BUILDING BRANDS FOR LIFE *Today and for future generations*

PZ Cussons plc
Annual Report and Financial Statements 2021

PZ CUSSONS IS A BRANDED CONSUMER GOODS BUSINESS FOR EVERYONE, FOR LIFE, FOR GOOD.

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Building brands for life. Today and for future generations.

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At the heart of everything we do.

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See more online at
www.pzcussons.com

2021 HIGHLIGHTS

A WORD FROM OUR CHAIR

"In the first year of our turnaround, I'm delighted with the progress made by the Group.

The management team has been considerably strengthened, our new CFO has joined and we have benefited from the addition of two new Non Executive Directors. We have a new and well-defined strategy in place and are already delivering against it. We are prioritising consumers, working to build our Must Win Brands and capabilities, and reducing complexity, all with the clear objective of getting us back to sustainable, profitable revenue growth.

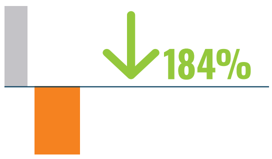
Although our statutory accounts record a loss, driven by historical non cash FX losses on the disposal of Nutricima, this year saw strong and broad-based profitable growth achieved across the Group's continuing operations. We have also announced a major sustainability commitment to achieve B Corporation status by 2026 - read more on page 27. The Covid-19 pandemic continues to cause significant turbulence in our business but we remained resilient and ensured that our products were there for our consumers when needs were greatest.

I believe it's truly an exciting time for PZ Cussons and our key stakeholders. On behalf of the Board, I wish to thank all our employees and partners once again for the dedication and persistence they have demonstrated during another demanding year."

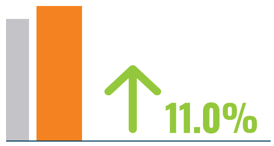
Caroline Silver
Non Executive Chair

Revenue
£603.3m
(2020: £587.2m)

Net debt (excluding lease liabilities)
£30.7m
(2020: £49.2m)

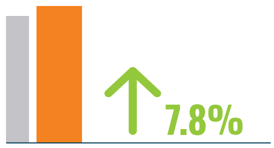


(Loss)/Profit for the year
£(16.6)m
(2020*: £19.7m profit)



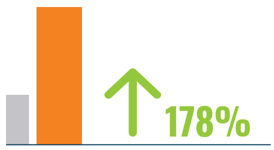
Adjusted profit before tax from continuing operations
£68.6m
(2020*: £61.8m)

Profit before tax from continuing operations
£63.2m
(2020*: £18.3m)



Adjusted basic EPS from continuing operations
13.12p
(2020*: 12.17p)

Dividend per share
6.09p
(2020: 5.80p)



Reported basic EPS from continuing operations
8.37p
(2020*: 3.01p)

OPERATIONAL HIGHLIGHTS

Strong, broad-based revenue growth driven by our Must Win Brands strategy. While reported revenue grew +2.7%, to £603m, organic revenue growth (at constant currency) was +7.1% with each of our core categories of Hygiene, Baby and Beauty in growth and our Must Win Brands growing at 11% (at constant currency).

Operating margins improved, with adjusted profit before tax ahead of consensus. While at a statutory level we reported a loss after tax of £(16.6)m, this was entirely due to a £(51.6)m loss from discontinued operations driven by the disposal of our Nutricima business and the associated recycling of historical foreign exchange losses.

Our adjusted profit before tax from continuing operations, of £68.6m, represents a strong +11.0% increase versus the prior year and is ahead of consensus.

The balance sheet continues to strengthen. Net debt (excluding lease liabilities) was £30.7m, lower than the £49.2m at the end of the prior year. This reduction was driven primarily by operating cash flow and the Nutricima disposal proceeds.

A final dividend of 3.42p, making a total of 6.09p for the full year. This +5% increase in total dividend reflects the Board's confidence in the Group's financial resilience and future growth prospects.

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 136.

INTRODUCING OUR NEW STRATEGY

BUILDING BRANDS FOR LIFE *Today and for future generations*

BUILDING BRANDS

We build brands that our consumers trust and love.

FOR LIFE

We have a rich heritage dating back 130 years with products that touch and improve consumers' lives.

TODAY

We act with a sense of urgency and have already made a fast start in our turnaround.

FOR FUTURE GENERATIONS

We are building a sustainable business for our employees, shareholders, the environment and the communities in which we live and work.

OUR FINANCIAL AMBITION

Our financial ambition is sustainable, profitable revenue growth. This will be achieved by the choices we have made in our new strategy of 'Building brands for life. Today and for future generations'.

Where to play

We have a clear focus on the leading brands in our core categories of Hygiene, Baby and Beauty within our priority markets.

See our structure on page 10 and our markets on page 12

How to win – the PZ Cussons Growth Wheel

Adopting the PZ Cussons Growth Wheel enables us to build brands in a systematic and repeatable way.

Learn more about the PZ Cussons Growth Wheel on page 8 and see the Growth Wheel in action on pages 14 to 19

Putting sustainability at the heart of everything we do

Sustainability has always been in our DNA; our new strategy reflects this and we are elevating sustainability further, making clear and bold commitments which can be measured over time.

See our sustainability section on pages 26 to 38

Evolving our culture

We have reshaped our purpose and are reviewing our values, ensuring each person in the organisation is clear on their role and engaged in executing our new strategy.

Learn more about our purpose on page 29

Developing leaders at all levels

We are unleashing the talent within the organisation, developing leaders at all levels.

Read more about our people on page 28

Building our capabilities

We are developing the skills and processes required for us to compete effectively.

See more in our business model on page 8

Reducing complexity

We are dramatically simplifying our complex operations and ways of working.

Our strategy in 10 words

We have summarised the essence of our strategy into the following 10 words:

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

See page 4 for some examples of the progress we have already made in these areas and our plans for the near future.

OUR NEW STRATEGY

Our roadmap to SUSTAINABLE, PROFITABLE REVENUE GROWTH

OVERVIEW

This year we have set out a clear strategy to return to sustainable, profitable revenue growth.

We will build our trusted and leading brands in our priority markets. Must Win Brands will be our priority and portfolio brands will have clearly defined roles.

We will put sustainability at the heart of everything we do, and have committed to certifying PZ Cussons plc as a B Corporation by 2026. We have already made progress in specific areas of our sustainability journey, with more detail set out on page 26 and have announced the appointment of a Chief Sustainability Officer who will guide our sustainability strategy.

Another key part of our strategy is to dramatically reduce complexity in our business. We are reviewing our processes, technology and structures across the Group, with a particular focus on Nigeria, to ensure they are fit for purpose. We have removed regional management layers and decentralised our structure to put the focus back on our local markets.

EXAMPLES OF PROGRESS WE ARE MAKING

BUILD BRANDS

WHAT WE HAVE ALREADY DONE

Introduced the PZ Cussons Growth Wheel to deliver sustainable growth for our top brands.

Identified and invested in our Must Win Brands, in media and consumer campaigns and started the process of building new commercial capabilities.

WHAT WE WILL DO NEXT

Continue to invest in Must Win Brand growth and improve return on investment.

Manage our Portfolio Brands to play the specific role set for each of them within our overall business.

Consider potential acquisitions and disposals to play a role in portfolio optimisation.

FURTHER READING

See Build Brands in action on pages 14 to 19

SERVE CONSUMERS

WHAT WE HAVE ALREADY DONE

Increased production capacity and broadened our product offering, reaching more consumers in more channels such as e-commerce.

Launched new products to meet consumer needs and desires across Carex, Morning Fresh, Cussons Baby, St.Tropez, Sanctuary Spa and Original Source.

WHAT WE WILL DO NEXT

Stronger plans on our Must Win Brands to serve consumers better in the future. These include:

- UK: Carex is seeking to grow distribution to broaden its availability as well as using new product innovation to address emerging usage occasions.
- US and UK: St.Tropez is looking to develop stronger influence activation plans, building on FY21's success.
- Nigeria: Premier is building distribution and improving routes to market to serve more consumers better.

FURTHER READING

See Serve Consumers in action on pages 14 to 19

REDUCE COMPLEXITY

WHAT WE HAVE ALREADY DONE

Removed layers of regional management to allow our emerging talent to progress and speed up decision-making.

Re-established our marketing capabilities ‘on the ground’ in our business units, putting them nearer their commercial colleagues and closer to our consumers.

WHAT WE WILL DO NEXT

Assess what aspects of our infrastructure – our processes and systems – are fit for purpose, and where we need to adapt, we will.

Rationalise the ‘tail’ of our product line-up to reduce distraction and cost, as we prioritise our Must Win Brands.

Dramatically simplify how we do business in Nigeria.

DEVELOP PEOPLE

WHAT WE HAVE ALREADY DONE

Reshaped the Executive Leadership Team ('ELT').

Increased engagement through our annual global employee survey and regular ELT-led Town Halls, sharing our plans for the future and showing visible leadership.

Focused on the wellness and wellbeing of our employees throughout the pandemic.

Begun re-establishing the disciplines of talent management, to ensure we develop our future leaders.

Introduced a ‘Bold Leaders, Bold Brands’ capability development programme for our marketing team.

WHAT WE WILL DO NEXT

Review and re-shape our values and embed our new purpose as part of a broader effort to evolve the culture of the Company.

Strengthen our people processes, with a focus on attracting, retaining and developing the right talent. Where we currently have leadership gaps, we will focus on the acquisition and development from within of the talent required in those areas in order to deliver our strategy, for example in areas such as environment, social and governance ('ESG') and to improve our commercial capabilities.

FURTHER READING
See more in Sustainability - People on page 28

GROW SUSTAINABLY

WHAT WE HAVE ALREADY DONE

Begun our journey to B Corporation certification.

Actions toward our Plastic Promise include increasing our range of refill alternatives to our plastic pump dispensers and removing all plastic from our gift sets on the Sanctuary Spa range.

Launched a new Original Source ‘I'm Plant Based’ bottle using 100% post-consumer recycled material in the UK.

WHAT WE WILL DO NEXT

Develop more detailed B Corporation action plans.

Renew our plastics commitments to align with our new focus on sustainability.

We will be rolling out a new Morning Fresh bottle that uses 15% less plastic in every unit.

FURTHER READING
See more in our sustainability section on pages 26 to 38

CHIEF EXECUTIVE'S REVIEW

Returning the Group TO SUSTAINABLE GROWTH

A WORD FROM OUR CHIEF EXECUTIVE

"It's been an exceptional year for our business. Though the Covid-19 pandemic caused unprecedented challenges, I have been impressed by how everyone at PZ Cussons ensured our most trusted brands were available for consumers during a time of great need."

Jonathan Myers
Chief Executive Officer

We have dealt with considerable volatility across our categories and markets. The pandemic has hit each country at different times, triggering varying levels and durations of lockdown. Demand for hygiene products soared in the early months of the pandemic and the Beauty category slowed dramatically as retail stores closed and consumer habits changed. Thanks to the agility of the organisation and the hard work of our employees, PZ Cussons has been able to navigate these challenges and has seen broad-based growth in FY21 across seven of our eight Must Win Brands and all core categories.

Given the limited opportunities to travel or even spend time in the office, I have not been able to visit our markets or meet many of our valued team members, but I have been extremely proud of the way our people have handled the obstacles of the pandemic, both at work and at home. Their ability to adapt to new ways of working and keep our factories and distribution centres running safely has been exemplary, and I would like to extend my personal thanks to every member of the team for their dedication and resilience. I would also like to thank the Board and ELT for their support during my first year in the role.

More than 1/3
Marketing investment increase

Returning to sustainable growth

Despite the various impacts of Covid-19, I am proud to say we have returned the business to revenue growth this year and improved adjusted operating margin, albeit with a statutory loss driven by historical non cash FX losses on the disposal of Nutricima. A reassuring sign of our progress has been the broad-based nature of that growth, with all regions growing and strong growth for many of our leading brands.

We have successfully managed our cash position and strengthened our balance sheet, which enabled us to maintain strong liquidity while also allowing for investment in our brands and in building critical capabilities.

The demand within hygiene has led to exceptional performance for Carex and Morning Fresh, as the strength of our brands meant that consumers turned to them when their hygiene needs were greatest. But it is also a testament to the agility of the Company that we were able to respond to this demand so quickly to ensure availability.

Our growth was not just in Hygiene. We have also seen growth for Beauty and Baby, despite the challenges from Covid-19 in these categories. With consumers in various levels of lockdown, we have successfully activated our brands in response to emerging consumer habits around hygiene, wellness and everyday indulgence.

We are already seeing the benefits of our strengthened brand-building plans in the successful St.Tropez and Ashley Graham collaboration, new sizes and packs for Carex and plastic-free gift sets for Sanctuary Spa.

In terms of serving consumers, we worked with core retail customers to maintain strong availability as consumers moved online. We also ensured that our brands were available in existing e-commerce channels and opened our own direct to consumer sites. This has been reflected in strong online sales. In our Beauty business for instance, we doubled the percentage of our sales from online channels to nearly 40% by the end of the year.

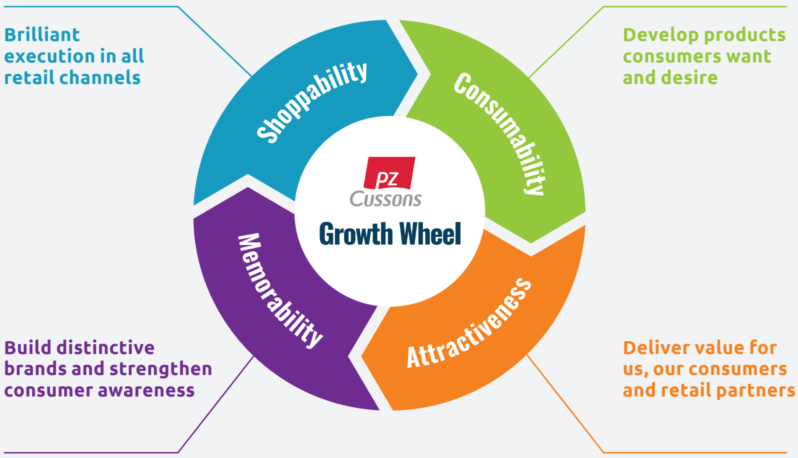
FURTHER READING
See more on Building brands for life on page 2
See our new Strategy in action on pages 14 to 19
See more on Leaders at all levels on page 28
See more on Sustainability at the heart of everything we do on page 26

INTRODUCING THE PZ CUSSONS GROWTH WHEEL

Central to our new brand-building strategy, the PZ Cussons Growth Wheel is our model for bringing our brands to life.

By ensuring our brands are delivering against each of the wheel's four focus areas, we will achieve growth in household penetration, or trial rate, which will drive increased market share and, ultimately, profitable revenue growth.

See the Growth Wheel in action on pages 14 to 19



Our new strategy – Building Brands For Life. Today and for future generations

This year, the ELT and the Board have reassessed our strategy and set out a new path to sustainable, profitable revenue growth. The primary drivers for the new strategy were the needs to embrace changing consumer needs and to transform the business following the underperformance of recent years.

We have made a fast start, increasing investment in brand-building by more than one-third over the year, with all of the increase behind the Must Win Brands. This has been achieved while meeting and exceeding financial expectations around adjusted profit before tax from continuing operations.

