumulated depreciation and amounts written off					
At 1 June 2018	37.1	130.5	52.9	–	220.5
Currency retranslation	0.4	1.4	0.3	–	2.1
Charge for the year	2.1	10.7	4.1	–	16.9
Disposals	(0.4)	(0.7)	(0.8)	–	(1.9)
Reclassification	–	–	–	–	–
Reclassification to software within intangible assets	–	–	(0.4)	–	(0.4)
Revised analysis between cost and depreciation of fixed assets within and between categories	(0.4)	0.1	(9.1)	–	(9.4)
Impairment loss	–	1.4	–	–	1.4
At 31 May 2019	38.8	143.4	47.0	–	229.2
Currency retranslation	(0.6)	(2.0)	(0.4)	–	(3.0)
Charge for the year	1.9	9.5	3.7	–	15.1
Disposals	–	–	(0.6)	–	(0.6)
Reclassified as held for sale	(2.1)	(14.3)	–	–	(16.4)
Reclassification	–	–	–	–	–
Disposal of subsidiary	(3.3)	(34.0)	(2.0)	–	(39.3)
Impairment loss	0.2	1.6	–	–	1.8
At 31 May 2020	**34.9**	**104.2**	**47.7**	**–**	**186.8**
Net book values					
At 31 May 2020	**64.2**	**28.9**	**5.3**	**8.5**	**106.9**
At 31 May 2019	81.8	48.1	7.7	11.2	148.8

Depreciation is charged to administrative expenses in the Income Statement. At 31 May 2020, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £1.6m (2019: £0.4m). At 31 May 2020, the Group's share in the capital commitments of the joint ventures was £nil (2019: £nil).

12. Assets held for sale

On 18 March 2020, the Group exchanged contracts for the sale of the trade and assets associated with Nutricima Ltd, which carried out the Group's Food & Nutrition operations in Africa. As at 31 May 2020 this sale is subject to approval by the competition authorities and therefore the associated assets have been classified as 'held for sale' in accordance with IFRS 5.

The assets included in the sale, which have been classified as 'held for sale' are as follows. These assets have been reviewed for impairment against the expected sales proceeds and no impairment was required.

	2020 £m
Assets	
Intangible assets (note 10)	**9.2**
Property, plant and equipment (note 11)	**7.9**
Inventory (note 14)	**3.4**
Total	**20.5**

See Note 30 for further information on discontinued operations.

13. Net investments in joint ventures

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

Net investments in joint ventures include the Group's equity investment in joint ventures, long-term loans issued to joint ventures and the Group's share of the joint ventures' net assets.

The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Long-term loans issued to joint ventures	Group's share of net assets / (liabilities) of joint ventures	Net investments in joint ventures
Carrying value			
At 1 June 2018 (Restated)*	33.0	(7.0)	26.0
Increased funding to joint ventures in year	6.8	–	6.8
Increased equity investment	–	2.1	2.1
Exchange differences on translation of overseas net liabilities recognised in equity	–	(0.7)	(0.7)
Exchange differences on translation of foreign currency loans classified as 'permanent as equity' recognised in equity	2.0	(1.0)	1.0
Share of result for the year taken to the Income Statement	–	1.7	1.7
At 31 May 2019 (Restated)*	**41.8**	**(4.9)**	**36.9**
Increased funding to joint ventures in year	1.5	–	1.5
Exchange differences on translation of overseas net liabilities recognised in equity	–	0.2	0.2
Exchange differences on translation of foreign currency loans classified as 'permanent as equity' recognised in equity	1.1	(1.6)	(0.5)
Share of result for the year taken to the Income Statement	–	2.8	2.8
At 31 May 2020	**44.4**	**(3.5)**	**40.9**

* See note 1 for details

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

Aggregated amounts relating to joint ventures	2020 £m	(Restated)* 2019 £m
Non-current assets		
Tangible fixed assets	57.6	62.0
Current assets		
Cash and cash equivalents	22.5	3.7
Other current assets	47.0	55.8
	69.5	59.6
Total assets	127.1	121.5
Liabilities		
Non-current liabilities	(96.5)	(91.4)
Current liabilities	(37.5)	(39.9)
Total liabilities	(134.0)	(131.3)
Net liabilities	(6.9)	(9.8)

Aggregated amounts relating to joint ventures	2020 £m	2019 £m
Revenues	197.4	163.2
Profit before tax for the year	7.1	5.4
Total comprehensive income	2.3	4.7

* See note 1 for details.

The above information reflects the amounts presented in the Financial Statements of the joint venture adjusted for differences in accounting policies between the Group and the joint venture and is before Wilmar International Limited's share of those amounts.

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in note 32.

The Directors review the carrying value of the net investments in joint ventures annually and consider that the financial position of the companies and the recurring annual profits support the carrying value at 31 May 2020.

14. Inventories

	2020 £m	2019 £m
Raw materials and consumables	17.7	30.2
Work in progress	18.6	19.1
Finished goods and goods for resale	68.3	82.6
	104.6	131.9
Assets held for sale (note 12)	3.4	–
	108.0	131.9

During the year ended 31 May 2020, £7.3m (2019: £5.1m) was charged to the Income Statement for slow moving and obsolete inventories. The cost of the inventories recognised as an expense and included in cost of sales amounted to £381.4m (2019: £418.0m). Inventories are stated after provisions for impairment of £5.4m (2019: £2.1m).

15. Trade and other receivables

Receivables due within one year	2020 £m	2019 £m
Trade receivables	100.1	140.1
Less: provision for impairment of trade receivables	(7.9)	(8.4)
Net trade receivables	92.2	131.7
Amounts owed by joint ventures	1.6	2.5
Other receivables	5.6	15.4
Prepayments and accrued income	4.7	7.9
	104.1	157.5

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

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

	2020 £m	2019 £m
At 1 June	(8.4)	(7.0)
Sale of subsidiary	0.4	–
Provision for receivables impairment	(3.4)	(1.4)
Provision utilised during the year	1.5	(0.4)
Provision released during the year	1.8	0.4
Currency translation	0.2	–
At 31 May	(7.9)	(8.4)

Provisions are estimated by management based on the expected credit loss model. The creation and release of provisions for receivables is charged to administrative expenses in the Income Statement. Receivables are written off when all possible routes through which amounts can be recovered have been exhausted.

Trade receivables consist of a broad cross section of the international customer base for which there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account the customers' financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors. The credit period given on sales is mainly 30 days, but ranges from 14 to 90 days (2019: 14 to 90 days) due to the differing nature of trade receivables in the Group's geographical segments.

No other receivables have been deemed to be impaired.

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

	2020 £m	2019 £m
Sterling	29.1	37.6
US Dollar	8.8	10.1
Nigerian Naira	16.1	29.4
Euro	2.2	12.9
Polish Zloty	1.5	2.5
Indonesian Rupiah	15.5	18.0
Ghana Cedi	1.0	–
Australian Dollar	13.5	15.4
Other currencies	4.5	5.8
	92.2	131.7

The following table shows the age of net trade receivables at the reporting date:

	2020 £m	2019 £m
Not past due	**73.3**	103.7
Past due 0-90 days	**19.4**	25.8
Past due 90-180 days	**0.4**	1.6
Past due >180 days	**(0.9)**	0.6
	92.2	131.7

16. Current asset investments

	2020 £m	2019 £m
Unlisted	**0.3**	0.3
	0.3	0.3

17. Cash and cash equivalents

	(Restated)* 1 June 2018 £m	Net cash flow £m	Foreign exchange movements £m	(Restated)* 31 May 2019 £m
Cash at bank and in hand	96.2	(46.4)	(0.8)	49.0
Short-term deposits	4.9	(2.0)	–	2.9
Cash and short-term deposits	101.1	(48.4)	(0.8)	51.9
Overdrafts	(16.5)	16.6	(0.1)	–
Cash and cash equivalents	84.6	(31.8)	(0.9)	51.9
Loans due within one year	(251.9)	249.9	–	(2.0)
Loans due in greater than one year	–	(204.0)	–	(204.0)
Financing liabilities	(251.9)	45.9	–	(206.0)
Current asset investments	0.3	–	–	0.3
Net debt	(167.0)	14.1	(0.9)	(153.8)

	1 June 2019 £m	Net cash flow £m	Foreign exchange movements £m	**31 May 2020 £m**
Cash at bank and in hand	49.0	28.7	0.1	**77.8**
Short-term deposits	2.9	(1.9)	(0.1)	**0.9**
Cash and short-term deposits	51.9	26.8	–	**78.7**
Overdrafts	–	(1.2)	–	**(1.2)**
Cash and cash equivalents	51.9	25.6	–	**77.5**
Loans due within one year	(2.0)	2.0	–	**–**
Loans due in greater than one year	(204.0)	77.0	–	**(127.0)**
Financing liabilities	(206.0)	79.0	–	**(127.0)**
Current asset investments	0.3	–	–	**0.3**
Net debt	(153.8)	104.6	–	**(49.2)**

Any IFRS 16 liabilities have been excluded from the net debt number to support comparison with the prior period.

The effective interest rate on cash and cash equivalents during the year ended 31 May 2020 was 0.9% (2019: 2.7%).

18. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks, including market risk (including foreign currency risk, interest rate risk and price risk), counterparty and credit risk and liquidity risk.

The Group's Treasury function seeks to manage potential adverse effects on the Group's financial performance, by coordinating access to domestic and international financial markets and monitoring and managing the financial risks relating to the operations of the Group.

The Group uses derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

18.1. Classification of financial instruments

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments; and
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value).

Financial assets

£m	2020	2019
Total financial assets at fair value		
Derivatives designated as hedging instruments	**0.7**	1.6
Debt instruments at amortised cost		
Trade and other receivables	**97.8**	147.1
Loans to Joint Venture	**1.6**	2.5
Total current	**99.4**	149.6
Total non-current	**–**	–
Total	**100.1**	151.2

Financial liabilities

£m	Interest rate (%)	Maturity	2020	2019
Current interest-bearing loans and borrowings				
Unsecured borrowings / overdrafts	1.35	2020	**1.2**	2.0
Non-current interest-bearing loans and borrowings at amortised cost				
Senior Revolving Credit Facility	1.28	2023	**127.0**	204.0
Other financial liabilities Fair Valued through Profit or Loss				
Derivatives designated as hedging instruments			**0.9**	1.0
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings				
Trade and other payables			**82.5**	103.6
Total current			**84.6**	106.6
Total non-current			**127.0**	204.0
Total			**211.6**	310.6

18.2. Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk.

The Group's risk management strategy and how it is applied to manage risk is explained in note 18.4.

Derivatives designated as hedging instruments

The Group only applies cash flow hedge accounting with the following risks.

Foreign currency risk

Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The foreign currency risk associated with anticipated sales and purchase transactions is hedged out to 12 months. Basis adjustments are made to the initial carrying amounts of inventories when the inventories are initially recorded.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. This means that there is an economic relationship between the hedging instrument (the foreign exchange forward derivatives) and the hedged item (highly probable forecast sales and purchases in foreign currency).

The notional of the hedging instrument (the derivative) is consistent with the designated amount of the underlying exposure, therefore, hedge ratio is 1:1 in all cases. However, potential future rebalancing can be performed if needed.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other sources of ineffectiveness arising from these hedging relationships are changes in the settlement date or amount. However, the Group reviews all hedges on every reporting date to ensure their effectiveness.

The following table details the foreign currency forward contracts outstanding at the end of the reporting year.

£m	Notional amount	Carrying amount	Change in fair value used for measuring ineffectiveness for the year
As at 31 May 2020			
Assets	**43.2**	**0.7**	**0.8**
Liabilities	**13.4**	**0.9**	**0.1**
As at 31 May 2019			
Assets	51.2	1.6	1.4
Liabilities	25.6	1.0	1.0

As at 31 May 2020, the aggregate amount of gains under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to these anticipated future purchase transactions is a gain of £0.2m million (2019: loss of £0.5 million). It is anticipated that the purchases will take place during the 12 months of the next financial year at which time the amount deferred in equity will be removed from equity and included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months of purchase.

18. Financial instruments and risk management continued

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

£m	Cash flow reserve	Cost of hedging reserve
As at 1 June 2018	–	–
Effective portion of changes in fair value arising from:		–
Sales & Purchases	0.7	(0.2)
Amount reclassified to profit or loss	(0.1)	–
Amount transferred to inventories	–	–
Tax effect	–	–
As at 1 June 2019	–	–
Effective portion of changes in fair value arising from:		–
Sales & Purchases	0.3	–
Amount reclassified to profit or loss	(0.5)	0.1
Amount transferred to inventories	–	–
Tax effect	–	–
As at 31 May 2020	**0.4**	**(0.1)**

Interest rate risk

The Group has exposure to interest rate risk, principally in relation to cash and cash equivalents and fixed and floating rate debt facilities. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of an interest rate derivative: a cap option.

In December 2018, the Group bought an interest rate cap (+1.25%) and designated it as a hedging instrument in a cash flow hedge of the GBP debt facility. The terms of this financial option are £75 million notional on 3-month LIBOR floating to fixed, maturing 21 December 2021.

As at 31 May 2020, the change in fair value since the inception of the derivative has been £0.01m. This change in fair value can be split between intrinsic value (£nil) and time value (£0.01m).

18.3. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments only for those groups of financial instruments not accounted for at fair value but at amortised cost, other than those with carrying amounts that are reasonable approximations of fair values:

	2020		2019	
£m	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets				
Non-listed equity investments	**0.3**	**0.3**	0.3	0.3
Total	**0.3**	**0.3**	0.3	0.3
Financial liabilities				
Interest-bearing loans and borrowings				
Floating rate borrowings	**(127.0)**	**(127.0)**	(206.0)	(206.0)
Total	**(127.0)**	**(127.0)**	(206.0)	(206.0)

Management has assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximates to their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Foreign currency forward contracts: Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- Interest rate cap: the Black-Scholes method is used when estimating fair value of this type of financial options. Then, fair value is split between intrinsic value and time value in order to properly allocate the changes in fair value into OCI or profit or loss account, in compliance with IFRS 9.
- Non-listed equity investments income approach – the discounted cash flow method is used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.
- Interest-bearing loans and borrowings.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 May 2020			
£m	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Non-listed equity investments	**0.3**	**–**	**–**	**0.3**
Derivatives designated as hedging instruments	**0.7**	**–**	**0.7**	**–**
Total	**1.0**	**–**	**0.7**	**0.3**
Financial liabilities				
Derivatives designated as hedging instruments	**(0.9)**	**–**	**(0.9)**	**–**
Total	**0.1**	**–**	**(0.2)**	**0.3**

	As at 31 May 2019			
£m	Fair value	Level 1	Level 2	Level 3
Financial assets				
Non-listed equity investments	0.3	–	–	0.3
Derivatives designated as hedging instruments	1.6	–	1.6	–
Total	1.9	–	1.6	0.3
Financial liabilities				
Derivatives designated as hedging instruments	(1.0)	–	(1.0)	–
Total	0.9	–	0.6	0.3

There were no transfers between level 1, 2 and 3 during the current or prior year.

18. Financial instruments and risk management continued

18.4 Financial instruments risk management objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

A. Market risk

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the import and export of goods;
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations; and
- interest rate instruments (cap option) to mitigate the risk of rising interest rates.

The sensitivity analyses in the following sections relate to the position as at 31 May 2020 and 2019. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 May 2020.

The analyses exclude the impact of movements in market variables on the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(a)(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to the fluctuations in foreign currency rates resulting from committed and forecast transactions in foreign currencies, principally in relation to purchases of raw materials. These purchases are typically denominated in US Dollars or Euros.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

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

	2020			2019		
£m	**Assets**	**Liabilities**	**Income Statement**	Assets	Liabilities	Income Statement
Nigerian Naira	**–**	**–**	**(12.6)**	2.1	–	(11.9)
US Dollar	**26.5**	**6.5**	**3.8**	7.7	4.6	6.9
Euro	**3.1**	**4.0**	**–**	2.2	5.3	1.7
Indonesian Rupiah	**–**	**–**	**9.0**	–	–	8.0
Australian Dollar	**–**	**0.2**	**3.4**	–	–	5.8

(a)(ii) Foreign currency sensitivity

This table details the Group's sensitivity to a 5 per cent increase and decrease in currency units against the relevant foreign currencies. 5 per cent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where currency units strengthen 5 per cent against the relevant currency. For a 5 per cent weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

		2020			2019		
£m	**Change**	**Effect on profit before tax**	**Effect on assets**	**Effect on liabilities**	Effect on profit before tax	Effect on assets	Effect on liabilities
Nigerian Naira	+5%	**(0.6)**	**–**	**–**	(0.6)	0.1	–
	-5%	**0.6**	**–**	**–**	0.6	(0.1)	–
US Dollar	+5%	**0.2**	**1.3**	**0.3**	0.3	0.4	0.2
	-5%	**(0.2)**	**(1.3)**	**(0.3)**	(0.3)	(0.4)	(0.2)
Euro	+5%	**0.2**	**0.2**	**0.2**	0.1	0.1	0.3
	-5%	**(0.2)**	**(0.2)**	**(0.2)**	(0.1)	(0.1)	(0.3)
Indonesian Rupiah	+5%	**0.5**	**–**	**–**	0.4	–	–
	-5%	**(0.5)**	**–**	**–**	(0.4)	–	–
Australian Dollar	+5%	**0.2**	**–**	**–**	0.3	–	–
	-5%	**(0.2)**	**–**	**–**	(0.3)	–	–

(b)(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates and their related hedging derivatives.

The Group manages cash balances to protect against adverse changes in rates whilst retaining liquidity. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group considered it appropriate to enter into an interest rate cap (financial option), in which it agrees to receive, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount, when floating rate is above a certain level (strike 1.25%). The Group designated this cap as a hedging instrument in a cash flow hedge, specifying that the time value of the option is a cost of hedging, so that any change in this value is allocated in OCI and, does not therefore impact the profit or loss account.

18. Financial instruments and risk management continued

(b)(ii) Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

£m	Increase / decrease in basis points	Effect on profit before tax	Effect on pre-tax equity
2020			
Sterling	+10	(0.1)	–
	-10	0.1	–
Total		–	–
2019			
Sterling	+10	(0.2)	–
	-10	0.2	–
Total		–	–

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

B. Credit risk

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group has dedicated standards, policies and procedures to control and monitor credit risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating and equity price reviews of the counterparties and by limiting the total amount of exposure to any one party. The maximum exposure to credit risk at the reporting date is the carrying value of each aforementioned class of receivables.