Doubled

Online Beauty sales as a proportion of total Beauty sales

Leaders at all levels

Revitalising our leadership is a key part of delivering our new strategy and unlocking our full potential and we have made great progress in this regard over the past 12 months. We now have a renewed ELT with a healthy balance of internal knowledge and external experience, including the promotion of Steve Noble to Chief Supply Chain Officer, and the appointment of a new Chief Financial Officer, Sarah Pollard, who has made an excellent start since coming on board in January.

Just as important to reigniting our pioneering spirit though is our determination to encourage and drive leaders at all levels of the Group, engaging all employees in the role they have to play in delivering the new strategy and investing in growing their capabilities.

Sustainability at the heart of everything we do

Having a positive impact on the world around us has always been a fundamental part of PZ Cussons' DNA. Though we have continued to make progress this year, we know we can do more.

We are putting sustainability at the heart of everything we do, making the needs and requirements of all our stakeholders central to the way we do business. The ambitious journey for the Group to become a certified B Corporation (see page 27 for more on B Corporations) is a reflection of our determination and commitment and is something I'm particularly excited about working towards over the coming years.

Outlook

As part of our strategy of 'Building brands for life. Today and for future generations', we have set out a bold path to deliver sustainable growth over the long-term. We have made a strong start and achieved our fastest growth in a decade, but we are realistic about the job to be done. Some of the challenges we are dealing with have been years in the making and will likely be years in the fixing.

That said, we are determined to make progress and realise value for all stakeholders in our business.

1 billion

Over the course of 2020, Carex cleaned and sanitised over one billion hands in the UK

We have also made good progress building up our governance capabilities and ensuring that our path to sustainable growth is delivered in an ethical and responsible way.

We will continue to navigate the ongoing impact of the pandemic, as the world migrates towards whatever the new normal will be. This year has demonstrated that the Group has the agility and resilience required to navigate such volatile times and we are looking to sustain our renewed momentum as we work through FY22 and beyond.

Supporting our people will remain a priority as we all emerge from lockdown and move towards new blended ways of working. On a personal level, after a year of remote working and online engagement, I look forward to being able to visit more of our employees around the world, as well as engaging with our consumers and customers for the first time.

Jonathan Myers
Chief Executive Officer

30 September 2021

OUR BUSINESS MODEL

WE BUILD BRANDS

which enables us to create value for all our stakeholders

WHAT WE DO

We are a branded consumer goods business.

OUR COMPETITIVE ADVANTAGE

Our strength is in being a multi-local rather than multinational business, with the level of focus, experience and dedication to our priority markets that this brings.

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

Our people
Diverse, skilled and passionate employees. Leaders at all levels

Our infrastructure
World-class manufacturing and distribution capabilities in selected geographies

Our stakeholders
Close working relationships with customers, consumers, suppliers and communities

Our financials
Strong balance sheet reflecting our disciplined approach

THE VALUE WE CREATE

Our business model creates shared, sustainable value for all our stakeholders.

For consumers
Innovative, high-quality and trusted brands

For customers
Our retail partners and customers benefit from selling our leading brands

For employees
Engaged teams and relationships, training and development opportunities and a supportive culture and values

For investors
A strong balance sheet, refreshed leadership and a plan to deliver sustainable, profitable revenue growth

For society
Community and charitable initiatives linked to our priority markets

For the environment
Sustainability at the heart of what we do. Sustainable sourcing, our 2023 Palm Oil Action Plan and reduced carbon emissions, water use and landfill waste

HOW WE ARE STRUCTURED

PZ CUSSONS IS A BRANDED CONSUMER GOODS COMPANY *with more than 130 years of heritage*

OUR BRANDS

We have some of the world's best-loved and most trusted brands. There are two parts to our brand portfolio: Must Win Brands and Portfolio Brands.

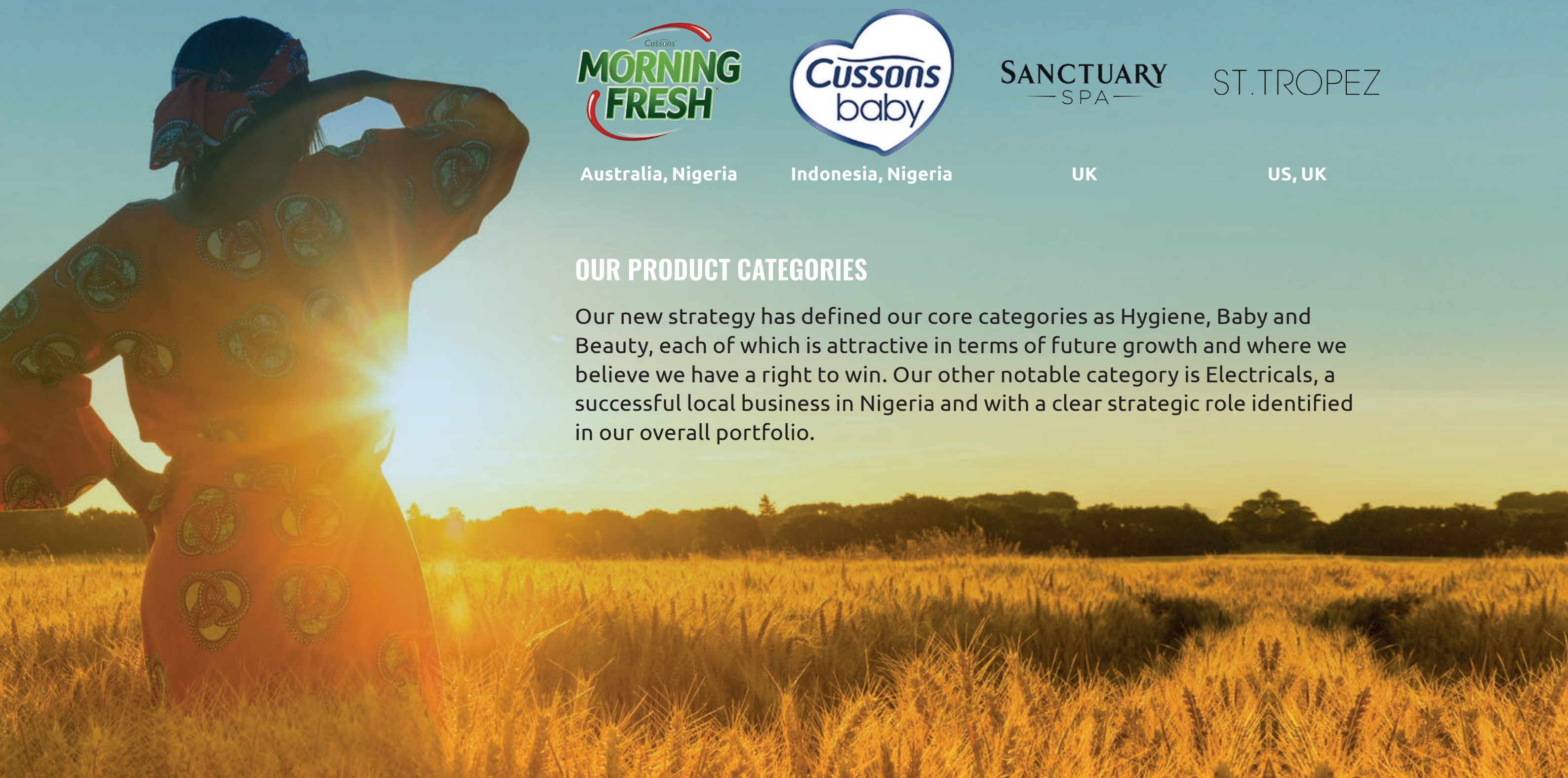
Our Must Win Brands have leading positions in our priority markets and are our priority for investment. Our portfolio brands each have a specifically-defined role to play within the portfolio.

MUST WIN BRANDS

Carex	Original Source	Premier	Joy
UK	UK	Nigeria	Nigeria
Morning Fresh	**Cussons baby**	**Sanctuary Spa**	**St.Tropez**
Australia, Nigeria	Indonesia, Nigeria	UK	US, UK

OUR PRODUCT CATEGORIES

Our new strategy has defined our core categories as Hygiene, Baby and Beauty, each of which is attractive in terms of future growth and where we believe we have a right to win. Our other notable category is Electricals, a successful local business in Nigeria and with a clear strategic role identified in our overall portfolio.



OUR GEOGRAPHIC FOOTPRINT

We operate in both developed and emerging markets, with over 3,000 employees around the world. We divide our business into three geographic units: Europe & the Americas, Asia Pacific and Africa.

EUROPE & THE AMERICAS

Operations:

The UK is home to our corporate headquarters in Manchester as well as our UK Personal Care and Beauty businesses, including a manufacturing centre of excellence and our fragrance house, Seven Scent.

Priority markets:

UK

Must Win Brands:

Cussons Carex
Sanctuary Spa
Original Source
St.Tropez

ASIA-PACIFIC

Operations:

We have offices and manufacturing in Indonesia, Thailand and Australia. We also have a corporate office in Singapore which is home to our global procurement function.

Priority markets:

Indonesia
Australia

Must Win Brands:

Cussons baby
Cussons Morning Fresh

AFRICA

Operations:

Our largest office and manufacturing centre is in Lagos, Nigeria. We have smaller manufacturing operations in other parts of Nigeria and Kenya as well as offices in Kenya and Ghana. Our joint venture, PZ Wilmar (Food & Nutrition) and our subsidiary HPZ (Electricals) are also located in Nigeria.

Priority markets:

Nigeria

Must Win Brands:

Cussons baby
Cussons Morning Fresh
Premier
Joy

MARKET OVERVIEW

WE ARE CLEAR WHERE OUR BRANDS CAN WIN

and are guided by macro consumer trends

OUR MARKETS

Four main markets represent the majority of our business and our priority:

- **United Kingdom**
- **Nigeria**
- **Indonesia**
- **Australia**

We have years of experience in these markets, harnessing our local knowledge and supporting that with global know-how and best practice.

Multi-local

Most of our brands are strongest in their 'home' markets, with 90% of our brands generating most of their net sales in only one or two markets, where often they hold market-leading positions in their categories.

We view our business not as multinational, but as multi-local, and our new strategy focuses on the strong base in these four priority markets.

4
markets account for roughly 90% of our net sales

90%
of brands generate the majority of their revenue from only one or two markets

MARKET TRENDS

Shifting consumer trends at a macro level are guiding how we maximise the potential of our brand portfolio.

Importance of hygiene and an accelerated focus on holistic health and wellbeing

Trends

Consumer consciousness around health and wellbeing has grown over the long-term and, along with the importance of hygiene, this has been accelerated by the Covid-19 pandemic. The focus on hand hygiene has recently risen to unprecedented levels. Consumers also desire products that use more natural ingredients, provide convenience by saving time and effort and offer added value benefits.

How we are responding

Hygiene, health and wellbeing, are key elements of our consumer proposition across our brand portfolio. Carex is the number 1 brand in handwash and hand sanitisers in the UK. Our new relaxation range from Sanctuary Spa features bespoke wellness products to help calm, de-stress and improve sleep and mood, while Cussons Baby Powder now features Moodscent™, a patented technology proven to improve babies' moods.

Sustainability is a key value driver for consumer brands

Trends

Sustainability continues to grow in importance for consumers, as well as for a broader cross-section of our stakeholders. Consumers are increasingly conscious of sustainability concerns across the entire value chain, with climate change and plastic waste amongst the top concerns globally. In response, action from governments and NGOs and demands from customers are accelerating.

How we are responding

We are putting sustainability at the heart of everything we do, with clear and ambitious sustainability goals and defined targets that are also embedded as part of the incentive plans for our top management (see pages 104 and 105). We have also set out our ambition to become a certified B Corporation by 2026.

Emergence of new channels and customers

Trends

Another impact of the Covid-19 pandemic has been the acceleration of shoppers diversifying their spending across multiple channels, with e-commerce hitting new highs and the resurgence of the local store. The retail landscape will continue to evolve.

How we are responding

The shoppability and attractiveness segments of the PZ Cussons Growth Wheel ensure that we are focused on winning where the shopper shops, with an attractive value proposition for consumers and customers alike. Our Beauty division's marketing has been 'digital first' and Carex has broadened distribution to serve more consumers who are 'on-the-go'. See more on these in our strategy in action case studies on pages 14 to 19.

Emerging markets driving disruptive growth

Trends

The rise of emerging markets continues, with many experiencing a softer economic dip than developed markets during the pandemic. Our emerging market consumers demand excellent quality products at highly competitive prices.

How we are responding

Our strategy prioritises the emerging markets of Indonesia and Nigeria for future growth. We are investing in our Must Win Brands in these markets, namely Cussons Baby in Indonesia and Morning Fresh, Premier, Joy and Cussons Baby in Nigeria. Simplifying our operations in Nigeria is also an important element of our strategy.

STRATEGY IN ACTION

CAREX

Protecting the nation

LINK TO 'OUR STRATEGY IN 10 WORDS'

BUILD BRANDS

SERVE CONSUMERS

After 25 years of caring for and protecting hands in the UK, Carex grew to a new level of importance for consumers during the Covid-19 pandemic.

In order to best serve our consumers when they needed us most we increased production, focus and investment for Carex.

Carex was the fastest growing FMCG brand in Great Britain in 2020*

Our actions are aligned to the PZ Cussons Growth Wheel and in FY21 included:

CONSUMABILITY

- New and innovative products to address emerging usage occasions e.g.:
  - Launching new products including Carex Hand and Surface Spray and Carex Advanced Hand Wash, which protects hands for up to three hours
  - Launching refill packs to reduce plastic use

MEMORABILITY

- Driving awareness through a new TV campaign called 'Protecting the nation' (https://www.youtube.com/watch?v=0VoRPaXJXP0)

SHOPPABILITY

- Serving consumers better when 'on-the-go', via:
  - Growing distribution to broaden availability
  - Increasing online presence

This resulted in unprecedented growth for Carex in 2020, according to Kantar*

As the UK's number one brand across hand hygiene, we have a fantastic platform to continue to address consumer needs through product innovation and broadening availability as hand hygiene behaviours evolve in the future.

*The UK's number one hand wash and hand sanitiser brand****

* Source: Kantar Worldpanel data, November 2020.
** Source: Kantar Worldpanel data, December 2020.
*** Source: Kantar Worldpanel data, July 2021.

STRATEGY IN ACTION CONTINUED

ST.TROPEZ

You set the tone

LINK TO 'OUR STRATEGY IN 10 WORDS'

BUILD BRANDS

SERVE CONSUMERS

St.Tropez has a clear mission: to inspire you to glow with confidence, inside and out, all year round. In February 2021, we announced Ashley Graham as our new global brand ambassador to refresh and reinvigorate that mission.

The American supermodel, entrepreneur and body positivity icon is leading our motivational 'You set the tone' cross-platform campaign, bringing her positive energy to our brand and encouraging our consumers to glow with confidence.

Here's how the PZ Cussons Growth Wheel is being applied:

CONSUMABILITY

- Investment in our core best-selling products and best-in-class innovation, to develop products consumers want and desire
- Worked with influencer, Ashley Graham, to develop the Ashley Graham ultimate Glow Kit

MEMORABILITY

- Digital and social first communication strategy, with increased marketing investment
- High-profile celebrity endorsement is driving awareness, consideration and conversion and unlocking new audiences across our markets

SHOPPABILITY

- April 2021 saw our biggest retail execution, with St.Tropez occupying the best locations in stores across the US
- Extra visibility online and in-store in and out of peak season

The success of the collaboration has already led to record retail sales for St.Tropez in the US. The new Ashley Graham Ultimate Glow Kit has sold out across the UK and US twice, becoming a number one selling product in the USA. St.Tropez has also seen considerable success online, with an increasing number of searches and high consumer engagement with the brand.

#1
PR share of voice*

★★★★★
1,000+
5-star reviews for the Ashley Graham Ultimate Glow Kit

*The US's #1 prestige tanning brand***

* For prestige tanning in the UK and US, Feb-March 2021, according to Emergent ARA reports.

** NPD Group Inc., as at March 2021.

STRATEGY IN ACTION CONTINUED

PREMIER

Serving more consumers better

LINK TO 'OUR STRATEGY IN 10 WORDS'

BUILD BRANDS

SERVE CONSUMERS

Premier is one of our flagship brands in Africa, with more than 30 years of heritage in Nigeria

We have strong brand awareness and market leadership in the family care segment. We want to build on that to deliver sustainable, profitable revenue growth. The Premier brand is central to our plans to return Nigeria to growth.

Here's how we are making a fast start in our mission to serve more consumers better:

CONSUMABILITY

- Optimising the product portfolio using innovation to address consumer needs and new usage occasions

MEMORABILITY

- We are building brand equity and distinctiveness through the use of influencers in our communications
- Between December 2020 and April 2021, we reached 36 million consumers through TV advertising and 22 million through radio

SHOPPABILITY

- Building distribution by improving routes to market
- In 2021, we have completed a direct to consumer sampling and experiential programme, reaching 500,000 consumers across three regions

*Half of all households in Nigeria buy Premier soap**

#1 in social engagement for hygiene category

* Kantar, July 2021.

CREATING A DIALOGUE WITH OUR STAKEHOLDERS

Our approach to doing business is founded on the principle of

CREATING SUSTAINABLE VALUE FOR ALL

LINK TO 'OUR STRATEGY IN 10 WORDS'

GROW SUSTAINABLY

DEVELOP PEOPLE

BUILD BRANDS

CUSTOMERS AND CONSUMERS

Why we engage

One of our strengths is the ability to build close, long-term relationships with our customer base. Our customers give us their loyalty and trust and in turn we see them not just as customers, but as partners.

Our goal is to serve more consumers and do it better than the competition. Understanding consumer trends and shopping habits is crucial to delighting consumers and helping our portfolio to win.

How we engage

We have a strategic partnership with many of our key customers in our established markets, including offering shopper insights, proposing promotions and products and assisting with developing strategies.

We listen to consumers to understand their needs and expectations through market research, social media, direct feedback and sales data.

What matters to them

Both our customers and consumers are increasingly focused on environmental sustainability and transparency in the supply chain. Our consumers continue to seek access to our products through digital channels and this trend has accelerated throughout the Covid-19 pandemic.

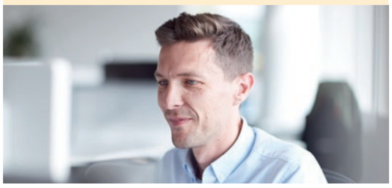
EMPLOYEES

Why we engage

We are one family, working together with one purpose, towards one ambition. We have worked hard to create a supportive environment in which everyone's ideas are valued equally. Our compact size, flat structure and open culture foster genuinely open communication between employees across the Company, regardless of seniority or geography.

How we engage

We engage with employees regularly through local and global 'Town Hall' meetings, functional webcasts and leadership events. We also act on our employees' views and feedback through an annual global engagement survey – see page 29. During Covid-19, we also held further pulse surveys. Dariusz Kucz, a Non Executive Director, is our employee engagement champion, with a specific mandate to ensure the Board hears and understands the employee voice.



What matters to them

Over the past year our workforce has experienced the pandemic differently in different countries. Some areas of our workforce have easily adapted to working remotely while others have found it challenging to maintain a clear boundary between their work and personal space. As the new strategy has been developed, employees have been keen to understand how they and their departments can play their part in the new strategy.

We believe that PZ Cussons thrives in the long term when the interests of different stakeholders are balanced so that they all share in our success.

It is therefore important that we fully understand all stakeholders' priorities, expectations and concerns.

INVESTORS

The Board regards effective communication with shareholders as crucial to understanding and meeting their needs. We meet with them 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 Chair and our Executive Directors periodically meet with our major shareholders. The CEO and CFO personally deliver the Group's interim and final results, with presentations, Q&A sessions and roadshows for our major shareholders. We also organise ad-hoc investor events and an Annual General Meeting to provide an opportunity for shareholders to meet the Directors and discuss the year's results. We held a capital markets day for current and prospective investors in March 2021. 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.

Our investors have been engaged with our new strategy and return to growth, including the strategy's implications for our portfolio brands, our vision for Nigeria including the simplification project and our capital allocation decisions, particularly regarding re-investment into building our brands.

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 procurement function are dedicated to the maintenance of open, dynamic communication with our supplier base. Value alignment is a critical feature of our relationships with our partners and the Board engages directly with them through the CEO and CFO.

Our key suppliers seek stable, long-term and mutually-beneficial relationships to remove unnecessary costs, improve product and service quality and promote innovation.

The CFO reviews payment practices and policies and monitors trends in the Company's performance, reporting to the Audit & Risk Committee.

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.

The Covid-19 pandemic has exacerbated the financial struggles endured by many around the world and further emphasised the importance of our community work, particularly activities such as the support of the NHS in the UK, Foodbank in Australia and projects at Ganaka Memorial Girls College and Chanchaga Leprosy Hospital in Nigeria.

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 discharging their duty this year, the Directors, both individually and collectively, believe they have given due regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006. How we consider each is set out below.

a) Long-term consequences

PZ Cussons has a rich heritage of over 130 years. Our strategy is to 'Build brands for life Today and for future generations'. In setting the direction of the Company, we specifically consider the legacy we leave for generations to come.

c) Our business relationships

Our most important business relationship is with consumers. We build brands to serve consumers better with Hygiene, Baby and Beauty at our core. We work closely with partners and our joint venture partner and we value our strong relationships with key customers and suppliers.

For more on how we engage with our consumers and partners see Creating a dialogue with our stakeholders on page 20 and Sustainability – Supply Chain on page 34.

e) Our reputation

The success of our business and our products depends on our reputation with our consumers, customers and suppliers as a business with integrity and dedicated to its purpose.

b) Our employees

We have a diverse workforce spread across our locations in Africa, Asia, Australia, America and Europe – some based in offices, or increasingly from home and others working in our factories or directly with customers and suppliers.

We reviewed the global engagement survey to understand the views of our employees and receive regular reports from the Chief Human Resources Officer and employee engagement Non Executive Director.

For more on how we engage with our employees and consider their interests, see Creating a dialogue with our stakeholders on page 20 and Sustainability – People on page 28.

d) The community and environment

Sustainability is in our DNA. Our business impacts communities, the environment and the climate through our use of land, procurement activities, carbon emissions and use of plastic, water and energy.

We consider the environmental impact of our decisions against our sustainability goals, which include our ambition to become B Corporation certified by 2026.

For more information on how we measure our environmental performance, see Sustainability – Environment on page 30.

f) Acting fairly

We are conscious of the need to balance the interests of our different stakeholders fairly, particularly when they are not aligned.

Principal decisions in FY21

The Board considers these and many other factors in all of the decisions it makes, with important decisions explicitly framed in the context of the interests of and implications for all affected stakeholders. In FY21, the Board required that papers tabled to it include a summary of stakeholders likely to be impacted by the matter to be discussed and any decisions to be made.

The following demonstrates how these matters were considered in three key decisions taken this year.

Principal decision 1: Creation of our new strategy

In order to return the business to sustainable growth, we needed to develop a new strategy. The process of developing the strategy involved understanding, balancing and responding to the interests of numerous stakeholders, as set out below.

In making the decision, we considered:

The long-term effect

PZ Cussons' revenue declined by nearly one third between FY2013 and FY2019. The long-term success of the Company and its brands – and all the stakeholders that depend on it – relies on a new strategy that will deliver sustainable and reliable revenue growth and continued investment in our brands, supported by an engaged workforce.

Affected stakeholder groups

Customers and consumers

Customers and consumers are at the core of our new strategy. We are focused on building brands to serve consumers better and following emerging consumer behaviour trends to develop brands and products that consumers want and desire.

Employees

Employees are vital to the delivery of the new strategy and we considered how the change in strategy would impact their role, their motivation and their morale. Managing talent development and local capability building, alongside retaining our supportive culture, is key to reigniting our pioneering spirit and encouraging employee confidence and support for the new strategy. We are increasing overall support for our people to drive improved attrition rates, gender balance, career progression within PZ Cussons and leadership development. The Board acknowledged that focusing on some brands necessarily means having less of a focus on other brands and was conscious of the potential impact this could have on employee motivation.

Investors

Our investors want improved financial performance and a plan for long-term, sustainable growth of both the top and bottom lines. The strategy needed to deliver this as well as support share price growth and the dividend returns that many of our shareholders rely on.

Partners and suppliers

The development of the new strategy will ensure ethical sourcing and transparency in our supply chain. We will work with suppliers to improve standards in key areas, monitoring reliance and engagement with e-commerce channels to ensure we are not overly-reliant on any one supplier.

Community

Our decision to aim for B Corporation status by 2026 was based on the idea that long-term, sustainable growth depends on continuing to benefit broader society and the communities in which we live and work, both through the products we sell and through our business practices and culture.

The environmental impact

Sustainability is at the heart of our Board discussions and remains central to our operating model of 'sustainable growth'. See further detail on our approach to sustainability in the B Corporation case study on page 25 and the introduction to B Corporation on page 27.

The impact on our reputation and the need to act fairly

We considered appropriate ways to engage with key stakeholders and to understand their perspectives and priorities, including respecting the commitments we already made and our relationships with partners. We held our first capital markets day in nearly a decade to communicate our plan, engaged with employees in a series of events to explain the new strategy and understand their perspective and are developing a short-term and long-term investment case to demonstrate the soundness of our approach.

SECTION 172 STATEMENT CONTINUED

Principal decision 2: Responding to the Covid-19 pandemic

Managing the impact of the pandemic required many changes to our operations and working practices. Delivering the best result for the Group required holistic decision-making that carefully balanced the needs of numerous stakeholders. While the pandemic started in the previous financial year, Covid-19 remained a defining feature of the global landscape in FY21 and we saw the continuation of unprecedented volatility as different parts of the world eased or increased restrictions in response to changing local conditions.

In responding to the pandemic, we considered:

The long-term effect

Some parts of our business such as Hygiene continued to experience strong demand, while other sectors, such as Beauty remained under pressure, either from changing consumer behaviour or disruption to distribution channels arising from lockdown measures. While we pivoted the business to maximise supply of the products needed to manage the pandemic, the Board remained aware of the need to maintain the long-term diversity of the business and to ensure that the business would be able to respond and continue its success post-pandemic. As a result of these decisions, we saw broad-based growth across Hygiene and non-Hygiene brands throughout the year.

Affected stakeholder groups

Customers and consumers

The Board considered the needs of our consumers in deciding to focus production capacity on much needed hygiene products such as hand soap and sanitiser gels and in increasing distribution through online channels as physical stores remained closed.

Employees

In supporting remote working policies, the Board received regular updates on the morale, health and wellbeing of employees around the world. Bonuses were paid to some staff in recognition of their commitment, testing was provided to staff who required it across Africa and the Company supported the vaccination programme for employees in Indonesia.

Investors

Our investors sought consistent financial performance in line with our disclosed outlook and accurate, timely and transparent updates on the impact of the pandemic on our performance and our supply chain.

Partners and suppliers

Supply chains tightened throughout FY21, as raw ingredients for some products became increasingly in-demand, shipping costs increased and, in some countries, Covid-19 restrictions caused delays in transport. We sought to be dynamic, open and transparent with our suppliers to ensure an adequate production of products at consistently high standards.

Community

The Board considered our communities, supporting a significant step-up in charitable activities focused on sanitiser gel and soap donations to vulnerable groups, gifting Sanctuary Spa products to key workers in the NHS and other products to struggling families in Australia and Indonesia.

The environmental impact

Increased demand for smaller sized units of handwash and sanitiser gel put upwards pressure on our plastic use, but our Board continued to support strategic initiatives aimed at reducing plastics ranging from the removal of plastics in some of our gift set ranges, the increased use of recycled and recyclable plastic in our 'I'm Plant Based' launch and increasing the use of refill packs in our liquid soaps business. These and other environmental initiatives are set out in more detail on page 30.

The impact on our reputation and the need to act fairly

The Board was conscious of the need to not just act fairly but to be seen to act as a good corporate citizen. This informed its choice to make early repayment of the £8m in VAT relief and to not take part in the furlough or Covid-19 commercial paper programmes.

Principal decision 3: Approving the B Corporation ambition

The Board and management recognised that the increasing importance of sustainability and corporate responsibility required a step-change in the Company's approach. The new strategy confirmed that sustainability is at the heart of everything we do and our ambition needed to reflect that but also to set measures which could be clearly monitored against external benchmarks. In FY20 the Board closed the Good for Business ('G4B') Committee to ensure that sustainability and environmental matters would be considered at full Board level. This consideration led to the approval of the Company's ambition to become a certified B Corporation by 2026 – an ambition we consider stretching but achievable.

In approving the B Corporation ambition, we considered:

The long-term effect	Becoming a B Corporation is fundamentally about ensuring the long-term success of the Company for all stakeholders and balancing purpose and profit.
Affected stakeholder groups	**Customers and consumers** The Board considered the desire of many consumers to purchase products from companies that proactively consider their broader impact on society and the environment, recognising that B Corporation status builds credibility, trust and value with consumers. **Employees** Employees increasingly value working at companies that conduct their business in a way that does not just seek profit but positively impacts employees, communities and the environment. **Investors** The Board is aware of and supports the increasing focus of investor groups on ESG performance and targets and believes that B Corporation certification represents the leading edge of ESG ambitions and will support long-term sustainable growth. **Community** PZ Cussons has long been a partner of the communities in which we live and work and more details can be seen in the Sustainability – Communities section on page 37. Our decision to aim for B Corporation status by 2026 was based on the idea that long-term, sustainable growth depends on continuing to benefit broader society and the communities in which we live and work, both through the products we sell and through our business practices and culture.
The environmental impact	Our B Corporation ambitions will underpin our continued focus on specific and measurable environmental KPIs. We have also appointed a Chief Sustainability Officer who will lead a review of targets in FY22 under the supervision of an ESG Committee.
The impact on our reputation and the need to act fairly	The Board believes B Corporation certification is becoming widely recognised by consumers and broader society as a sign that PZ Cussons acts fairly between stakeholders.

SUSTAINABILITY

PUTTING SUSTAINABILITY *at the heart of everything we do*

It's in the DNA of PZ Cussons to be a force for positive change. We think and care about the legacy we leave for future generations, a heritage that goes all the way back to the founding family values of the business.

Building on our bold stances on animal testing, palm oil traceability and our Plastic Promise, we are elevating sustainability even further. Doing business sustainably for our environment and the communities in which we live and work is crucial to our strategy of 'Building brands for life. Today and for future generations'.

We believe that sustainability can improve our operations and ultimately is good for business.

Sustainability focus areas

We are focused on a programme of constant improvement within our global operations and continue to make good progress on a number of key sustainability projects.