The Group does not believe it is exposed to any material concentrations of credit risk. An analysis of the international long-term credit ratings of counterparties where cash and cash equivalents (including overdrafts) are held is as follows:

	31 May 2020	31 May 2019
£m	Cash and cash equivalents and financial derivatives	Cash and cash equivalents and financial derivatives
AA-	19.7	42.2
A+ to A-	71.1	71.1
BBB+ to BBB-	4.9	3.0
B+ to B-	33.5	11.7
CCC+	–	–
Not rated	5.1	2.3
Total	134.3	130.3

Trade receivables and contract assets

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. As required by IFRS 9, the Group uses the simplified approach in calculating ECLs for trade receivables and contract assets that do not contain a significant financing component. The Group has applied the practical expedient to calculate ECLs using a provision matrix. The Group has assessed that current and forward looking information does not affect its customers' historical default rates and, consequently, the expectation and estimation of the ECLs has not changed.

As stated above, considering the credit ratings of the counterparties, the Group has applied the optional low credit risk operational simplification in assessing the significant increase in credit risk of its debt instruments at fair value through OCI.

C. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The amounts included in the following table for financial guarantee contracts are the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting year, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	31 May 2020				
£m	**< 3 months**	**3 to 12 months**	**1-2 years**	**2-5 years**	**Total**
Non-interest bearing					
Floating interest rate instruments	**1.1**	**–**	**–**	**127.0**	**128.1**
Trade and other payables	**82.5**	**–**	**–**	**–**	**82.5**
Derivatives	**0.4**	**0.5**	**–**	**–**	**0.9**

	31 May 2019				
£m	< 3 months	3 to 12 months	1-2 years	2-5 years	Total
Non-interest bearing					
Floating interest rate instruments	2.0	–	–	204.0	206.0
Trade and other payables	103.2	–	–	–	103.2
Derivatives	0.5	0.5	–	–	1.0

18. Financial instruments and risk management continued

Financing facilities

The Group has access to financing facilities as described below. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

£m	31 May 2020	31 May 2019
Unsecured bank overdraft facilities & short-term loans, reviewed annually and payable at call:		
– Amount used	**(1.1)**	(2.0)
– Amount unused	**133.7**	171.4
Unsecured bill acceptance facilities, bank guarantees & other facilities, reviewed annually:		
– Amount used	**(50.2)**	(12.7)
– Amount unused	**154.6**	248.6
Secured bank loan facilities with maturity dates listed on page 190:		
– Amount used	**(127.0)**	(204.0)
– Amount unused	**198.0**	121.0

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from May 2019. The capital structure of the Group consists of net debt and equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

The Group had net debt positions as at 31 May 2020 and 31 May 2019 respectively, as shown below:

£m	31 May 2020	(Restated)* 31 May 2019
Cash at bank and in hand (see Note 17)	**77.8**	49.0
Short-term deposits (see Note 17)	**0.9**	2.9
Bank overdrafts	**(1.2)**	–
Cash and cash equivalents (see Note 17)	**77.5**	51.9
Current asset investments	**0.3**	0.3
Current interest-bearing loans and borrowings	**–**	(2.0)
Non-current interest-bearing loans and borrowings	**(127.0)**	(204.0)
Net debt	**(49.2)**	(153.8)

* See note 1c) for details.

Any IFRS 16 liabilities have been excluded from the net debt number to support comparison with the prior period and in line with banking definitions related to the Group's debt instruments.

19. Trade and other payables

	2020 £m	2019 £m
Trade payables	77.2	93.8
of which trade payables under vendor financing arrangements	4.8	6.0
Other taxation and social security	5.6	2.1
Other payables	5.3	9.8
Accruals and deferred income	73.7	64.9
	161.8	170.6

For trade payables and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to note 18 for more information on financial instruments classified by category / fair value hierarchy level and management of liquidity risk. The Group has an arrangement with a bank under which the bank offers vendors the option to receive earlier payment of the Group's trade payables. Vendors utilising the financing arrangement pay a credit fee to the bank. The Group does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. In 2019 £2.7m of trade payables under vendor financing arrangements related to the Greek subsidiary which has been disposed of in the year.

20. Other non-current liabilities

	2020 £m	2019 £m
Other payables	0.4	0.6
	0.4	0.6

21. Deferred tax

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Other timing differences £m	Business combinations £m	Accruals and provisions £m	Tax losses £m	Total £m
At 1 June 2018	(16.8)	(2.8)	(6.6)	(2.4)	(48.1)	4.7	6.4	(65.6)
Credit / (charge) to income	3.1	(1.0)	1.0	(4.8)	3.8	0.3	(0.3)	2.1
Credit / (charge) to equity	–	0.4	–	–		–	–	0.4
Currency translation	0.1	(0.1)	(0.1)	(0.2)	1.7	–	–	1.4
Reclassification	2.1	–	–	(2.1)	–	–	–	–
At 31 May 2019	(11.5)	(3.5)	(5.7)	(9.5)	(42.6)	5.0	6.1	(61.7)
Credit / (charge) to income	2.5	(1.5)	–	1.3	5.4	0.6	0.4	8.7
Credit / (charge) to equity	2.0	(0.5)	–	1.8	–	0.3	–	3.4
Currency translation	–	–	–	–	0.4	–	–	0.4
Reclassification	–	–	–	–	–	–	–	–
At 31 May 2020	**(7.0)**	**(5.5)**	**(5.7)**	**(6.4)**	**(36.8)**	**5.9**	**6.5**	**(49.0)**

As at 31 May 2020, the deferred tax liability of £6.4m categorised as 'Other timing differences' predominantly relates to intangible assets of £4.7m (2019: £6.0m), and unrealised foreign exchange movements of £1.5m (2019: £3.1m).

21. Deferred tax continued

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income taxes'. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £m	2019 £m
Deferred tax assets	15.4	10.4
Deferred tax liabilities	(64.4)	(72.1)
	(49.0)	(61.7)

Deferred income taxes at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. For UK deferred income tax, management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred tax assets and liabilities are forecast to be realised. This resulted in a UK deferred income tax rate of 19.0% being used to measure all deferred tax balances as at 31 May 2020 (2019: 17.0%).

Unremitted earnings may be liable to overseas withholding taxes if distributed as dividends. No deferred tax liability has been provided for unremitted earnings of Group companies overseas as these are considered indefinitely reinvested outside the UK. The aggregate amount of temporary differences associated with investment in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately £14.2m as at 31 May 2020 (2019: £13.1m).

Deferred income tax assets are recognised for tax losses brought forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At the balance sheet date, the Group had £6.2m of recognised unused tax losses (2019: £6.1m).

22. Provisions

	Restructuring and warranty provisions £m
At 1 June 2018	1.2
Charged to the Income Statement	1.1
Currency retranslation	–
Used during year	(0.7)
At 31 May 2019	1.6
Charged to the Income Statement	2.0
Currency retranslation	(0.1)
Used during year	(0.3)
At 31 May 2020	**3.2**

Provisions as at 31 May 2020 relate to long-term employee provisions (2020: £2.5m, 2019: £1.5m) and warranty costs in relation to the Africa Electricals division (2020: £0.7m, 2019: £0.1m). The majority of provisions are expected to be utilised in the next 12 months.

23. Retirement benefits

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

Summary of Group retirement schemes

UK retirement benefits

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

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

Current and past employees within these schemes are provided with defined benefits based on service and final salary. The assets of the schemes are administered by trustees and are held in trust funds independent of the Group. In relation to the unfunded plan, the Group made payments during the year to former Directors of £183,636 (2019: £178,747).

Overseas retirement benefits

Outside of the UK the Group operates a number of defined benefit and defined contribution schemes. Included within 'Overseas retirement benefits and similar obligations' below are the unfunded retirement benefit obligations relating to certain of the Group's overseas subsidiaries and other employee related provisions for long service and sick leave.

The Nigerian gratuity scheme is a defined contribution scheme 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 is only applicable to staff employed before 1 January 2007. The scheme is funded directly using the company's cash flow and expensed to the Income Statement appropriately.

Basis of recognition of pension scheme surplus

The trust deeds for the Directors' and Main staff plan provide the Group with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in these two UK schemes is recognised in full.

The trust deed for the Expatriate plan provides the trustees with an unconditional right to wind up the scheme and distribute the surplus to members; therefore the surplus on the Expatriate scheme has not been recognised in the Balance Sheet.