We are committed to broadening our efforts and setting clear targets which can be measured over time. These will build on a number of already established commitments for targeted areas of interest and concern, including:

- **2023 Palm Oil Action Plan** – Sourcing from 100% No Deforestation/No Peat/No Exploitation suppliers
- **Reductions in water, energy and waste** – Reducing these by 3% year-on-year

Sustainability governance

Sustainability is at the core of our new strategy. As such, sustainability performance is embedded within strategic performance and there is ownership and accountability for these areas across the ELT. Our Remuneration Policy also has clearly defined targeted strategic and sustainability metrics to address and incentivise the Company's ambitions in this area.

As part of our commitment to better governance, compliance and ethics, as well as greater transparency, at the beginning of this financial year, the Board established an ad-hoc Ethics & Compliance Committee. One of the Committee's projects was to establish the Company's first Code of Ethical Conduct and supporting policies, which was launched on 9 April 2021.

With that Project complete, the Board has considered the future role of the Ethics & Compliance Committee and now intends to establish an ESG Committee. In line with this commitment, we have also appointed our first Chief Sustainability Officer, a role dedicated to coordinating global efforts across the Group.

Certified carbon neutral
head office and UK manufacturing site

28%
reduction in our landfill generation per tonne of finished product

OUR JOURNEY TO B CORPORATION CERTIFICATION

BUILDING ON THE PROGRESS WE HAVE ALREADY MADE IN SUSTAINABILITY

our ambition is for PZ Cussons plc to become a certified B Corporation by 2026

What is a B Corporation?

B Corporations are companies that have been certified by the non-profit organisation B Lab to have met rigorous standards of environmental, social and governance performance, accountability and transparency.

Why is it important?

B Corporation is a global movement of businesses recognising that we can only truly thrive when we benefit everyone impacted by our operations. We see our journey towards B Corporation certification as a bold statement of intent and we would be among the first UK listed companies to achieve it at a group-wide level.

Who will it benefit?

B Corporation certification will have benefits for all of our key stakeholder groups and for us. The B Corporation logo is a mark of trust for consumers looking to buy from companies with ambitious sustainability policies and goals. Retailers are responding to this and already spotlighting B Corporation brands.

Similarly, it will help us attract the best talent by improving our employer proposition and improve our reputation with communities. Finally, investors are increasingly focusing on ESG measures in determining which companies are worthy of investment, driven by a desire to invest sustainably and responsibly and a recognition that sustainable companies are providing better returns on investment.

How do we get there?

We are conducting a series of assessments (both self-assessments and facilitated assessments) of a sample set of our business to give us a baseline understanding of where we are now. We will then define an action plan for the range of initiatives (Group and local) needed to move us towards our Group certification goal. This may mean we seek to certify some business units first or that we focus on particular priority areas.

PEOPLE

We have over 3,000 employees around the world and our people define who we are as a business

We are assessing our culture and values and realigning our human resource processes to ensure our employees are incentivised and rewarded with compelling career paths and that we attract, retain and develop the most talented and capable people. We are also investing in our people systems to ensure that we have the data and insight to drive our talent and people agenda through improved and informed decisions.

Talent – Leaders at all levels

The new strategy provides the clarity of where we are going and what we need to deliver to achieve it. It is therefore critical that each person in the organisation is clear on their role and engaged and passionate about that role in its delivery.

We are setting new standards for leadership, in order to ensure we have leaders at all levels. We are investing in building the future leadership capability needed to return the business to sustainable, profitable revenue growth and nurture a high-engagement, high-performance culture. The discipline of talent management is scaled across the business, aimed at defining, finding, nurturing and moving talent for the benefit of that talent and PZ Cussons.

We are prioritising investment and the acquisition of the talent to build the critical capabilities we need to successfully drive growth locally. We are well progressed through a core development 'bold leaders bold brands' marketing capability development programme. We are also delivering the digital talent and capabilities needed by our brands to support digital first, multi-channel approaches across the markets.

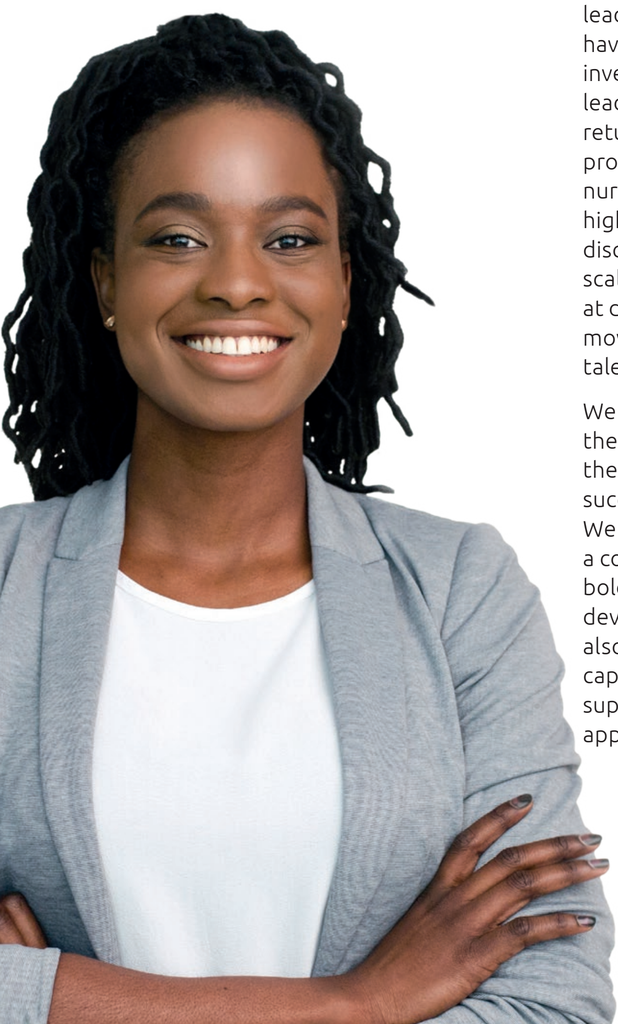
Wellbeing

With many of our employees working under tight safety restrictions in our factories or still adjusting to working from home, the wellbeing of our teams remained of critical importance throughout the year.

We stepped up our employee assistance programme across the Group, with our new communication and collaboration tool Workplace from Facebook™ featuring a wellbeing hub, with guidance, tools and support to help employees build and maintain good physical and mental health during the pandemic.

Global initiatives were complemented by local programmes tailored for specific markets and requirements. For instance, in the UK and Asia we organised dedicated sessions with mental wellbeing practitioners. We've also consistently run physical wellbeing programmes, with opportunities for walking, yoga and more encouraged for all employees.

Looking ahead, we are currently in the process of developing a global wellbeing vision statement and strategy, to articulate our principles, focus areas and targets for measuring our success.



Employee engagement

We have brought the new focus on talent to life for our people and created a compelling vision of where we are going through ELT-led Town Halls. These Town Halls have been tailored for different markets and manufacturing sites around the world, reaching every employee with consistent but locally-relevant messages. We believe that our increased levels of employee engagement can create excitement and reignite our pioneering spirit.

See more on how we engage with our employees on page 20

GLOBAL ENGAGEMENT SURVEY 2021

Our second annual global engagement survey took place in March 2021, building on the pulse surveys we conducted during the Covid-19 pandemic.

94% of our employees completed the survey, up from 90% last year. Following a renewed senior management team and a refreshed set of questions, we do not consider prior year results to be comparable to the FY21 engagement survey results listed below.

Example responses:

I know what I need to do to be successful in my role

90%

I know how my work contributes to the goals of PZ Cussons

92%

I am proud to work for PZ Cussons

88%

We hold ourselves and our team members accountable for results

88%

My manager is a great role model for employees

68%

At PZ Cussons there is open and honest two-way communication

56%

Inclusion and diversity

Our multi-local footprint ensures that we are a diverse business, but we want to be more proactive about how we approach diversity and inclusion. We are in the process of developing our agenda on diversity in line with the new Group strategy, with a new policy and KPIs to reflect our commitment to be launched in the coming year.

In the wake of the pandemic, we have recently finalised our inclusive working principles, to encourage all employees to learn from the past year and to work in ways that enable them to flourish and be as effective as possible.

To see the current breakdown by gender of our employees, see page 113.

The four principles are:

- **Collaboration** – Providing environments and technologies so our teams can innovate, solve problems and work on big ideas together.
- **Development and delivery** – Flexible, often virtual, on the job learning and development to unleash potential.
- **Wellbeing** – Supportive management and programmes that build energy, positivity and resilience for enhanced wellbeing.
- **Inclusion** – Working environments will foster inclusivity and equal opportunities for all.

REIGNITING OUR CULTURE – DEFINING OUR PURPOSE

Our culture is what sets us apart from the competition and makes us unique. We are keen not to lose what makes the organisation special, but recognise the need to build on our rich history and ensure our culture is right today and for the future.

Our culture was a key consideration in our strategy review, having been identified as a key enabler. Since the launch of the new strategy, we have been monitoring employee engagement and conducting regular town halls and feedback sessions to ensure our strategy is fully embedded. In addition we reviewed our purpose to align with what our employees told us it means to work at PZ Cussons culminating in the approval in July 2021 of our new company purpose: ***'for everyone, for life, for good'***. In FY22 we aim to launch a refreshed set of Company values to complement our new purpose.

See more online at **www.pzcussons.com**

ENVIRONMENT

Reducing our environmental footprint is a key part of our strategy

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 have active programmes to measure and disclose data in respect of our environmental performance across key areas of focus, including carbon emissions, water usage and landfill waste, plastic consumption and sustainable sourcing of palm oil.

We have certified our main operating sites to ISO14001 – this brings strict compliance with local regulations and our Group standards. The continuous improvement ('CI') programme in our factories aligns with ISO14001 and has been instrumental in driving our performance in reducing water use, carbon emissions and landfill waste.

FY21 environmental performance

	Target	FY21 actual	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.	**30% increase vs FY18 baseline**	Factors leading to this year's figures include the sale of businesses in FY21 which had less plastic packaging and a deliberate reduction in the production of laundry and soap bar items in Nigeria. Carex hand sanitisers continued to be in high demand during the first half of FY21 in the UK. Smaller and more portable pack sizes were more popular during the pandemic, which are double the amount of plastic per kg of finished product compared to the Group average. We successfully launched several successful bottle light-weighting projects and accelerated our Carex refill range in FY21 and will continue progress in this area in FY22.
	30% of plastics used will be from recycled sources. Target date of FY25.	**2.4% packaging with PCR content**	This represents an improvement against the prior year (2020: <1%) due primarily to higher sales volumes of Carex hand sanitisers in the UK. These contain 30% post-consumer recyclate ('PCR'). FY21 saw the launch of Original Source I'm Plant Based bottles which are 100% PCR.
	100% of our plastic will be reusable, recyclable or compostable. Target date FY25.	**75%**	The UK and ANZ business continue to lead performance within the Group. Plans are in place to improve performance in Indonesia and Nigeria.
Water	3% year-on-year reduction.	**23% reduction**	Expressed in m^3 of water consumed per tonne of finished product. Driven primarily from our continuing waste reduction initiatives at our Aba factory in Nigeria that contributed 42% of the absolute reduction.
Carbon	3% year-on-year reduction.	**9% reduction**	Expressed in kg of CO^2-e per tonne of finished product. We continue to make energy conservation and the elimination of energy waste a high priority within our operations.
Landfill	3% year-on-year reduction.	**28% reduction**	Expressed in kg of landfill waste generated per tonne of finished product. Driven by the processing of different oil types at our edible oils refinery joint venture in Nigeria.
Palm Oil	100% of our palm oil will come from independently verified, NDPE-compliant producers.	**100% palm oil and palm kernel oil supplies with NDPE commitments.**	We have defined our 2023 Action Plan and are continuing to use Starling satellite data to independently verify compliance.
		99% palm oil derivative suppliers with NDPE commitments.	
		99% palm oil and PKO is fully traceable to the mill	
		98% palm oil derivatives is fully traceable	

Carbon performance

	Current reporting year			Comparison reporting year		
	UK	Global excl. UK	Total	UK	Global excl. UK	Total
Energy consumption used to calculate emissions (MWh)	6,054	190,755	196,809	6,496	223,042*	229,538*
Emissions from activities for which the Company own or control including combustion of fuel & operation of facilities (Scope 1) (tCO_2e)	0	37,977	37,977	477	37,875	38,352
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 Market Based) (tCO_2e)	0	9,649	9,649	0	12,091	12,091
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 Location Based) (tCO_2e)	910	9,649	10,559	1,071	12,091	13,162
Total gross Scope 1 & Scope 2 market-based emissions (tCO_2e)	0	47,626	47,626	477	49,966	50,443
Intensity ratio tCO_2e (gross Scope 1 + 2 market-based) / £100,000 revenue	0.00	26.70	7.89	0.25	11.36	7.97

* The global excl. UK and total energy consumption figures for 2019–20 were incorrectly reported due to the omission of emissions relating to our joint venture operation. These energy consumption figures relating to joint venture operations have been corrected for FY20 and included for FY21.

Carbon

All of our factories and locations incorporate energy reduction objectives into their operational plans, mapping and identifying energy intensive processes and implementing reduction projects via our CI programme. Reducing the amount of energy we use reduces carbon emissions but also reduces our running costs.

During the year we have continued to implement the energy reduction programmes we developed during site audits in recent years. We have continued to make excellent progress in reducing our energy use and carbon emissions, with emissions down by a further 9% year-on-year against our internal target of 3%.

In FY19, we moved all of the locations in our UK Personal Care business onto 100% renewable tariffs. During the year our head office and UK manufacturing site have been certified to be carbon neutral.

In recent years we have been focused entirely on our Scope 1 and 2 emissions, but during this year we have started to broaden our approach by looking at our Scope 3 footprint (see definitions on the following page). We have conducted an initial Scope 3 exercise that is helping us to understand our extended carbon footprint – from material extraction, manufacture of raw materials, transport, manufacture, distribution, consumer use and disposal at end of life.

From this study we are starting to understand how to focus our strategy on the areas of our business which will bring the greatest benefit. As we get further we can study pathways for reduction and set our policy on climate change.

We have started to work on detailed product footprinting – starting with Original Source I'm Plant Based. This is an innovative product that uses novel surfactants with a low carbon footprint and 100% PCR plastics. The project has been a useful learning exercise which we will apply selectively to other products in our portfolio.

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 B-, an improvement versus last year's C.

The main areas where we lost points were in our approach to target setting, our measurement of our Scope 3 footprint covering our broader supply base and in risks and issues. These areas are planned to be addressed in an updated carbon strategy which is in development.

During the year we have worked to better understand our greenhouse gas footprint due to fugitive emissions of refrigerant gasses. By improving our measurement of losses from air conditioning units and chillers around the Group, this year's reported numbers include 4,990 tCO_2e Scope 1 emissions that were not disclosed in previous years. We have also identified that the aftersales operations of our HPZ subsidiary are not within the scope of our current measurements. We plan to rectify this during FY22 and during the year will commission a study to independently verify that our emissions reporting is complete and in line with the GHG protocol.

Aside from these issues and the omission of some small offices which do not have significant energy consumption we are otherwise compliant with the Streamlined Energy and Carbon Reporting (SECR) guidelines.

SUSTAINABILITY CONTINUED

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). This series of recommendations is aimed at addressing the financial impact of climate change on businesses worldwide. Our analysis confirms that we are delivering against recommendations and we expect to fully comply with the requirements in FY22.