Summary of Group defined benefit schemes (as recorded on the Balance Sheet)

	2020			2019		
	Surplus £m	**Deficit £m**	**Total £m**	Surplus £m	Deficit £m	Total £m
Expatriate plan	**61.4**	**–**	**61.4**	55.9	–	55.9
Directors' plan	**8.0**	**–**	**8.0**	7.6	–	7.6
Main staff plan	**34.9**	**–**	**34.9**	28.7	–	28.7
Unfunded plan	**–**	**(4.5)**	**(4.5)**	–	(4.5)	(4.5)
Other overseas units	**–**	**(7.7)**	**(7.7)**	–	(6.8)	(6.8)
	104.3	**(12.2)**	**92.1**	92.2	(11.3)	80.9
Restriction due to asset ceiling (see note 1)	**(61.4)**	**–**	**(61.4)**	(55.9)	–	(55.9)
Defined benefit asset / (liability) per Group accounts	**42.9**	**(12.2)**	**30.7**	36.3	(11.3)	25.0

23. Retirement benefits continued

UK Schemes Risk Review

The UK's main schemes expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Risk	Description	Mitigation
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate (investment return) determined by direct reference to high-quality corporate bond yields (for IAS 19 purposes) and gilt yields (for statutory funding and long-term funding purposes). If the return on Plan assets is less than these discount rates, the funding position of the Plan will fall.	As part of the financing of the Plans, they invest in assets with higher return expectations than lower risk bonds that are the best match for the Plans' liabilities. To control the resulting investment risk, the Plans invest in diversified portfolios of growth assets with the balances invested in liability-matching bond assets designed to control interest rate risk (see below). The split between growth assets and liability-matching bond assets for each Plan is regularly monitored to ensure investment risk is not excessive given the statutory funding assumptions and the Plans' long-term funding objectives.
Interest risk	A decrease in the corporate bond yield and / or gilt yield will increase the present value of the Plan's liabilities under the IAS 19 and statutory / long-term funding bases respectively.	The Plans make use of liability driven investment techniques to protect them against the majority of the interest rate risk inherent in their liabilities. This is achieved by investing in gilts and investment grade corporate bonds such that changes in the Plans' liabilities due to falling gilt and / or corporate bond yields are offset by similar movements in the value of the Plans' overall assets. Reflecting the Plans' focus on controlling interest risk relative to their statutory and long-term funding bases, the Plans' liability-matching bond portfolios are predominantly invested in gilts, with the balance invested in investment grade corporate bonds to increase the expected return on the Plans' assets in a risk controlled way. In doing so, the exposures to investment grade corporate bonds also help mitigate the interest rate risk inherent in the Plans' IAS 19 liabilities.
Inflation risk	An increase in inflation results in higher benefit increases for members, which results in higher Plan liabilities.	The Plans' liability-matching bond assets are also designed to hedge the majority of the inflation rate risk inherent in the Plans' liabilities. This is achieved by investing in index-linked gilts.
Longevity risk	The value of the Plans' liabilities are calculated by reference to the best estimate of the life expectancy of each Plan's participants. An increase in life expectancy of the Plans' participants will increase the Plans' liabilities.	To help control longevity risk all the Plans are closed to future benefit accrual. The Plans consider additional approaches to mitigating longevity risk, for example by buying annuities with an insurance company to cover the Plans' liabilities.

The movements in the year are as follows:

	Overseas retirement benefits and similar obligations £m	UK retirement benefits and similar obligations £m	Total £m
At 1 June 2018	(7.8)	29.1	21.3
Currency retranslation	(0.1)	–	(0.1)
Interest (expense) / income and administrative expenses	(0.5)	0.4	(0.1)
Contributions paid	–	6.2	6.2
Utilised in the year	0.8	–	0.8
Past service cost	–	(0.7)	(0.7)
Re-measurement gains / (losses)	0.8	(3.2)	(2.4)
At 31 May 2019	(6.8)	31.8	25.0
Currency retranslation	–	–	–
Interest (expense) / income and administrative expenses	(1.3)	0.1	(1.2)
Contributions paid	–	4.7	4.7
Utilised in the year	0.3	–	0.3
Re-measurement gains	0.1	1.8	1.9
At 31 May 2020	**(7.7)**	**38.4**	**30.7**

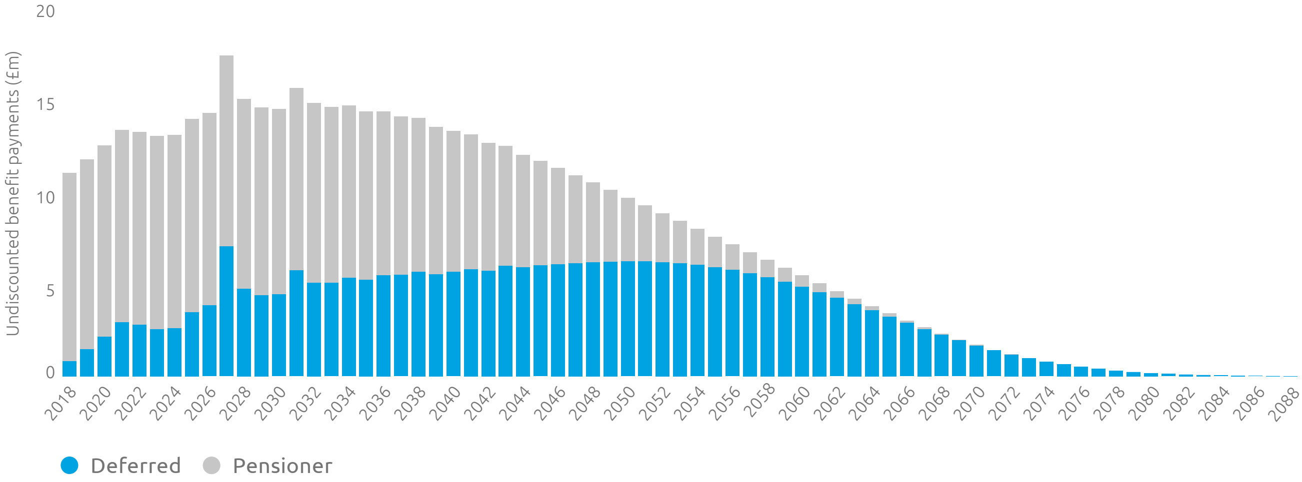
Funding and contributions by the Group

The Directors' and Expatriate plans are fully funded. During the year the employer paid £4.5 million (2019: £6.0m) as a contribution towards the Main plan.

Maturity profile of obligation

The graph below sets out the undiscounted benefit payments that are expected to be paid from the Plans based on the data underlying the actuarial valuations as at 31 May 2020:

Future benefit payments
(funded plans)



Overseas retirement benefits and similar obligations measurement and assumptions used

The most significant overseas scheme as at 31 May 2020 is the Indonesian post-retirement benefit scheme. The obligations have been measured in accordance with IAS 19 (revised) and a discount rate of 8.0% (2019: 8.75%) and salary inflation rate of 8.0% (2019: 8.0%) have been used. The scheme is unfunded and provision for future obligations included in the above table is £7.6m (2019: £6.6m).

UK retirement benefits and similar obligations measurement and assumptions used

The last triennial actuarial valuations of the schemes administered in the UK were performed by independent professional actuaries at 1 June 2018 using the projected unit method of valuation.

For the purposes of IAS 19 (revised) the actuarial valuation as at 1 June 2018, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 May 2020. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures.

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

	2020	2019
Rate of increase in retirement benefits in payment	**2.70%**	3.00%
Discount rate	**1.65%**	2.35%
Inflation assumption	**2.75%**	3.15%

The mortality assumptions used were as follows:

	2020 Years	2019 Years
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations		
– Member age 65 (current life expectancy)	**23.9**	23.9
– Member age 45 (life expectancy at age 65)	**25.5**	25.5

23. Retirement benefits continued

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

	Assets 2020 £m	Assets 2019 £m
1 June	410.0	397.0
Interest income	9.5	11.0
Return of plan assets (excluding interest income)	29.5	11.8
Employer contribution	4.7	6.2
Administrative expenses	(0.7)	(0.5)
Benefits paid	(13.4)	(15.5)
31 May	439.6	410.0

The assets in the schemes were:

	2020 £m	2019 £m	2018 £m
Equities	27.3	23.9	52.3
Bonds	387.1	345.3	288.6
Property	5.9	9.2	9.6
Cash and other	19.3	31.6	46.5
Total fair value of scheme assets	439.6	410.0	397.0
Present value of scheme liabilities	(339.8)	(322.2)	(310.9)
Funded status	99.8	87.8	86.1
Restriction due to asset ceiling	(61.4)	(55.9)	(57.0)
Retirement benefit surplus / (liability)	38.4	31.9	29.1
Related deferred tax (liability) / asset	(7.3)	(5.4)	(4.9)
Net retirement benefit surplus / (liability)	31.1	26.5	24.2

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

The UK schemes investment strategy is set by the trustee after taking appropriate advice from its investment consultant. The trustee's primary objective is to invest the plan's assets in the best interest of the members and beneficiaries. Within this framework the trustee has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various investment risks to which the plan is exposed.

Reconciliation of asset ceiling

	2020 £m	2019 £m
Restriction due to asset ceiling at beginning of year	55.9	57.0
Interest on asset restriction	1.3	1.6
Other changes in asset restriction	4.2	(2.7)
Restriction due to asset ceiling at end of year	61.4	55.9

The movements documented above have been included when reconciling the total assets and obligations of the schemes; however they have been excluded when reconciling the open to closing Group balance sheet position, as the surplus on the scheme has been derecognised.

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

	Obligations 2020 £m	Obligations 2019 £m
1 June	(322.2)	(310.9)
Interest expense	(7.4)	(8.5)
Past service cost	–	(0.7)
Re-measurement gain due to changes in demographic assumptions	0.9	4.6
Re-measurement loss due to changes in financial assumptions	(24.5)	(28.0)
Re-measurement gain due to experience adjustments	–	5.8
Benefits paid	13.4	15.5
31 May	(339.8)	(322.2)
Plans that are wholly or partly funded	(335.3)	(317.7)
Plans that are wholly unfunded	(4.5)	(4.5)
	(339.8)	(322.2)

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

	2020 £m	2019 £m
Net interest on net defined benefit schemes	0.8	0.9
Past service cost	–	(0.7)
Administration expenses paid by the scheme	(0.7)	(0.5)
Net retirement benefit income before taxation	0.1	(0.3)

The above amounts are recognised in the Group's Income Statement in arriving at operating profit.