For more information on our Group risk management practices please see page 54

TCFD	Disclosure	Reference
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	• Annual Report & Accounts 2021 • CDP climate change	CDP Section C1.1b
Describe the management's role in assessing and managing climate-related risks and opportunities.	• Annual Report & Accounts 2021 • CDP climate change	CDP Section C1.2, C1.2a
Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	• CDP climate change	CDP Section C2.1a, C2.3, C2.3a. C2.4, C2.4a
Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	• CDP climate change	CDP Section C2.3a, C2.4a, C3.1, C3.1b
Describe the potential impact of different scenarios, including a 2C scenario, on the organisation's business, strategy and financial planning.	• CDP climate change	CDP Section C3.1a, C3.1b
Risk Management		
Describe the organisation's processes for identifying and assessing climate-related risks.	• CDP climate change	CDP Section C2.1, C2.2, C2.2a
Describe the organisation's processes for managing climate-related risks.	• CDP climate change	CDP Section C2.1, C2.2
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 C2.1, C2.2
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	CDP Section C4.2
Disclose Scope 1, Scope 2 and if appropriate Scope 3* greenhouse gas emissions and the related risks.	• CDP climate change • Annual Report & Accounts 2021	CDP section C6.1, C6.3, C6.5
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• CDP climate change • Annual Report & Accounts 2021	CDP section C4.1, C4.1a, C4.1b, C4.2

* Scope 1 emissions are direct greenhouse emissions that occur from sources that are controlled or owned by the Group. Scope 2 emissions are indirect greenhouse emissions associated with the purchase of electricity, steam, heat or cooling. Scope 3 emissions are the result of activities not owned or controlled by the Group, but that the Group indirectly impacts in its value chain.

Plastics

One of the most meaningful ways that PZ Cussons can contribute to the environment is by reducing the impact of the packaging materials that we use.

In 2018 we set out our Plastic Promise in which we committed by 2025 to reduce the amount of plastic that we use per kg of product by 25%, move to 100% reusable, recyclable or compostable plastics and to increase our usage of PCR to 30% of total plastics use.

We have had an active programme that is delivering light-weighting of bottles, has moved significant volumes of Carex sales from bottles to refills, is increasing PCR content and is focusing on the removal or replacement of difficult to recycle components.

Despite this work, since 2018 our overall plastics usage is down only slightly (3%), the weight of plastic per kg of product is up 30%, reusable, recyclable or compostable content has increased to 74% and our use of PCR has increased 12x vs 2018 but is still at 2.4% of total plastics usage.

Key factors during recent years that have influenced the numbers are:

- Disposals of businesses which were lower intensity users of plastics.
- Sales volumes in our low-plastic intensity Nigerian detergents and soaps business are significantly down which has had a significant effect on Plastic Promise performance.
- The pandemic has shifted the product portfolio to smaller high plastic SKUs such as hand gels.

Despite some excellent individual projects such as the launch of our I'm Plant Based line, the removal of plastics from gift sets and bottle light-weighting, our performance on plastics reductions falls short of our sustainability ambitions. We've also heard from our shareholders that they want us to set targets that align to standardised definitions and focus on overall reduction in plastics rather than measures which track plastic use per kg of product sold. In tandem with our work on our B Corporation ambitions and the addition of a Chief Sustainability Officer we are taking the opportunity to fully review our plastics commitments and we look forward to communicating our new plastics strategy during the course of FY22.

Palm Oil

In October 2018 we published our 2020 Action Plan, which comprises five strategic objectives. Within them we pledge that 100% of our palm oil will come from independently verified, NDPE-compliant producers traceable back to individual mills, with the aim of achieving this by the end of 2020.

Today, 100% of our palm oil and palm kernel oil suppliers and 99% of our palm oil derivative suppliers have NDPE commitments equivalent to ours. Additionally, 99% of our palm oil and 98.1% of our palm oil derivatives are fully traceable to mill.

With high levels of traceability now achieved, PZ Cussons is monitoring its palm oil supply chain using Starling1 satellite data. This will continue to be an area of focus.

Our target was always an ambitious one and we are proud of the significant progress we have made towards it. Our commitment to responsibly source palm oil remains as strong as ever. Our new 2023 Palm Oil Action Plan has been developed to ensure we fulfill and expand our 2020 commitment, focusing on supplier engagement, transformation and independent verification and applying what we have learnt on our palm oil journey so far.

We are working with partners like Earthworm Foundation and continue to support the Forest Conservation Fund, with investments in three conservation projects in Indonesia which are helping to secure standing forest, protect biodiversity and reduce carbon impacts in our supply chain. Activities in the past six months have included supporting a local community in East Kalimantan to develop and implement their forest protection protocol for 7,200 hectares of forest, community-led restoration of degraded forest areas in West Kalimantan and support for forest patrols to tackle illegal logging.

Waste

We aim to reduce the amount of solid waste sent to landfill year-on-year. All of our factories and locations have waste reduction programmes as part of their operational plans. 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. Actions to reduce waste are implemented via our CI programme.

The amount of landfill waste generated per tonne of production has decreased 29% year-on-year. This was mainly driven by the use of different oil feedstocks by our PZ Wilmar joint venture which reduced earth bleaching.

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. Water reduction is driven as part of our CI programme. Water reduction objectives are incorporated into the operational plans of every factory in the Group. Improvements are principally achieved through detailed mapping of water usage and focused improvements in equipment and methods. During the last year we have reduced water consumption by 23% year-on-year. This is principally driven by improvements in our Aba site.

I'M PLANT BASED

As more and more consumers join the natural and sustainable movement, plant-based products across the grocery sector are gaining more and more traction. One of our stand-out innovations in FY21 has been the launch of the 'I'm Plant Based' range from Original Source. Made from biodegradable cleansers, natural plant-based fragrance and packaged in bottles that are 100% recycled and 100% recyclable post-use, 'I'm Plant Based' brings a premier tier to the Original Source brand. Listings in all major retailers are further proof of the 'power of plant' as a platform for future innovation.

See more online at
https://www.originalsource.co.uk/im-plant-based-range/

SUPPLY CHAIN

Our business is enabled by flexible and customer-oriented supply chain operations

Our supply chain function continues to mature as an agile and competitive organisation within PZ Cussons. 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, brand trust is absolutely critical and we 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. We have created a new role, Head of Regulatory and Consumer Safety, to reinforce our efforts in these areas. This builds on the creation of the role of Head of Technical Services, which drives the quality agenda, a critical part of assuring consumer safety and brand trust.

Delivering now

The Covid-19 pandemic created a new context, with an urgent need to provide consumers with new products to help protect themselves. At the same time, growing consumer desire for more sustainable products and for products delivering wellbeing benefits have provided opportunities for innovation and leveraging our research and development strengths.

In the UK, Carex Hand and Surface Spray provides effective sanitising power in a convenient spray for consumers on the go. The Original Source I'm Plant Based range appeals to consumers' desire for greener products – a unique surfactant blend provides best in class in shower performance from plant-based surfactants, with 100% natural fragrances. Our Sanctuary Spa Wellness range is helping move the brand into new markets and driving brand growth.

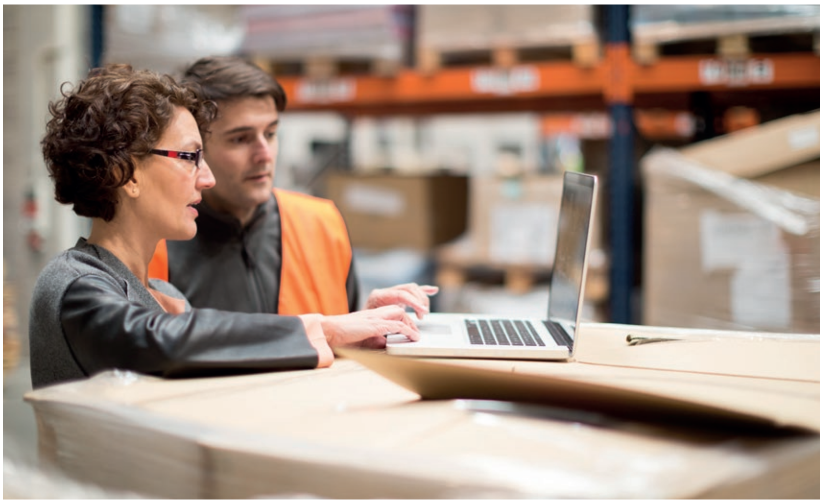
In Australia, we have launched Morning Fresh dish and hand as a convenient way to provide both solutions in the kitchen by formulating the right surfactant blend. The recent addition of Moodscent™ to the Cussons Baby range in Indonesia is underpinned by strong expertise in neuroscience and fragrance technology to bring a smile to both mum and baby.

Preparing for the future

Research and development at PZ Cussons is rebalancing the portfolio. By investing more in external relationships for our selected platforms, we can ensure the future innovation portfolio. Building partnerships with suppliers, universities and renowned experts, we aim to bring new perspectives to nourish our brand innovation agenda.

During FY20, we restructured our Technical Services department to be fit for purpose in the modern environment across our markets. Key focus areas for technical services during FY21 included:

- Responding with agility to supply disruption and spikes in demand during the pandemic.
- Driving efficiencies through our CI programme and in the factories and working cross-functionally to support our supply base simplification and resilience programmes.
- Bringing further impetus to our existing quality and margin improvement programmes.



Manufacturing

During the year we have continued to invest in the capability of our manufacturing sites. Our CI programme is established and self-sustaining. Through CI, the site teams are delivering real incremental improvements across safety, quality, delivery, staff morale and cost. A major area of focus this year has been on upskilling staff and supporting CI teams as they grow in scope and capability.

Our main manufacturing facilities are accredited to ISO9001 for quality, ISO14001 for environment and 18001/45001 for health & safety. Our factory at Ikorodu, Lagos State, Nigeria has become the first factory in Nigeria to be accredited to the ISO50001 energy management standard.

Procurement

The procurement environment during the past year has been very challenging. The Group function successfully coordinated cross regional sourcing to meet increased demand for input materials for hygiene products. We successfully struck a fine balance between supply resilience and competitiveness.

We also focused on the following deliverables during the year:

- Successfully maintained supply continuity in Nigeria during policy changes from the Central Bank of Nigeria restricting certain centralised or global procurement practices.
- Completed a thorough review of our supplier risk management processes to ensure our suppliers meet our rigorous ethical standards.
- Continuing development of our indirect procurement further improving controls and value for money.
- 2023 Palm Oil Action Plan (see page 33) and preparing to further support the Group's sustainability strategy.
- Firming up our programme on next generation procurement, stepping up resilience for Must Win Brands, enhancing compliance and control and continuing our investment in capability.

DEMONSTRATING OUR AGILITY IN THE RESPONSE TO COVID-19

Protecting the safety of our employees was the first priority in our response to Covid-19. In addition, development of our supply chain capability ensured 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 caused by the pandemic.
- The effectiveness of our Carex handwash 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 handwash manufacture in the UK and 10 times in hand gel manufacture.

See more online at
www.pzcussons.com

SUSTAINABILITY CONTINUED

HEALTH & SAFETY

We are committed to delivering globally consistent and high standards of health & safety for all of our people

33%
Reduction in Lost Time Incidents (LTI)

39%
Reduction in injuries

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

We are committed to delivering globally consistent and high standards of health & safety for all of our people. Our health & safety specialists develop, monitor and implement best practices and we empower and encourage our employees to identify and report hazards or near misses.

All but one of our manufacturing sites are now accredited to the internationally recognised occupational health & safety management system ISO45001.

In FY21, the LTI frequency rate reduced by 21% (from 0.05 to 0.04 per 200,000 working hours) and our accident rate reduced by 21% (from 1.45 to 1.14 per 200,000 working hours).

	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	Change from 2011–12 baseline	Change year-on-year
Fatalities	0	0	0	0	0	0	0	0
LTI/yr (Lost Time Incidents)	7	15	13	8	3	2	(31)	(1)
LTIFR (Lost Time Incident Frequency Rate)	0.12	0.29	0.26	0.13	0.05	0.04	(0.37)	(0.01)
AAIFR (All Accident Incident Frequency Rate)	2.08	3.09	2.17	2.13	1.45	1.14	(0.90)	(0.31)

COMMUNITY

The belief that PZ Cussons should be a force for positive change dates all the way back to our founding in the 1880s

We remain committed to helping and supporting the local communities in the vicinity of our factories and offices, working to improve health and wellbeing through initiatives and donations.

UK

SANCTUARY SPA SUPPORTING NHS HEROES

Sanctuary Spa is a long-standing supporter of the NHS. Building on our regular Christmas donations, we donated an additional 53,000 products to key NHS workers and charities this year to recognise their heroics during the pandemic.

Many emergency services workers have been in desperate need of rehydrating products to counter the damage that stringent cleaning and sanitising protocols has on their skin. Sanctuary Spa products also provide an opportunity for these incredible women and men to take a well-deserved moment of pampering and to give them a much needed morale boost while working under the pressures of the pandemic.

Donations were made across the UK to The Royal Marsden Hospital, Cambridgeshire and Peterborough NHS Foundation Trust, Royal College of Nursing, Manchester University NHS Foundation Trust, Oxford Health NHS Foundation Trust Early Intervention Team and Great Ormond Street Hospital for Children NHS Trust, among many more.

53,000
products donated to key NHS workers

Indonesia

ENCOURAGING EDUCATION AND EXPLORATION

PZ Cussons Indonesia, through the Cussons Baby and Cussons Kids brands, again held the country's biggest children's event. Cussons *Bintang Kecil* 9 (Little Star 9) took place from October 2020 to January 2021 and there were more than 133,000 participants.

With the theme 'Exploration of the World', events and competitions aimed to inspire parents about the importance of encouraging children to explore.

PZ Cussons Indonesia also made donations to support teaching and learning activities for children who have experienced hardships during the pandemic. Donations of over 400m IDR were received and given to our partner, the Kick Andy Foundation, a charity dedicated to advancing the education of Indonesian children. This donation activity has been carried out for four consecutive years in collaboration with a number of partners who have the same vision and mission as us, to help and support early childhood education in Indonesia.

133,000
children participating in Cussons *Bintang Kecil* (Little Star)

SUSTAINABILITY CONTINUED

Australia
FIGHTING HUNGER IN AUSTRALIA

We are a proud national partner of Foodbank, Australia's largest food relief organisation. Following the unprecedented devastation caused by bushfires across large parts of Australia in early 2020, food insecurity was only heightened by the pandemic.

In response, Foodbank sourced 48.8 million kgs of food and groceries in 2020, reaching three million people.

Over the past 12 months, our donations of products across the baby food, yoghurt and cleaning categories have helped many local communities impacted by Covid-19, including the suddenly unemployed, seniors in isolation and struggling families.

Our contributions in 2020 provided 51,300 meals and 17,200 kgs of non-food items.

17,200kg
non-food items contributed

Nigeria
PZ CUSSONS NIGERIA FOUNDATION

The PZ Cussons Nigeria Foundation has been improving quality of the life across Nigeria since 2007. The foundation funds and implements projects dedicated to the development of better transport links and roads, potable water, sanitation, health and education, with a focus on sustainable, innovative and replicable solutions.

During the year, the foundation undertook a number of projects including the construction of chemistry and biology laboratories at Ganaka Memorial Girls College, Plateau State. The original structure was completely dilapidated and unfit for human habitation. This project now complements the school's effort to provide a conducive learning environment for the students and the promotion of science subjects in the community.

Furthermore, the foundation constructed a shea butter processing centre for a women's cooperative society in Niger State and undertook the repair and renovation of the administration, pharmacy and laboratory buildings and supply of laboratory equipment at Chanchaga Leprosy Hospital in Minna, Niger State.

Over 100
projects completed since inception

COVID-19 RESPONSE

OUR RESPONSE TO THE COVID PANDEMIC

Covid-19 continued to be a defining feature of FY21 and affected every part of our business.

It has impacted not just the health of our employees and their loved ones, but everything from consumer demand and changes in the way consumers shop, to more flexible and dynamic ways of working for employees and the smoothness with which our global supply chain functions.

We are proud of the way that we have adapted to the pandemic and the way in which we have focused on ensuring that our most trusted brands were available to consumers during a time of great need. As vaccination efforts around the world continue to move forward, we are looking ahead to navigate the continued volatility and challenges of FY22 with agility and resilience.

See below how we adapted to Covid-19 throughout the business.

Key reads

How Covid-19 affected our business as a whole 6
Chief Executive's review

How we supported our employees throughout the pandemic 28
Sustainability – People

How our supply chain responded to Covid-19 34
Sustainability – Supply Chain

How we engaged with our communities during the pandemic 37
Sustainability – Communities

How the Board considered the impact of Covid-19 24
Section 172 statement

See more online at
www.pzcussons.com

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 page 8, our non-financial KPIs on page 45 and our principal risks on pages 58 to 61. Details of our employees can be found on pages 28 and 29 and in the report of the directors on page 110.

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 ethical principles 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:

- Code of Ethical Conduct
- Modern Slavery Act Statement
- Supplier Code of Conduct
- Animal Testing Policy

Code of Ethical Conduct

Summary of policy	Policy management and embedding
The Code of Ethical Conduct (the 'Code') sets out the Company's statement of ethical principles and the behaviours expected across the business. It provides rules and guidance to ensure the Company complies with the UK Bribery Act and equivalent legislation in other countries. The Code applies to all employees, contractors, Directors and senior management as well as joint venture partners, suppliers, agents, consultants and advisors. The Code details the Company's zero tolerance of all forms of bribery and corruption and prohibits the payment of bribes, kickbacks and facilitation payments. It sets out thresholds and reporting processes for gifts and hospitality and a framework for charitable and political contributions. The Code also sets out the Company's position on animal testing, anti-slavery and forced labour, supply chain due diligence, the Company's responsibilities towards its employees, the prevention of financial crime and the protection of whistleblowers. The Code is supported by a number of other policies which are set out in detail in the Audit & Risk Committee Report on page 78.	The Code was launched in April 2021 and replaced the Anti-Bribery and Corruption Policy which had been introduced the year before. Online training has been completed by the Board, the ELT and office-based workers in all our markets. As the Code has been recently launched, a review of its effectiveness has not yet been possible and the Company has not yet adopted specific KPIs in relation to it, however we have already noted positive feedback on the training and the level of reporting and questions flowing from it have been encouraging.

Modern Slavery Act Statement and Supplier Code of Conduct

Summary of policy	Policy management and embedding
The Company's Slavery and Human Trafficking Statement sets out our commitment to integrity of our supply chain, supported by our Supplier Code of Conduct and procurement policies to ensure that we do not engage directly or indirectly with slavery or human trafficking. Our Supplier Code of Conduct incorporates the Modern Slavery Act statement and mirrors our ethical principles set out in the newly launched Code of Ethical Conduct, requiring our suppliers to adhere to the same standards to which we hold ourselves. The Company's policy is to only contract with suppliers who are willing to adhere to our ethical principles. Our suppliers confirm compliance with relevant laws and regulatory standards in all countries in which we operate. Our Procurement Employees' Code of Conduct, under the umbrella of the Code of Ethical Conduct, contains guidance for employees in our procurement function on our values and appropriate business practices. Suppliers submit to periodic audits and are encouraged to submit to third-party rating programmes such as SEDEX. We are reviewing and improving due diligence processes for high-risk suppliers, to ensure we have reasonable and proportionate checks and properly mitigate supplier risks.	The Company has enhanced the due diligence process for new suppliers, requiring adherence to the Supplier Code of Conduct or additional checks to ensure equivalence of third-party policies. We have finalised a revised framework to categorise suppliers as high, medium or low risk with a view to deploying a refreshed reasonable and proportionate due diligence programme. Work on embedding an operating model is ongoing. In parallel, we plan to reduce the number of suppliers we work with to improve governance and control. The Company also monitored performance against our No Deforestation, No Peat, No Exploitation (NDPE) commitment in relation to our palm oil business every six months.

Animal Testing Policy

Summary of policy	Policy management and embedding
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.	Our Supplier Code of Conduct includes mandatory compliance with our animal testing principles. We require that suppliers do not conduct nor ask a third party to conduct any animal testing on ingredients or finished products. The Company reserves the right to terminate supplier relationships if our ethical standards are not adhered to. During FY21, 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 the responsible sourcing of ingredients and materials is one of the most effective ways that PZ Cussons can support our ESG ambitions and environmental performance - see page 34.

We are focused on checking value alignment with suppliers through our Supplier Code of Conduct. During the year we have significantly increased deployment of the Code. We have greatly improved traceability and NDPE on palm oil and are broadening our approach to include paper in our list of certified sourcing. We are improving the transparency of our supply base with planned improvements to our third-party risk management framework and compliance processes on anti-bribery and corruption and modern slavery.

It is already clear that our B Corporation journey will extend our work in our supply base.

Consumer safety

Our mission is to continually improve our assurance of consumer safety. The regulatory approach we take across the whole Group provides a strong foundation.

With ISO9001 accreditation in our manufacturing sites providing a strong basis for continuous improvement and using ISO10377, the standard for consumer safety, as a structure to assess and improve ourselves, each region has a common method of working to protect the consumer.

Our culture, our competencies, the way we design products, the materials we use and the ways we manufacture all contribute to consumer safety as much as the way we communicate to and support users of our products.

The 12 pillars of consumer safety through ISO10377 are regularly measured, any improvements required are identified and actioned to continually improve our assurance and focus on consumer safety.

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.

We maintain a number of environmental, quality and health and safety policies which govern our approach, as well as participating in the Carbon Disclosure Project.

For more information on our environmental policies, including a summary of our commitments, our KPIs and performance, see page 30.

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 Code of Ethical Conduct, discussed above, sets out certain customary procedures and principles to ensure that any charitable donations are made to ethical and responsible organisations that are free from political or other conflicts of interest.

Details of our business model can be found on page 8

See our non-financial KPIs on page 45

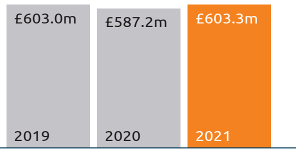
See our principal risks on page 58


Cussons baby
Cussons baby
newborn
Hair & Body Wash
With Organic Olive Oil, Natural Chamomile & Pure Water
SOAP & COLORANT 0%
Delicately Cleanses Newborn
Hypoallergenic Tested
pH Balance
Netto 400ml
Cussons baby
Hair & Body Wash
Mild & Gentle
IMPROVED FORMULA
With Natural Chamomile & Honey
Extra mild formula.
Cleanses delicate skin and hair.
10x Conditioning*
Clinically tested - Mild on eyes
Netto 200ml
Cussons baby
happy fresh
Hair & Body Wash
Freshboost™ with Fruity Citrus
Clinically tested - Mild on eyes
Netto 200ml
MAJELIS ULAMA HALAL INDONESIA
PEWARNA - SABUN - ALKOHOL 0%
10x CONDITIONING*
FRESHNESS 12H ALL DAY

HOW WE MEASURE OUR PROGRESS

FINANCIAL

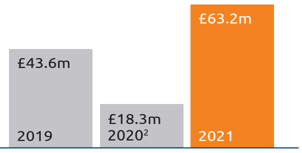
Revenue
£603.3m



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

Why we measure
Sustainable revenue growth is a key strategic ambition

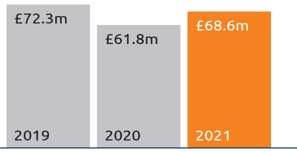
Profit before tax from continuing operations £m
£63.2m



Definition
Profit from continuing operations before tax after adjusting items[3]

Why we measure
Important statutory measure of profit from continuing operations

Adjusted profit before tax from continuing operations £m
£68.6m

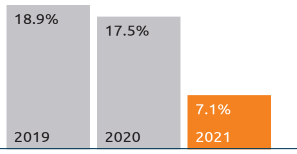


Definition
Profit from continuing operations before taxation and adjusting items[3]

Why we measure
The key measure of profit used for internal and external targets and incentives

Basis of calculation	2019 £m	2020[2] £m	2021 £m
Profit before tax from continuing operations	43.6	18.3	63.2
Adjusting items[3]	28.7	43.5	5.4
Adjusted profit before tax from continuing operations	**72.3[1]**	**61.8[1]**	**68.6**

Average net working capital (NWC) as % of revenue
7.1%

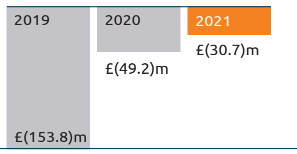


Definition
Monthly average of NWC (defined as trade receivables and inventory less trade payables) as a % of revenue

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

Basis of calculation	2019 £m	2020 m	2021 £m
Average net working capital	114.1	102.5	42.9
Total revenue	603.0	587.2	603.3
Average NWC as % of revenue	**18.9%**	**17.5%**	**7.1%**

Net debt (excluding lease liabilities) £m
£(30.7)m

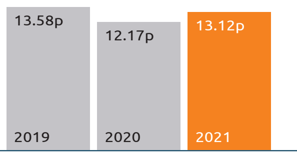


Definition
Cash, short-term deposits and current asset investments, less bank overdrafts and borrowings

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	2019 £m	2020 £m	2021 £m
Cash and short-term deposits	51.9	78.7	87.0
Overdrafts	–	(1.2)	–
Current asset investments	0.3	0.3	0.3
Borrowings	(206.0)	(127.0)	(118.0)
Net debt (excluding lease liabilities)	**(153.8)**	**(49.2)**	**(30.7)**

Adjusted basic EPS from continuing operations
13.12p



Definition
Basic earnings per share from continuing operations adjusted for the impact of adjusting items[3]

Why we measure
A key indicator of value enhancement to shareholders

Basis of calculation	2019 pence	2020[2] pence	2021 pence
Basic earnings per share	7.75	3.01	8.37
Impact of adjusting items[3]	5.83	9.16	4.75
Adjusted basic earnings per share	**13.58**	**12.17**	**13.12**

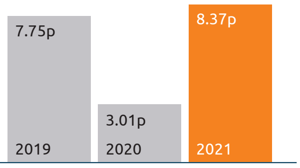
1. Please refer to page 53 for reconciliation of Alternative Performance Measures to statutory results.
2. The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 136.
3. Further details on adjusting items are set out in note 3 on page 152.

HOW WE MEASURE OUR PROGRESS CONTINUED

FINANCIAL CONTINUED

Basic EPS from continuing operations

8.37p

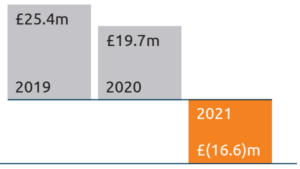


Definition
Basic earnings per share from continuing operations

Why we measure
A key indicator of value enhancement to shareholders

(Loss)/Profit for the year

£(16.6)m

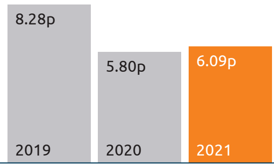


Definition
Profit or loss after tax from all operations

Why we measure
Measures operating performance of the Company

Dividend per share

6.09p



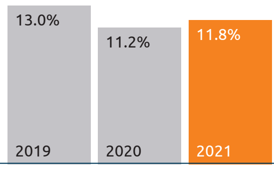
Definition
Dividend per share

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

Basis of calculation	2019	2020	2021
Dividend payment to shareholders (£m)	34.6	24.2	**25.5**
Number of shares (millions)	418	418	**418**
Dividend per share (pence)	**8.28**	**5.80**	**6.09**

Adjusted operating margin % from continuing operations

11.8%



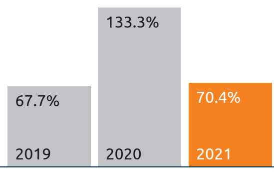
Definition
Operating profit from continuing operations before adjusting items[3], as a % of revenue

Why we measure
Indicator of the return on sales prior to adjusting items[3], financing and taxation costs

Basis of calculation	2019 £m	2020 £m	2021 £m
Adjusted[3] operating profit from continuing operations	78.5	65.9	**71.0**
Revenue	603.0	587.2	**603.3**
Adjusted operating margin from continuing operations (%)	**13.0%**	**11.2%**	**11.8%**

Free cash flow conversion %

70.4%



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

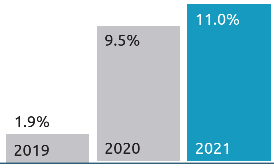
Basis of calculation	2019	2020[2]	2021
Adjusted EBITDA from continuing operations[1]	101.6	91.4	**91.6**
Free cash flow[1]	68.8	121.8	**64.5**
Free cash flow conversion rate	**67.7%**	**133.3%**	**70.4%**

1. Please refer to page 53 for reconciliation of Alternative Performance Measures to statutory results.
2. The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 136.
3. Further details on adjusting items are set out in note 3 on page 152.

STRATEGIC

Must Win Brand Revenue Growth

11.0%



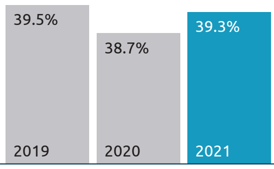
Definition
The growth of revenues generated from our Must Win Brands (MWB)

Why we measure
Must Win Brands are key to our strategic ambition of sustainable, profitable, revenue growth

Basis of calculation	2019 £m	2020 £m	2021 £m
MWB revenue reporting year	246.5	269.8	**299.4**
MWB revenue prior year	241.8	246.5	**269.8**
% growth	**1.9%**	**9.5%**	**11.0%**

Gross profit margin from continuing operations

39.3%



Definition
from continuing operations, gross profit as a percentage of revenue

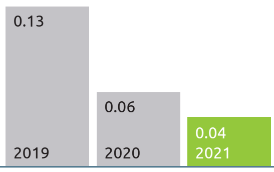
Why we measure
Gross profit margin is key to demonstrating progress on price / mix growth

Basis of calculation	2019	2020	2021
Revenue from continuing operations (£m)	603.0	587.2	**603.3**
Gross profit from continuing operation (£m)	238.0	227.0	**236.9**
Gross profit margin from continuing operation	**39.5%**	**38.7%**	**39.3%**

NON-FINANCIAL

Health & safety LTIFR

0.04

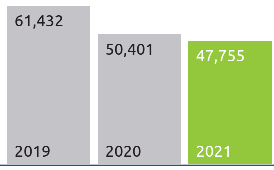


Definition
Lost Time Incident Frequency Rate (LTIFR) is the number of health & safety occurrences which result in one or more days' absence from work (excluding the day of the incident) per 200,000 hours worked

Why we measure
To monitor the safety of our operations

Carbon emissions total absolute tonnes of CO_2e

47,755

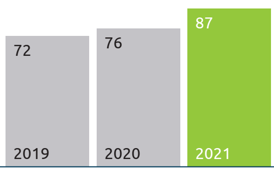


Definition
Total absolute tonnes of CO_2e

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

Grams of plastic per kg finished good

87



Definition
Grams of plastic per kilogram of finished goods sold

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

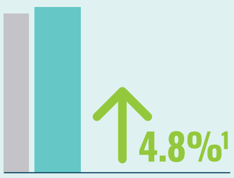
Basis of calculation	2019	2020	2021
Total plastic (metric tonnes)	20,983	20,176	**20,012**
Total finished goods sold (metric tonnes)	**292,558**	**263,809**	**230,675**
Grams of plastic per kg finished good	**72**	**76**	**87**

BUSINESS REVIEW

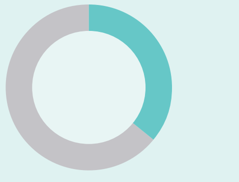
GROWTH ACROSS ALL OF OUR REGIONS

Driven by Must Win Brand performance

Europe & the Americas



Revenue
£216.9m
(2020: £208.0m)



Group percentage of revenue
36.0%
(2020: 35.4%)

Revenue for Europe & the Americas at £216.9m (2020: £208.0m) grew by +4.8% versus the prior year, with adjusted operating profit declining (3.5)% to £52.1m (2020: £54.3m). Statutory operating profit, of £51.0m, was +4.1% ahead of the prior year due to adjusting items in the prior year relating to the Group pension recharge.