The reconciliation of the opening and closing Balance Sheet position is as follows:

	2020 £m	2019 £m
Retirement benefit surplus at beginning of year	31.8	29.1
Net pension interest income	0.8	0.9
Administration expenses paid by the scheme	(0.7)	(0.5)
Past service cost	–	(0.7)
Contributions paid	4.7	6.2
Re-measurement gain due to changes in demographic assumptions	0.9	4.6
Re-measurement loss due to changes in financial assumptions	(24.4)	(28.1)
Re-measurement gain due to experience adjustments	–	5.8
Changes in asset ceiling / onerous liability (excluding interest income)	(4.2)	2.7
Return on scheme assets (excluding interest income)	29.5	11.8
Net surplus at end of year	38.4	31.8
Analysed between:		
Retirement benefit surplus	42.9	36.3
Retirement benefit obligation	(4.5)	(4.5)
	38.4	31.8

Re-measurement gains and losses are recognised directly in the Statement of Comprehensive Income.

23. Retirement benefits continued

The sensitivities on the key actuarial assumptions as at the end of the year in relation to the UK schemes were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	Increase of 4.2%
Rate of inflation	Increase of 0.25%	Increase of 3.2%
Rate of mortality	Increase in life expectancy of 1 year	Decrease of 4.0%

The sensitivities on the key actuarial assumptions as at the end of the year in relation to the Overseas schemes were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 1.0%	Increase of 9.7%
Salary rate	Increase of 1.0%	Increase of 9.4%

The sensitivities shown above are approximate. Each sensitivity considers each change in isolation and is calculated using the same methodology as used for the calculation of the defined benefit obligation at the end of the year. The inflation sensitivity includes the impact of changes to the assumptions for the revaluation and pension increases. In practice it is unlikely that the changes would occur in isolation.

During the year ending 31 May 2021 the Group expects to make cash contributions of £nil (2020: £4.5m) to funded defined benefit plans.

The amount recognised as an expense in the Consolidated Income Statement in relation to defined contribution schemes is £2.7m (2019: £3.9m). The amount recognised as an expense in the Consolidated Income Statement in relation to the Nigerian Gratuity Scheme is £0.7m (2019: £0.7m).

24. Share capital

	2020		2019	
	Number 000	**Amount £m**	Number 000	Amount £m
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**428,725**	**4.3**	428,725	4.3
Total called up share capital	**428,725**	**4.3**	428,725	4.3

25. Employee Share Option Trust

Included within Other reserves is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. At 31 May 2020, the trust held 10,371,030 (2019: 10,384,591) ordinary shares with a book value of £40m (2019: £40m). The market value of these shares as at 31 May 2020 was £18.3m (2019: £21.1m). During the year the ESOT purchased nil shares of the Company at a cost of £nil (2019: £nil). The trust has waived any entitlement to dividends in respect of all the shares it holds.

26. Reconciliation of profit before tax to cash generated from operating activities

	2020 £m	(Restated)* 2019 £m
Profit before tax	**24.8**	36.6
Adjustment for net finance costs	**4.2**	6.7
Operating profit	**29.0**	43.3
Depreciation (note 11)	**18.7**	16.9
Amortisation (note 10)	**6.8**	6.2
Impairment of assets	**42.9**	26.2
Loss / (profit) on sale of assets	**0.1**	(3.5)
Profit on disposal of companies & businesses	**(13.0)**	–
Difference between pension charge and cash contributions	**(3.9)**	(6.2)
Share of results from joint ventures	**(1.2)**	(1.7)
Operating cash flows before movements in working capital	**79.4**	81.2
Movements in working capital:		
Inventories	**10.8**	(0.1)
Trade and other receivables	**39.1**	7.5
Trade and other payables	**8.7**	(5.1)
Provisions	**(0.3)**	(0.6)
Cash generated from operating activities	**137.7**	82.9

* See note 1c) for details.

27. IFRS 16 'Leases'

The Group has lease contracts for various items of property, vehicles and other equipment used in its operations. Leases of property generally have lease terms between 3 and 12 years, while motor vehicles and other equipment generally have lease terms between 1 and 4 years.

The Group also has certain leases of vehicles with lease terms of 12 months or less and leases of equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land & buildings £m	Cars £m	Other equipment £m	**Total £m**
As at 1 June 2019	9.0	3.1	0.3	**12.4**
Additions	4.8	–	–	**4.8**
Depreciation	(2.3)	(1.1)	(0.1)	**(3.5)**
As at 31 May 2020	11.5	2.0	0.2	**13.7**

27. IFRS 16 'Leases' continued

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease liability	Total £m
As at 1 June 2019	12.2
Additions	4.7
Accretion of interest	0.5
Payments	(3.7)
As at 31 May 2020	13.7

Current liabilities	3.3
Non-current liabilities	10.4
Total lease liabilities	13.7

The following are the amounts recognised in profit or loss:

	2020 £m
Depreciation expense of right-of-use assets	**3.0**
Interest expense on lease liabilities	**0.5**
Expense relating to short-term or low-value assets	**0.2**
Total amount recognised in profit or loss	**3.7**

A maturity analysis of the future lease payments in respect of the Group's lease liabilities is presented in the table below:

Payments due	**2020 £m**
Less than one year	**3.3**
Between one and five years	**8.5**
Later than five years	**1.9**
	13.7

28. Share based payments

Share based payments are made to senior executives and other selected key individuals throughout the organisation. These are the Performance Share Plan and the Executive Share Option Scheme. The total credit in the year relating to the two schemes was £0.03m (2019: £nil).

Performance Share Plan

The Group operates a Performance Share Plan (PSP) for main Board Executive Directors and certain key senior executives. The extent to which such awards vest will depend upon the Group's performance over the three-year period following the award date. The Group's performance is measured by reference to the growth of adjusted earnings per share over a single three-year period. The fair value of the award is taken as the share price at the date of grant.

In the current year, 1,482,311 awards were made under the PSP scheme (2019: total awards of 1,620,898). The number of shares exercised in the year was nil (2019: nil). In addition, the number of share options which lapsed in the year totalled 1,103,637 (2019: 1,287,692). The number of awards outstanding but not yet exercisable is 4,153,565 at 31 May 2020 (2019: 3,808,909). The total credit included in operating profit in relation to these awards was £nil (2019: £nil).

Executive Share Option Scheme

Prior to the adoption by the Company of the Performance Share Plan in 2008, Executive Directors and certain other senior executives were generally eligible for the grant of options under the PZ Cussons Plc Executive Share Option Scheme. Under this scheme options are exercisable at a price equal to the average quoted market price of the Company's shares on the dealing day before the option is granted. Options are forfeited if the employee leaves the Group for any reason outside of the scheme rules. Options under the scheme are exercisable in a period beginning no earlier than three years from the date of grant and are subject to performance conditions.

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model according to the relevant measures of performance. The model includes adjustments, based on management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived by the models based on these assumptions and other assumptions identified below. The total expense included within operating profit in respect of the share option scheme was £0.03m (2019: £nil).

29. Related party transactions

PZ Wilmar Limited and PZ Wilmar Food Limited

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

- At 31 May 2020 the outstanding loan balance receivable from PZ Wilmar Limited was £36.1m (2019: £33.7m) and from PZ Wilmar Food Limited was £8.3m (2019: £8.1m restated*). These receivables relate to long-term loan investments that have been made by both joint venture partners.
- At 31 May 2020 the outstanding trade receivable balance from PZ Wilmar Limited was £1.1m (2019: £2.2m) and from PZ Wilmar Food Limited was £nil (2019: £nil).

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 31 May 2020 (2019: £nil) and no charge to the Income Statement in respect of doubtful related party receivables (2019: £nil).

Wilmar PZ International Pte Limited

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

- At 31 May 2020 the outstanding other receivable balance from Wilmar PZ International Pte Limited was £0.4m (2019: £0.3m). These receivables relate to services provided by subsidiary companies to Wilmar PZ International Pte Limited.

PZ Foundation

- The PZ Foundation is not a related party within the definition of IAS 24 or the UK Listing Rules. Neither PZ Cussons Plc nor its subsidiaries have effective control or day-to-day management responsibilities for the PZ Foundation and the Group's support is limited to annual donations to support the foundation's charitable works. Disclosure is made in this section on a voluntary basis in the interests of transparency. During the year contributions from the UK to PZ Foundation were £nil (2019: £0.3m). At 31 May 2020 there was no outstanding balances with PZ Foundation (2019: £nil).

* See note 1c) for details.

30. Discontinued operations

During the year, the Group has disposed of, or agreed in principle, the sale of three separate areas of the business. All three disposals were effected as part of the Group's strategy to dispose of non-core brands and activities as part of the Group's Focus, Scale, Accelerate strategy. These were as follows:

On 28 August 2019, the Group entered into a sale agreement to dispose of Minerva S.A., which carried out the Group's Food & Nutrition operations in Greece as part of the Europe & the Americas regional segment. The disposal was completed on 30 September 2019, on which date control of Minerva S.A. passed to the acquirer.

On 12 August 2019, the Group entered into an agreement for the sale of the Polish Personal Care brand Luksja. The sale agreement included the sale of the inventory holding of PZ Polska SA. This disposal was completed on 28 February 2020, on which date rights to the Luksja brand passed to the acquirer.

On 18 March 2020, the Group exchanged contracts for the sale of the assets associated with Nutricima Ltd, which carried out the Group's Food & Nutrition operations in Africa. As at 31 May 2020 this sale is subject to approval by the competition authorities and therefore the associated assets have been classified as 'held for sale' in accordance with IFRS 5.

All three of the above areas of the business have been classified as discontinued in these Financial Statements. The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows:

	Audited 31 May 2020 £m	Minerva S.A.	PZ Polska SA	Nutricima Ltd	Audited 31 May 2019 £m
Revenue	**45.5**	12.3	17.0	16.2	86.5
Expenses	**(50.0)**	(12.3)	(17.9)	(19.8)	(93.2)
Loss before tax	**(4.5)**	–	(0.9)	(3.6)	(6.7)
Attributable tax income	**0.4**	–	–	0.4	–
	(4.1)	–	(0.9)	(3.2)	(6.7)
Profit on disposal of discontinued operations	**13.1**	7.9	5.2	–	–
Attributable tax expense	**(1.4)**	–	(1.4)	–	–
Net profit / loss attributable to discontinued operations (attributable to owners of the Company)	**7.6**	7.9	2.9	(3.2)	(6.7)

The results of the discontinued operations, which have been included in the Consolidated Cash Flow statement, were as follows:

	Audited 31 May 2020 £m	Minerva S.A.	PZ Polska SA	Nutricima Ltd	Audited 31 May 2019 £m
Net cash generated from / (used in) operating activities	**7.2**	1.9	(1.2)	6.5	(6.8)
Net cash generated from / (used in) investing activities	**1.0**	–	0.2	0.8	(1.5)
Net cash generated from financing activities	**–**	–	–	–	0.2
Net increase / (decrease) in cash and cash equivalents	**8.2**	1.9	(1.0)	7.3	(8.1)
Cash and cash equivalents at the beginning of the period	**8.5**	3.9	1.4	3.2	16.9
Effect of foreign exchange rates	**(0.4)**	–	–	(0.4)	(0.3)
Cash and cash equivalents at the end of the period	**16.3**	5.8	0.4	10.1	8.5

31. Disposal of subsidiary

As referred to in note 30, on 30 September 2019 the Group disposed of its interest in Minerva S.A. The net assets of Minerva S.A. at the date of disposal were as follows:

	30 Sept 2019 £m
Property, plant and equipment	15.2
Inventories	9.2
Trade receivable	10.2
Bank balances and cash	5.7
Deferred tax liability	(3.3)
Trade payables	(10.2)
Attributable goodwill and intangibles	10.2
Total net assets	37.0
Impairment of software held by Group company relating to disposed subsidiary	3.1
Deal fees incurred by Group company	1.9
Historical currency reserve crystallised on disposal	(9.7)
Historical revaluation reserve crystallised on disposal	0.7
Profit on disposal of discontinued operations	7.9
Total consideration	40.9
Satisfied by:	
Cash and cash equivalents	40.9
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	40.9
Less: Cash and cash equivalents disposed of	(5.7)
Deal fees incurred	(1.5)
	33.7

There were no disposals of subsidiaries made in 2019.

The impact of Minerva S.A. on the Group's results in the current and prior period is disclosed in note 31.

The gain on disposal is included in the profit for the year from discontinued operations (note 31).

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

Details of the Company's subsidiaries at 31 May 2020 are as follows:

Company	Operation	Incorporated in:	Parent Company's interest	Proportion of voting interest	Registered Office address
Five AM Life Pty Limited	Dormant	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons (Holdings) Pty Limited	Holding company	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons Australia Pty Limited	Manufacturing	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons Beauty Australia (Holdings) Pty Limited	Holding company	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
Rafferty's Garden Pty Limited	Dormant	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
Rafferty's Garden USA Corporation	Dormant	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
United Laboratories Limited	Dormant	Australia	†100%	†100%	Building A, Level 1, 13-15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons (New Zealand) Limited	Distribution	Australia	†100%	†100%	71-77 Richard Pearse Drive, Mangere, Auckland, 2150
Paterson Services (Shanghai) Limited	Dormant	China	†100%	†100%	Sunshine World Building, Room 635, No. 2000 Pudong Avenue, Pudong, Shanghai
Bronson Holdings Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Milk Ventures (UK) Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (Holdings) Limited	Holding company	England	*100%	*100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (International Finance) Limited	Provision of services to Group companies	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (International) Limited	Provision of services to Group companies	England	*100%	*100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (UK) Limited	Manufacturing	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Beauty LLP	Distribution & Holding partnership	England	†100%	†100%	14 Upper St. Martin's Lane, Covent Garden, London, WC2H 9FB
Seven Scent Limited	Manufacturing	England	†100%	†100%	Agecroft Commerce Park, Lamplight Way, Swinton, Manchester, M27 8UJ
St. Tropez Acquisition Co. Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
St. Tropez Holdings Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Thermocool Engineering Company Limited	Dormant	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Ghana Limited	Distribution	Ghana	†90%	†90%	Plot 27/3-27/7, Sanyo Road, Tema, PO Box 628
Parnon (Hong Kong) Limited	Provision of services to Group companies	Hong Kong	†100%	†100%	1/F., Hing Lung Comm. Bldg., 68-74 Bonham Strand, Sheung Wan
PZ Cussons (Hong Kong) Limited	Dormant	Hong Kong	†100%	†100%	Level 54, Hopewell Centre, 183 Queen's Road East
PZ Cussons India PVT Limited	Provision of services to Group companies	India	†100%	†100%	1407, Real Tech Park, 14th Floor, Plot No. 39/2, Sector – 30/A, Vashi, Navi Mumbai, 400705
PT PZ Cussons Indonesia	Manufacturing	Indonesia	†100%	†100%	RDTX Tower 5th Floor JL Prof Satrio KAV E IV/6, Mega Kuningan Jakarta Selatan 12940 Indonesia

Company	Operation	Incorporated in:	Parent Company's interest	Proportion of voting interest	Registered Office address
PZ Cussons (Europe) Limited	Dormant	Ireland	†100%	†100%	The Greenway Ardilaun Court, 112-114 St Stephen's Green, Dublin, DO2 TD28, Ireland
Cussons and Company Limited	Dormant	Kenya	†100%	†100%	PO Box 48597, 00100 GPO, Nairobi
PZ Cussons East Africa Limited	Manufacturing	Kenya	†100%	†100%	PO Box 48597, 00100 GPO, Nairobi
Food For Life International Limited	Dormant	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
Harefield Industrial Nigeria Limited	Distribution	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
HPZ Limited[1]	Manufacturing	Nigeria	†55%	†55%	45/47 Town Planning Way, Ilupeju, Lagos
Nutricima Limited	Manufacturing	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Coolworld Limited	Retail	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Nigeria Plc	Manufacturing	Nigeria	†73%	†73%	45/47 Town Planning Way, Ilupeju, Lagos
Roberts Pharmaceuticals Limited	Dormant	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Polska SA	Distribution	Poland	†100%	†100%	Ul. Chocimska 17, 00-791 Warszawa
PZ Cussons Singapore Private Limited	Provision of services to Group companies	Singapore	†100%	†100%	61 Robinson Road, #08-02 Robinson Centre, Singapore
Guardian Holdings Company Limited	Provision of services to Group companies	Thailand	†49%	†49%	35 Moo 4 Tessamphan Road, Banchang, Muang, Pathumthani 12000
PZ Cussons (Thailand) Limited	Manufacturing	Thailand	†100%	†100%	35 Moo 4 Tessamphan Road, Banchang, Muang, Pathumthani 12000
PZ Cussons Middle East and South Asia FZE	Distribution	UAE	†100%	†100%	JAFZA – 14, 14422, PO Box 17233, Jebel Ali, 17233, Dubai
St. Tropez Inc.	Distribution	USA	†100%	†100%	140 Broadway, 22nd Floor, Suite 2240, New York

1 HPZ Limited is 74.99% owned by PZ Cussons Nigeria Plc and is therefore consolidated.
* Shares held by the Parent Company.
† Shares held by a subsidiary.

Joint venture companies	Operation	Incorporated in:	Parent Company's interest	Registered Office address
PZ Wilmar Food Limited	Manufacturing	Nigeria	†51%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Wilmar Limited	Manufacturing	Nigeria	†49%	45/47 Town Planning Way, Ilupeju, Lagosx
Wilmar PZ International Pte Limited	Provision of services to joint venture companies	Singapore	†50%	56 Neil Road, Singapore

† Shares held by a subsidiary.
All subsidiary entities have a year end of 31 May.

33. Events after the reporting period

By the end of September we expect to complete the sale of the assets associated with Nutricima Ltd, which carried out the Group's food and nutrition operations in Africa. The cash proceeds largely offset the asset values. Upon completion of the transaction, a loss of £34.2m, which will be included within exceptional items, will be recognised in relation to historic foreign exchange reserves.

Post year end an action was filed on behalf of the government of Nigeria with the claim to three properties purchased historically by PZ Cussons. The book value of the properties are £2.5m. The claim is in its early stages and therefore it is not yet clear how the claim would be settled were it successful. This is not specific to PZ Cussons and impacts 150 properties in Lagos, Nigeria.

Company Balance Sheet

	Notes	31 May 2020 £m	(Restated)* 31 May 2019 £m	(Restated)* 1 June 2018 £m
Fixed assets				
Investments	4	**88.7**	103.3	103.3
		88.7	103.3	103.3
Current assets				
Debtors	5	**195.3**	271.8	297.1
Investments	6	**0.3**	0.3	0.3
Cash at bank and in hand		**0.5**	0.3	0.5
		196.1	272.4	297.9
Creditors – amounts falling due within one year	7	**(4.5)**	(5.2)	(257.4)
Net current assets		**191.6**	267.2	40.5
Total assets less current liabilities		**280.3**	370.5	143.8
Creditors – amounts falling due in more than one year		**(127.0)**	(204.0)	–
Net assets		**153.3**	166.5	143.8
Capital and reserves				
Called up share capital	8	**4.3**	4.3	4.3
Capital redemption reserve		**0.7**	0.7	0.7
Hedging reserve		**(0.3)**	(0.3)	–
Other reserve		**(40.0)**	(40.1)	(40.1)
Profit and loss account		**188.6**	201.9	178.9
Total shareholders' funds		**153.3**	166.5	143.8

* See note 1c) for details.