Despite the volatility caused by the Covid-19 pandemic, the UK Personal Care business' revenue grew +1.0%, driven by demand for Carex. The Carex brand is the market leader for both liquid hand wash and hand sanitiser with a 36% share of the combined category which grew 45%. Carex showed strong revenue growth versus the prior year driven by strong product and format innovations and a number of successful marketing campaigns.

Original Source revenue showed marginal decline in the year. Although the core Original Source proposition achieved double-digit growth, this was offset by retailers delisting some non-core ranges. However, the launch of the new I'm Plant Based innovation range, a new micro plastic-free formulation with more eco-friendly packaging, is addressing the growing consumer trend for more sustainable products and early signs are encouraging.

Imperial Leather was adversely impacted by the strategic decision to prioritise Carex manufacturing in the UK, with the brand declining as a result. However, work is well underway to significantly reposition the brand to ensure renewed relevance for our target consumers.

Both the above personal care brands were held back by softness in the washing and bathing category during the Covid-19 lockdowns.

We have seen strong performance in our business with grocery retailers this year. As we continue to invest behind strategic grocery partnerships, they currently account for 50% of our total customer base, and where we hold a 24% share in the UK washing and bathing category. In e-commerce, we have also had a strong year, growing our business ahead of the category and gaining market share. We have focused on our digital shelf, creating mobile-first imagery, and on ensuring availability as more consumers moved to shop online during the pandemic. In the impulse channel, we have recognised the importance of the on-the-go hygiene occasion as society emerges from lockdown and have focused on driving innovation and gaining distribution.

Beauty revenue grew significantly this year despite the challenges of Covid-19, with double-digit growth driven by strong performances from St.Tropez in the US and Sanctuary Spa in the UK.

St.Tropez performed very well, particularly in the second half following the successful Ashley Graham collaboration, launched in February 2021. After major disruption to retail channels in the first half, the US market has quickly recovered and we have delivered double-digit growth.

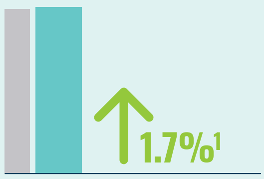
Sanctuary Spa has also had a very strong year, also achieving double-digit growth. During the pandemic, its products have met the at-home consumer indulgence occasion, including the innovative new wellness collection. Growth has also resulted from expanding distribution to more retailers and outlets, enabling more of our consumers to buy Sanctuary Spa wherever they choose to shop.

Across both brands there has been a deliberate and successful shift to digital, with digital sales now accounting for 38.7% of total sales. The growth has been driven by an increase in digital and social marketing and the launch, in June 2020, of our direct to consumer websites.

It proved a challenging time for our hair brands, with hair salons closed for much of the year. However, we have shifted to online to support our brands where possible and extended distribution for Charles Worthington.

1 Growths presented at constant currency. See page 48 for comparisons at reported currency.

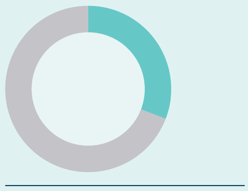
Asia Pacific



Revenue

£187.2m

(2020: £185.2m)



Group percentage of revenue

31.0%

(2020: 31.5%)

Revenue at £187.2m (2020: £185.2m) grew by +1.7%,with adjusted operating profit at £20.7m (2020: £18.5m), an increase of 15.0%. Statutory operating profit, of £20.8m, compares to a loss in the prior year due to the prior year charge of £(36.6)m related to the impairment of the five:am and Rafferty's Garden brands in Australia.

In Indonesia, we maintained steady revenue growth despite the impact of the Covid-19 pandemic on consumers and retail channels. Cussons Baby, our Must Win Brand, remains a market leader. We maintained our brand investment and successfully relaunched our baby powder, one of our top three categories.

We are gaining share across a range of categories, including shampoos, hair lotion and cologne. The strategy to drive higher margin categories including hair care and creams continues, contributing to an overall improved margin for our Baby business, in addition to price increases and a favourable channel mix. Challenges in modern trade channels such as department stores due to Covid-19 restrictions meant the majority of our growth came from by traditional trade channels, including corner stores and markets, with expanded distribution contributing to that success.

In Australia and New Zealand, we saw significant growth in our Homecare portfolio due to increased consumption of hygiene products, while growth in our Beauty brands was held back given social lockdown and travel restrictions but did show solid growth. Our flagship Morning Fresh brand led the growth with a strengthened market share position, up to a 45% share in Australia.

This was driven by Revenue Growth Management initiatives with retailers, new product launches into the adjacent categories of multi-purpose kitchen sprays and a 2in1 dish and hand wash product line. It was also back on TV after four years with a new advertising campaign.

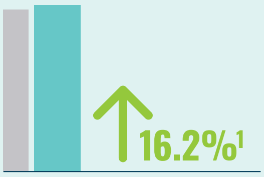
The second half of the year also saw a major restage of our Radiant laundry detergent brand, moving to a more competitive promotional mechanic on our core range, combined with the launch of premium ranges within the Woolworths account. The Rafferty's Garden baby food business continued to grow and gained market share, fuelled by innovation and expanded product ranging.

In New Zealand, we transitioned to a fully outsourced distributor model for our homecare, personal care and baby food categories. We appointed DKSH New Zealand Limited as our exclusive distributor, bringing with them a strong track record. The overall transition to the distributor model has been a success and we look forward to growing the business with DKSH in the short- and long-term.

As part of the new strategy to prioritise our Must Win Brands in the Hygiene, Baby and Beauty categories, and to reduce complexity, we completed the sale of our five:am yoghurt business on 4 June 2021.

BUSINESS REVIEW CONTINUED

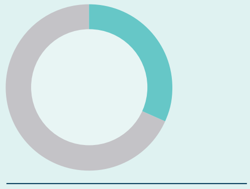
Africa



Revenue

£192.6m

(2020: £187.5m)



Group percentage of revenue

31.9%

(2020: 31.9%)

Revenue at £192.6m (2020: £187.5m) grew by +16.2% versus the prior year, driven primarily by Nigeria, with an adjusted operating profit of £10.7m (2020: loss £(7.6)m). Growth was broad-based, beyond Nigeria, with all markets in growth driven by strong performance across our Must Win Brands and improved profitability in our PZ Wilmar joint venture. Statutory operating profit, of £9.0m, compares to a loss of £(2.9)m in the prior year. The adjusting items in the year related to the Nigeria simplification project.

Premier grew revenue, despite the toilet soap category declining by (6)%. Premier remains the best-selling cooling sensorial soap and family soap in Nigeria, outperforming the competition in terms of penetration and distribution gains.

Joy also grew its revenue, with smaller pack sizes meeting consumer needs in light of shrinking disposable income and rising inflation.

Morning Fresh grew significantly in the year and gained share. A strong trade and consumer promotion strategy resulted in increased frequency of purchase and consumer loyalty. Morning Fresh continues to optimise its distribution, especially in modern trade channels.

Cussons Baby performed very well in Nigeria, growing versus the prior year despite the shrinking economy, from brand building initiatives that drive both trial and increased penetration, plus innovation in the form of a new gift pack.

Growth across most portfolio brands with Electrical, Stella and Canoe in Nigeria all in double-digit growth.

Our palm oil joint venture, PZ Wilmar, improved its profitability versus the prior year primarily due to increased distribution. Devon King's and Mamador are the number 1 and number 3 brands in the cooking oil market respectively.

Aligned to our new strategy, we completed the disposal of Nutricima, our Nigerian milk business, in September 2020.

Additional simplification initiatives have also been completed, with the closure of our Coolworld retail electrical stores in the first half of FY21, and the ongoing review of the product portfolio, route to market, organisational design, infrastructure and assets.

Revenue (£m)	2021	2020	Reported % change	Constant currency % change
Europe & the Americas	216.9	208.0	+4.3%	+4.8%
Asia Pacific	187.2	185.2	+1.1%	+1.7%
Africa	192.6	187.5	+2.7%	+16.2%
Central	6.6	6.5	+1.5%	+3.1%
	603.3	587.2	+2.7%	+7.1%

Adjusted^ operating profit/(loss) (£m)	2021	Restated* 2020	Reported % change	Constant currency % change
Europe & the Americas	52.1	54.3	(4.1)%	(3.5)%
Asia Pacific	20.7	18.5	+11.9%	+15.0%
Africa	10.7	(7.6)	+241%	+262%
Central	(12.5)	0.7	(1886)%	+2183%
	71.0	65.9	7.7%	7.6%

Operating profit/(loss) (£m)	2021	Restated* 2020	Reported % change	Constant currency % change
Europe & the Americas	51.0	49.3	+3.4%	+4.1%
Asia Pacific	20.8	(19.3)	+208%	+197%
Africa	9.0	(2.9)	+410%	+475%
Central	(15.2)	(4.7)	(223)%	(217)%
	65.6	22.4	+193%	+222%

^ Adjusting items are detailed in note 3.

* The results for the year ended 31 May 2020 have been restated. Further detail is contained within note 1c.

1 Growths presented at constant currency.

FINANCIAL REVIEW

A WORD FROM OUR CHIEF FINANCIAL OFFICER

"We returned the business to revenue growth, with price /mix improving gross margin and allowing us to increase our marketing investment behind our Must Win Brands. We also made progress in refocusing our portfolio against our strategic priorities, with the disposal of both the Nutricima milk and five:am yoghurt businesses. The 5% increase in the total dividend reflects the Board's confidence in the Group's financial resilience and future growth prospects."

Sarah Pollard
Chief Executive Officer

Financial

- The loss after tax of £(16.6)m, compared to a profit of £19.7m in the prior year, is due to a loss from discontinued operations.
- Loss from discontinued operations of £(51.6)m was attributable to the pre-tax loss on disposal of Nutricima of £(40.7)m (including the impact of recycling of historical foreign exchange losses of £(39.9)m), associated tax expenses of £(5.2)m, the loss after tax of Nutricima to the date of disposal of £(4.8)m and losses of £(0.9)m associated with the disposal of Luksja which took place in the prior year.
- Basic earnings per share, showing a loss of (3.97)p, reflects the loss from discontinued operations.
- Profit before tax from continuing operations of £63.2m, compares to a profit of £18.3m in the prior year, explained by the impairments of the Australian brands five:am and Rafferty's Garden in the prior year.
- Adjusted profit before tax from continuing operations of £68.6m, up +11.0% versus the prior year and ahead of consensus, driven by broad-based revenue growth and improved operating margin.
- Adjusted basic earnings per share from continuing operations, at 13.12p, up +7.8% versus the prior year.
- The balance sheet continued to strengthen, with net debt[1] excluding lease liabilities of £30.7m, down further in the fourth quarter, and lower than the £49.2m at the same point in the prior year.
- A final dividend of 3.42p, making a total of 6.09p for the full year. This +5% increase in total dividend reflects the Board's confidence in the Group's financial resilience and future growth prospects.

Operational

- Organic[2] revenue growth of +7.1% (at constant currency), with all geographic regions and our core categories of Hygiene, Baby and Beauty all in growth.
- Must Win Brands revenue grew +11% (at constant currency), with 7 of the 8 brands in growth. Carex revenue doubled, reflecting the increased size of the hand hygiene category in the UK and our continued market-leading position. Original Source in the UK declined only (1)%. On a two-year cumulative basis, Must Win Brands revenue grew +21%.
- Portfolio Brands revenue grew +3% (at constant currency), driven by growth in Electricals in Nigeria, partially offset by declines in Imperial Leather and the, now disposed of, five:am yoghurt business.
- Gross margin increased +60bps to 39.3%, supported by positive price / mix improvements in each of our core categories.
- Marketing investment increased by over 40% versus the prior year, with all the increase dedicated to Must Win Brands.
- Adjusted operating margin increased +60bps to 11.8%.

1 Please refer to page 43 for definition of net debt.

2 Revenue growth on a like-for-like organic basis, after the impact of acquired and disposed of brands or businesses, as well as at constant currency.

FINANCIAL REVIEW CONTINUED

Europe & the Americas

- Strong demand for Hygiene products has been complemented by strong revenue growth in our Beauty brands through the second half of the financial year, resulting from increased brand investment, successful activations and improved distribution.
- Revenue growth of +4.8% (at constant currency) was driven by significant growth in St.Tropez, supported by the successful Ashley Graham influencer campaign in the US, and Sanctuary Spa, which has seen strong e-commerce performance.
- Carex revenue grew strongly versus the prior year, despite the comparison with strong demand in Q4 of FY20, with continued demand for both hand sanitiser and hand wash. Despite increased competitor activity, Carex remains the UK market leader for both hand sanitiser and hand wash with a 36% share of the combined category.
- Revenue from Original Source and Imperial leather declined in the year, due to softness in the washing and bathing category since the beginning of the Covid-19 lockdowns and some deliberate production choices to protect Carex supply.
- Adjusted operating profit, of £52.1m, was (3.5)% below the prior year (at constant currency) with improved profitability in Beauty partially offsetting a decline in UK Personal Care due to increased brand investment, fuelling strong Carex revenue growth and an increase in the brands' spontaneous awareness to 49% (2020: 43%).
- Statutory operating profit, of £51.0m, was +4.1% ahead of the prior year (at constant currency) due to adjusting items in the prior year related to the Group pension recharge.

Asia Pacific

- Revenue growth of +1.7% (at constant currency), across both the key markets of Indonesia and Australia / New Zealand.
- All our Must Win Brands grew, including Cussons Baby in Indonesia and Morning Fresh in Australia / New Zealand.
- Cussons Baby in Indonesia remains a market leader, due to maintained brand investment and the relaunch of our baby powder product range.
- Morning Fresh in Australia increased its market share, was back on TV with a new advertising campaign after four years and launched new innovations into adjacent kitchen hygiene categories.
- Adjusted operating profit, of £20.7m, was +15.0% above the prior year (at constant currency) and ahead of revenue growth due to a reduction in operating costs driven by head office restructuring in Indonesia and Australia, plus switching to a distributor model in New Zealand.
- Statutory operating profit, of £20.8m, compares with a loss in the prior year due to the prior year charge of £(36.6)m related to the impairment of the five:am and Rafferty's Garden brands in Australia.
- Disposal of the five:am yoghurt brand announced on 7 May 2021 and completed on 4 June 2021.