PZ Cussons Plc reported a profit for the financial year ended 31 May 2020 of £21.3m (2019: £57.6m).

The Financial Statements from pages 156 to 231 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

Caroline Silver Jonathan Myers
23 September 2020

PZ Cussons Plc
Registered number 00019457

Company Statement of Changes in Equity

	Notes	Called up share capital £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Profit and loss account £m	Total £m
At 1 June 2018 (restated)*		4.3	0.7	–	(40.1)	178.9	143.8
Profit for the year		–	–	–	–	57.6	57.6
Cost of hedging reserve		–	–	(0.3)	–	–	(0.3)
Total comprehensive income for the year		–	–	(0.3)	–	57.6	57.3
Ordinary dividends	3	–	–	–	–	(34.6)	(34.6)
At 31 May 2019		4.3	0.7	(0.3)	(40.1)	201.9	166.5
At 1 June 2019		4.3	0.7	(0.3)	(40.1)	201.9	166.5
Profit for the year		–	–	–	–	21.3	21.3
Issue of shares from ESOT		–	–	–	0.1	–	0.1
Ordinary dividends	3	–	–	–	–	(34.6)	(34.6)
At 31 May 2020		**4.3**	**0.7**	**(0.3)**	**(40.0)**	**188.6**	**153.3**

* See note 1c) for details.

Notes to the Company Financial Statements

1. Accounting policies

Basis of preparation

The Company Financial Statements of PZ Cussons Plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Financial Statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the Parent Company is not presented with these Financial Statements. The retained profit of the Parent Company is shown in the Statement of Changes in Equity. Details of dividends paid are included in note 8 of the Consolidated Financial Statements.

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its Financial Statements are consolidated into the Group Financial Statements of PZ Cussons Plc which are included within this Annual Report. The shareholders of the Company were notified of the exemptions to be taken by way of an RNS announcement on 4 July 2016 and the shareholders have not objected to the use of the exemptions taken.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
  - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

a) New and amended standards adopted by the Group

IFRS 16 'Leases' is not applicable to the Company's Financial Statements as it does not enter into lease arrangements. There are no other new accounting standards applicable to the Company for this reporting period.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

No standards, amendments or interpretations that are not yet effective and have not been early adopted are expected to have an impact on the Company's Financial Statements.

c) Restatement due to prior year adjustment

During the year, management identified that certain foreign exchange losses with a Group company in Ghana were not being appropriately recognised in the Company's Financial Statements. This loan was previously being presented as a fixed asset investment. The impact of the adjustment is to decrease investments at 1 June 2018 by £3.0m (31 May 2019: decrease by £3.0m), increase intercompany debtors at 1 June 2018 by £0.2m (31 May 2019: increase by £0.2m) and to decrease the profit and loss account at 1 June 2018 by £2.8m (31 May 2019: decrease by £2.8m).

This has been recognised as a prior year error in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' with the Financial Statements restated accordingly. The impact of the prior year adjustment is shown in the table below:

	31 May 2019 £m				1 June 2018 £m		
	As previously reported	Adjustment to brought forward reserves	Adjustment (in-year impact)	As restated	As previously reported	Adjustment to brought forward reserves	As restated
Balance Sheet							
Investments	106.3	(3.0)	–	103.3	106.3	(3.0)	103.3
Debtors owed by Group companies	271.6	0.2	–	271.8	296.9	0.2	297.1
Profit and loss account	204.7	(2.8)	–	201.9	181.7	(2.8)	178.9
Statement of Changes in Equity							
Profit and loss account							
At 1 June	181.7	(2.8)	–	178.9			
At 31 May	204.7	(2.8)	–	201.9			

d) Foreign currencies

Assets and liabilities are translated at exchange rates prevailing at the date of the Company balance sheet. Exchange gains or losses are recognised in the profit and loss account. The Company's functional currency is Sterling as this is the functional currency of the principal operating environment of the Company. The Company Financial Statements have been presented in Sterling and have been rounded to £0.1 of a million.

e) Current tax

The current tax liability / asset directly relates to the actual tax payable / receivable on the Company's profits and is determined based on tax laws and regulations in effect at the year-end date. Assumptions and judgements are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the profit and loss account in the period in which it is determined.

1. Accounting policies continued

f) 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

g) Financial instruments

Financial assets and financial liabilities are recognised on the Company Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments utilised by the Company during the years ended 31 May 2020 and 31 May 2019, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Current asset investments
In accordance with IFRS 9 'Financial instruments', unlisted investments are held in the Company's Balance Sheet at cost because their fair value cannot be measured reliably due to the lack of quoted market prices.

Current assets and liabilities
Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate to their book values.

Classification and measurement of financial instruments
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In the year no loss events have been identified.

Borrowings
The carrying values of cash and short-term borrowings and current asset investments approximate to their fair values because of the short-term maturity of these instruments.

h) Borrowings

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

i) Intercompany debtors

Intercompany debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment based on an expected credit loss model. A provision for impairment of intercompany debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors and is measured as the difference between carrying value and present value of estimated future cash flows. Subsequent recoveries of previously impaired intercompany debtors are recognised as a credit to profit.

j) Intercompany creditors

Intercompany creditors are not interest bearing, repayable on demand and are initially stated at fair value and subsequently measured at amortised cost.

k) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

l) Share capital

The Company is limited by shares and the ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

m) Investments in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Where equity settled share based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investments in subsidiaries are adjusted to reflect this capital contribution.

The carrying amounts of the Company's investments are reviewed annually to determine whether there is any indicator of impairment. If any such indicator exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell or its value-in-use.

An impairment loss is recognised whenever the carrying amount of the investment, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

An impairment loss is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

n) Borrowing costs

Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

o) Own shares held by ESOT

Transactions of the Company-sponsored Employee Share Option Trust (ESOT) are treated as being those of the Company and are therefore reflected in the Company's Financial Statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

1. Accounting policies continued

p) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

q) Share based payments

The Company operates a Performance Share Plan for senior executives, which involves equity-settled share based payments.

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

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the change will be treated as a cash-settled transaction.

r) Critical accounting policies and key sources of estimation uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of Financial Statements under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results.

In the course of preparing the Company's Financial Statements, no key source of estimation uncertainty has been identified. The critical judgements required when preparing the Company's Financial Statements are as follows:

Carrying value of investments in subsidiaries

Annually the Directors consider whether there are any indicators of impairment that may suggest that the recoverable amount of the Company's investments in subsidiaries is less than their carrying amount. The assessment of impairment indicators requires management to apply judgement in assessing current and forecast trading performance as well as assessing the impact of principal risks and uncertainties specific to the investments it holds. Details of the Company's investments are set out in note 4 and in the current year the Directors have concluded that no indicators of impairment existed.

2. Directors' emoluments

	2020 £m	2019 £m
Aggregate amount of Directors' emoluments	**1.7**	1.8
Emoluments of the highest paid Director	**0.5**	0.7

For the year ended 31 May 2020 the highest paid Director received Company pension contributions of £nil (2019: £0.1 million).

Additional information on Directors' emoluments, including details of gains or losses made on the exercise of share options in the year and the Directors' interests in the Group have been included in the Report on Directors' Remuneration on pages 128 and 129.

The Directors are employed by another Group company, PZ Cussons (International) Limited and there are no employees of the Company.

3. Dividends

	2020 £m	2019 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2019 of 5.61p (2018: 5.61p) per ordinary share	**23.5**	23.5
Interim dividend for the year ended 31 May 2020 of 2.67p (2019: 2.67p) per ordinary share	**11.1**	11.1
	34.6	34.6
Proposed final dividend for the year ended 31 May 2020 of 3.13p (2019: 5.61p) per ordinary share	**13.1**	23.5

The proposed final dividends for the years ended 31 May 2019 and 31 May 2020 were / are subject to approval by shareholders at the Annual General Meeting and hence have not been included as liabilities in the Financial Statements at 31 May 2019 and 31 May 2020 respectively.

4. Investments in subsidiaries

	Shares £m	Loans £m	Total £m
Cost and net book value at 1 June 2018 (Restated)*	103.3	–	103.3
Cost at 1 June 2019	103.3	–	103.3
Disposals in the year to 31 May 2020	**(14.6)**	**–**	**(14.6)**
Cost and net value at 31 May 2020	**88.7**	**–**	**88.7**

* See note 1c) for details.

In the current year, the Company disposed of its Greek business, Minerva S.A. For further details see notes 30 and 31 in the Group's Consolidated Financial Statements.

Details of the Company's direct subsidiaries at 31 May 2020 are shown below. For a full listing of all Company subsidiaries see note 32 in the Group's Consolidated Financial Statements.

Subsidiary companies	Operation	Incorporated in:	Parent Company's interest	Proportion of voting interest
PZ Cussons (Holdings) Limited	Holding company	England	100%	100%
PZ Cussons (International) Limited	Provision of services to Group companies	England	100%	100%

5. Debtors

	2020 £m	(Restated)* 2019 £m
Amounts owed by Group companies	**192.2**	266.2
Other receivables	**3.1**	5.6
	195.3	271.8

* See note 1c) for details.

£192.2 million (2019: £264.6 million) of amounts owed by Group companies are interest bearing and are based on market rates of interest. £nil (2019: £1.6 million) of amounts owed by Group companies are non-interest bearing. All of the balances are unsecured and are repayable on demand.

6. Current asset investments

	2020 £m	2019 £m
Unlisted	0.3	0.3

7. Creditors

	2020 £m	2019 £m
Due within one year		
Bank loans and overdrafts	–	–
Amounts owed to Group companies	4.1	4.8
Accruals and deferred income	0.4	0.4
	4.5	5.2
Due in greater than one year		
Bank loans	127.0	204.0
	127.0	204.0

£nil (2019: £0.9 million) of amounts owed to Group companies are interest bearing and are based on market rates of interest. Amounts owed to Group companies are unsecured and have no fixed date of repayment.

Financial instruments and risk management

The Company is exposed to financial risks arising from changes in interest rates. Other financial risks are not considered significant.

The financial instruments held by the Company do not, either individually or as a class, create a potentially significant exposure to market, credit, liquidity or cash flow interest rate risk.

8. Called up share capital

	2020		2019	
Allotted, called up and fully paid:	**Number 000**	**Amount £m**	Number 000	Amount £m
Ordinary shares:				
Ordinary shares of 1p each	428,725	4.3	428,725	4.3
Total called up share capital	428,725	4.3	428,725	4.3

9. Employee Share Option Trust

Included within Other reserves is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. At 31 May 2020, the trust held 10,371,030 (2019: 10,384,591) ordinary shares with a book value of £40.0m (2019: £40.1m). The market value of these shares as at 31 May 2020 was £18.0m (2019: £21.1m). During the year the ESOT purchased nil shares of the Company at a cost of £nil (2019: £nil). The trust has waived any entitlement to dividends in respect of all the shares it holds.

10. Share based payments

Share based payments are made to senior executives and other selected key individuals throughout the Company. These are the Performance Share Plan and the Executive Share Option Scheme. The total credit in the year relating to the two schemes was £0.03m (2019: £nil).

Performance Share Plan

The Company operates a Performance Share Plan (PSP) for main Board Executive Directors and certain key senior executives. The extent to which such awards vest will depend upon the Group's performance over the three-year period following the award date. The Group's performance is measured by reference to the growth of adjusted earnings per share over a single three-year period. The fair value of the award is taken as the share price at the date of grant.

In the current year, 1,482,311 awards were made under the PSP scheme (2019: total awards of 1,620,898). No shares were exercised in the year (2019: nil) at a market value of £nil (2019: £nil) based on the market price at the date of exercise. In addition the number of share options which lapsed during the year totalled 1,103,637 (2019: 1,287,692). The number of awards outstanding but not yet exercisable is 4,153,565 at 31 May 2020 (2019: 3,808,909). The total credit included in operating profit in relation to these awards was £nil (2019: £nil).

11. Contingent liabilities and guarantees

The Company is a guarantor to a borrowing facility relating to loans provided to certain Group UK entities. The amount borrowed under this agreement at 31 May 2020 was £127.0 million (2019: £204.0 million).

12. Events after the reporting period

There were no material events after the balance sheet date.

OTHER INFORMATION

Further statutory and other information

Health & safety

PZ Cussons Plc aims to maintain a safe workplace at all locations in which it operates. We continue to ensure that our business activities are undertaken in a responsible manner and in accordance with all relevant legislation, and that employees at all levels participate in the development, promotion and maintenance of a safe and healthy working environment for employees, visitors and the public. The Company employs health & safety specialists and, where appropriate, provides on-site medical facilities for employees.

The Company continues to monitor and increase standards of health & safety at work through risk assessment, safety audits, formal incident investigation and training. Our investment in plant and equipment enables us to modernise designs and operate safer and more efficient processes. Following the outbreak of COVID-19, the Company has made significant modifications to its facilities and ways of working to ensure the safety of our staff. Such measures have included greater support for remote working, social distancing measures in our facilities, enhanced cleaning procedures, reduced capacity in our offices and protective screens where appropriate.

Employment and staff development

As an international group, and particularly bearing in mind our operations in developing countries, we focus resources on the employment and development of local staff with the intention of assisting both our operations in those countries and the local community. Employees are involved at all levels of decision-making throughout the Group with effective communication via regular consultation groups and briefings. Training is vital to ensuring continuous improvement in performance and over the past year employees of all grades have received training through a wide range of courses.

The employment policies of the Group embody the principles of equal opportunity, training and development and rewards appropriate to local markets, and are tailored to meet the needs of its businesses and the areas in which they operate. This includes procedures to support the Group's policy that disabled persons shall be considered for appropriate employment and subsequent training and career development. The Company continues to share valuable experience and best practice within the Group through employee secondment.

Community and charity

We support a range of charitable causes, both in the UK and overseas, mainly through a UK-based shareholding trust, with additional contributions made through staff time and gifts in kind. PZ Cussons Plc continues to provide assistance and donations to significant global fundraising initiatives and recognises its responsibility to the communities in which it operates. We are committed to establishing and maintaining strong relationships with community groups, particularly in developing markets.

Auditor

Deloitte LLP has signified its willingness to continue in office and a resolution for its re-appointment as External Auditor will be proposed at the forthcoming Annual General Meeting.

Directors' report of PZ Cussons Plc

For the purposes of section 234 of the Companies Act 2006, the Report of the Directors of PZ Cussons Plc for the year ended 31 May 2020 comprises this page and the information contained in the Report of the Directors on pages 135 to 141.

Shareholder information and contacts

Annual General Meeting

The Annual General Meeting will be held at
10.30am on Thursday 26 November 2020 at:

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Financial calendar

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

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Registered number

Company registration number – 00019457

Registrars

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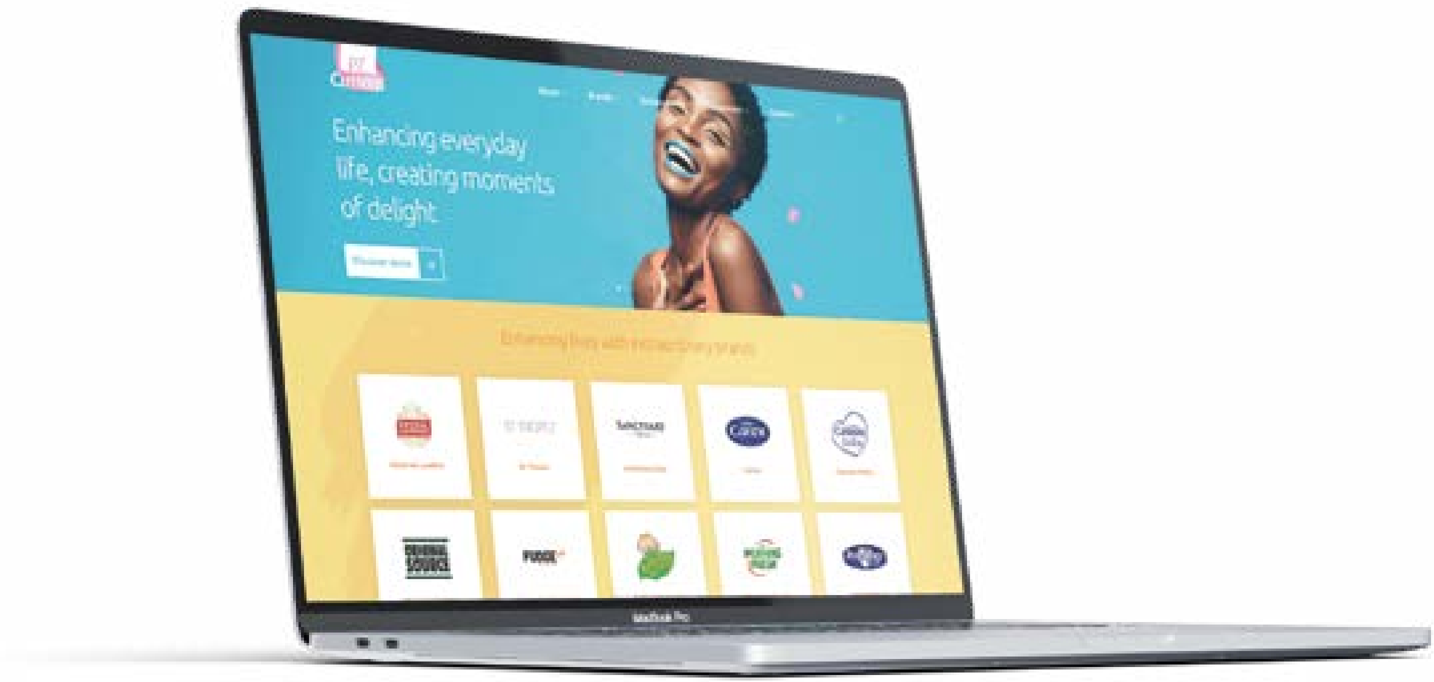
Company Secretary

Kevin Massie

This Annual Report is available at
www.pzcussons.com



Notes

Disclaimer
The purpose of this document is to provide information to the members of PZ Cussons Plc. This document contains certain statements that are forward-looking statements. These statements appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by the applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

This report has been printed in the UK on Heaven 42 paper. This is an environmentally responsible paper manufactured using elemental chlorine-free pulp and is FSC Mixed Sources certified. The printers are accredited to the ISO14001 standard and hold full FSC® chain of custody status. This report has been printed using vegetable-based inks.

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