Africa

- Revenue growth of +16.2% (at constant currency) with growth across all of Nigeria, Kenya and Ghana.
- All Must Win Brands, namely Morning Fresh, Premier, Joy and Cussons Baby grew versus the prior year. Morning Fresh and Joy also increased their market share.
- Revenue growth across most Portfolio Brands with Electricals, Stella and Canoe in Nigeria all in double digit growth.
- Adjusted operating profit of £10.7m compares with a loss of £(7.6)m in the prior year driven by double-digit revenue growth and an improved operating profit margin.
- Statutory operating profit of £9.0m compares with a loss of £(2.9)m in the prior year. The adjusting items in the year relate to our Nigeria simplification project. The adjusting items in the prior year primarily related to accounting for investment properties in Ghana.
- Our Palm Oil joint venture, PZ Wilmar, improved its profitability versus the prior year primarily due to increased distribution. Devon King's and Mamador are the number 1 and number 3 brands in the cooking oil market, respectively.
- Disposal of Nutricima, our Nigerian milk business on 28 September 2020, resulting in a post tax loss from discontinued operations of £(50.7)m.
- Additional simplification initiatives completed, with the closure of our Coolworld retail electrical stores in the first half, with the review of the product portfolio, route to market, organisational design, infrastructure and non-core assets ongoing.

Central

- Adjusted operating loss of £(12.5)m compares with a profit of £0.7m in the prior year.
- Statutory operating loss of £(15.2)m, including the £2.4m non-cash impairment of the investment in Wilmar PZ International Pte Limited, treated as an adjusting item.
- The increased costs include investments in resources and capabilities to develop, deploy and deliver against our new strategy. These include investments in Revenue Growth Management and digital and the bolstering of the Executive Leadership Team.
- Additionally, driving the increased cost, is the reinstatement of the annual bonus for Group employees, not paid in recent years due to poor business performance historically.
- Central costs also includes some global business units that support local markets, for example our in house fragrance centre of excellence Seven Scent and our procurement hub in Singapore. Notably in FY21, certain restrictions imposed by the Nigerian government and central bank prevented us fully utilising these internal services, and as such, they were loss making.

Financial highlights

Adjusted measures	Year ended 31 May 2021	Restated* Year ended 31 May 2020	Reported % change	Constant currency % change(1)
Revenue from continuing operations	£603.3m	£587.2m	+2.7%	+7.1%
Adjusted(2) operating profit from continuing operations	£71.0m	£65.9m	+7.7%	+7.6%
Adjusted(2) profit before tax from continuing operations	£68.6m	£61.8m	+11.0%	
Adjusted(2) basic EPS from continuing operations	13.12p	12.17p	+7.8%	
Net debt(3)	£(30.7)m	£(49.2)m		
Statutory measures				
Operating profit from continuing operations	£65.6m	£22.4m	+193%	
Profit before tax from continuing operations	£63.2m	£18.3m	+245%	
Profit after tax from continuing operations	£35.0m	£8.8m	+298%	
(Loss)/Profit after tax from discontinued operations	£(51.6)m	£10.9m	(573)%	
(Loss)/Profit after tax	£(16.6)m	£19.7m	(184)%	
Basic (loss)/earnings per share ('EPS')	(3.97)p	5.62p	(171)%	
Total dividend per share	6.09p	5.80p	5.0%	

(1) Revenue growth on a like-for-like organic basis, after the impact of acquired and disposed of brands or businesses, as well as at constant currency.

(2) Adjusting items are detailed in note 3.

(3) Net debt is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings. It does not include IFRS 16 lease liabilities (refer to page 43 for a definition of net debt).

* The results for the year ended 31 May 2020 have been restated. Further detail is contained within note 1c.

Basis of preparation

The accounting policies applied in our Financial Statements are explained in full within our FY21 Annual Report and Financial Statements. The Directors continue to adopt the going concern basis in preparing the accounts on the basis that the Group's strong liquidity position is sufficient to meet the Group's forecasted funding needs, including those modelled in a downside case. Please see page 56 for further detail.

The discontinued operations presented predominantly reflect Nutricima Ltd, the assets of which were disposed of on 28 September 2020. The loss from discontinued operations of £(51.6)m was attributable to the pre-tax loss on disposal of Nutricima of £(40.7)m (including the impact of recycling of historical foreign exchange losses of £(39.9)m), associated tax expenses of £(5.2)m, the loss after tax of Nutricima to the date of disposal of £(4.8)m and losses of £(0.9)m associated with the disposal of Luksja which took place in the prior year. Further detail is available in note 28.

On 4 June 2021, PZ Cussons plc completed the sale of the assets associated with five:am, which was the Group's yoghurt business in Australia. On this date, the control of the assets passed to the acquirer, Barambah Organics. The results of five:am have not been reported within discontinued operations as the disposal of five:am does not represent a disposal of a major line of business or an exit from a geographic area of operation.

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 represents a change from the Group's previous practice of reporting exceptional items, and will be adopted on a consistent basis for the purposes of the half year and full year reporting going forward. Where relevant, comparative IFRS measures have also been presented.

Adjusted results are presented before adjusting items which in the financial year, on a pre-tax basis, include £(40.7)m costs related to the disposal of Nutricima, £(3.8)m costs related to Nigeria simplification, £(2.8)m costs related to Group and regional restructuring, a net £1.2m impact from classification of five:am assets as held for sale and £(0.4)m costs related to the disposal of the Luksja brand in Poland. Further detail is available in note 3.

The adjusted and statutory results for the financial year are presented with variances to the prior year 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 2020 results using 2021 average foreign currency exchange rates. The translational impact was a £24.1m loss on revenue, a £0.1m gain on adjusted operating profit before tax and a £(2.0)m loss on statutory operating profit before tax.

FINANCIAL REVIEW CONTINUED

As a business we continue to make decisions on a geographic basis, and the information reviewed by the Chief Operating Decision Maker is based on a geographic segmentation of the business. Therefore, the financial performance discussed below is focused on the performance of the key regions. Further detail on the segmental performance is detailed in note 2 to the Financial Statements.

FRC review of 2020 Annual Report and Accounts and 2021 Interim Financial Information

On 22 April 2021 the Company received a letter from the Financial Reporting Council ('FRC') following a review of the Company's FY20 Annual Report and Accounts. The review conducted by the FRC was part of its ongoing cyclical review of FTSE listed companies. The review conducted by the FRC was based solely on the Group's published FY20 Annual Report and Accounts and does not provide any assurance that the Annual Report and Accounts are correct in all material respects.

The FRC letter noted a number of questions and observations relating to the Company's accounts. The Company responded to the FRC letter undertaking to restate or correct certain disclosures made in the Company's FY20 Annual Report and Accounts and also to make certain changes to the Company's accounting policies for subsequent years in order to further improve and clarify our financial reporting. The FRC advised the company that its review had been satisfactorily closed on 13 September 2021. Further detail of the FRC's review and the Company's response can be seen in the Report of the Audit & Risk Committee on page 81 and in the Financial Statements in note 1c.

Financial Review

The statutory loss after tax of £(16.6)m (2020: profit after tax of £19.7m) was driven by the £(51.6)m loss from discontinued operations which was attributable to the pre-tax loss on disposal of Nutricima of £(40.7)m (including the impact of recycling of historical foreign exchange losses of £(39.9)m), associated tax expenses of £(5.2)m, the loss after tax of Nutricima to the date of disposal of £(4.8)m and losses of £(0.9)m associated with the disposal of Luksja which took place in the prior year. The basic loss per share of (3.97)p (2020: earnings of 5.62p) is due to this loss after tax.

Adjusted profit before tax from continuing operations of £68.6m, was up +11.0% versus the prior year, driven by broad-based revenue growth and improved operating margin. Statutory profit before tax from continuing operations, of £63.2m, up +245% versus the prior year, is further explained by the impairments of the Australian brands five:am and Rafferty's Garden in FY20.

Revenue, at £603.3m, grew +2.7% with all regions and our core categories of Hygiene, Baby and Beauty all in growth. On a constant currency basis, revenue growth was 7.1%. Gross margin increased +60bps to 39.3%, supported by positive price / mix in each of our core categories. Additionally, marketing investment increased by over 40% on the prior year, with all the increase dedicated to Must Win Brands.

In Europe & the Americas, adjusted operating profit of £52.1m was (3.5)% lower than prior year (at constant currency). Profit growth in the Beauty business partially offset a decline in profit in the UK personal care business due to increased brand investment, predominantly behind Carex fuelling strong growth and an increase in spontaneous awareness to 49%, from 43% the previous year. Beauty revenue benefitted from significant growth in St.Tropez, supported by the successful Ashley Graham influencer campaign in the US with further strong growth in Sanctuary Spa.

In Asia Pacific, adjusted operating profit of £20.7m was +15.0% higher than prior year (at constant currency). This was stronger than revenue growth due to a reduction in operating costs driven by regional head office restructuring within Indonesia and Australia and switching to a distributor model in New Zealand. Revenue growth of +1.7% with both key markets of Indonesia and Australia / New Zealand in growth. Both markets saw brand investment benefit our key brands with market share gains seen in Cussons Baby in Indonesia and Morning Fresh in Australia.

Africa adjusted operating profit of £10.7m compares with a loss of £(7.6)m in the prior year. The improved profitability was due to strong revenue growth, improved adjusted operating profit margins and increased profit from our joint venture, Wilmar, due to increased distribution. Revenue growth (at constant currency) of +16.2% with growth across each of Nigeria, Kenya and Ghana. Additionally, all Must Win Brands in Africa were in growth versus prior year and each increased their market share.

Net finance costs of £(2.4)m (2020: £(4.1)m) reduced compared to the prior year, reflecting higher interest received on cash balances and lower interest paid on borrowings due to a reduction in the drawdown on our revolving credit facility. The balance drawn down at year end was £118m compared to £127m in the prior year.

Adjusted profit before tax from continuing operations of £68.6m (2020: £61.8m) reflects the growth in revenue and improved operating margin and the reduced finance costs compared to the prior year. The effective tax rate on adjusted profit was 21.0% (2020: 23.5%). The reduction in tax rate compared to last year is due to the release of tax provisions related to tax estimates for items in the UK and Nigeria.

Adjusted basic earnings per share from continuing operations was 13.12p (2020: 12.17p) up +7.8% versus the prior year.

In the year the Group incurred adjusting items which on a post-tax basis amounted to a net charge of £(65.5)m. The most significant items were related to the loss on disposal of Nutricima of £(45.9)m, which has been included in discontinued operations, and the deferred tax impact of the UK tax rate change of £(14.2)m, costs relating to our Nigeria simplification project of £(3.6)m, and costs of Group and regional restructuring of £(2.3)m, all of which have been included in continuing operations.

The balance sheet remains strong, with net debt, (defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings and excluding lease liabilities) at £30.7m (2020: £49.2m). The reduction was due to proceeds from operations, plus the proceeds from the disposal of Nutricima, offset by the impacts of electing to cease paying for vendor financing within the UK and Indonesia, the provision of additional short-term funding to our PZ Wilmar joint venture and our elective repayment of the UK government Covid-19 VAT deferral scheme. Net assets at 31 May 2021 of £381.8m (2020: £421.2m). The Group is funded by a £325m revolving credit facility, committed until 28 November 2023, of which £118m is drawn down as at 31 May 2021 (2020: £127m).

Total free cash flow, defined as cash generated from operating activities less capital expenditure, was £64.5m (2020: £121.8m) representing a conversion rate of 70.4% (2020: 133.3%). This reflects the election to cease paying for vendor financing within the UK and Indonesia.

The Group's three UK pension schemes have an aggregate accounting surplus under IAS19 of £29.1m, after the restriction due to asset ceiling (2020: £38.4m). The overseas scheme reported a deficit of £(8.4)m (2020: £(7.7)m).

The Board is recommending a final dividend of 3.42p (2020: 3.13p) per share making a total of 6.09p (2020: 5.80p) per share for the year.

Sarah Pollard
Chief Financial Officer

Reconciliation of alternative performance measures to statutory results	Year ended 31 May 2021	Year ended 31 May 2020*
Profit before tax from continuing operations	**£63.2m**	**£18.3m**
Adjusting items	£5.4m	£43.5m
Adjusted profit before tax from continuing operations	**£68.6m**	**£61.8m**
Interest	£2.4m	£4.1m
Depreciation & amortisation	£20.6m	£25.5m
Adjusted EBITDA	**£91.6m**	**£91.4m**
Cash generated from operating activities	£73.4m	£128.5m
Less capital expenditure	£(8.9)m	£(6.7)m
Free cash flow	**£64.5m**	**£121.8m**
Free cash flow conversion rate[1]	**70.4%**	**133.3%**
Profit before tax from continuing operations	**£63.2m**	**£18.3m**
Adjusting items from continuing operations	£5.4m	£43.5m
Adjusted profit before tax from continuing operations	**£68.6m**	**£61.8m**
Operating profit from continuing operations	**£65.6m**	£22.4m
Adjusting items from continuing operations	£5.4m	£43.5m
Adjusted operating profit from continuing operations	**£71.0m**	**£65.9m**
Revenue	**£603.3m**	**£587.2m**
Adjusted operating margin from continuing operations	11.8%	11.2%
Basic earnings per share from continuing operations	**8.37p**	**3.01p**
Impact of adjusting items	4.75p	9.16p
Adjusted basic earnings per share from continuing operations	**13.12p**	**12.17p**
Cash & Short term deposits	£87.0m	£78.7m
Overdrafts	–	£(1.2)m
Current Asset Investments	£0.3m	£0.3m
Borrowings	£(118.0)m	£(127.0)m
Net Debt (excluding lease liabilities)	**£(30.7)m**	**£(49.2)m**

1 Free cash flow conversion rate is defined as free cash flow as a percentage of adjusted EBITDA.
* The results for the year ended 31 May 2020 have been restated. Further detail is contained within note 1c.

RISK MANAGEMENT

Ensuring that we are able to DELIVER ON OUR STRATEGY

Our approach to risk management

The Group uses a risk management process and common risk framework to ensure we capture and mitigate risks that threaten the successful delivery of strategic objectives. This framework has been renewed during the year to ensure continuous improvement and to refresh our processes in line with the new strategy. The Board has considered and approved the Group's new risk management policy.

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. The new process also assesses target risk level and risk velocity.

The Board periodically reviews the top risks in the register and has delegated the ongoing review of risk management to the Audit & Risk Committee (see pages 78 to 85 for further information), which also assesses the effectiveness of the risk management framework by receiving analysis of the principal risks from the ELT, along with 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 significant strategic and operational risks are identified. The ELT assesses all principal risks, 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 controls are adequately resourced and maintain exposure within the defined risk appetite parameters. Each principal risk is owned by a member of the ELT.

The process and timetable are replicated at market and function level and these teams report the outcome of their risk management process to executives. In this way, the ELT can satisfy itself that risks are being properly managed. It also ensures that potential Group-wide risks are captured and best practice mitigation is shared across the business. At a business unit and function level each risk is owned by a senior member of local management.

The Group Internal Audit function provides independent assurance to both the executive and the Audit & Risk Committee on the effectiveness of the risk management framework and internal control systems. In recognition of the fact that the head of risk and head of Internal Audit roles are combined, the Audit & Risk Committee takes specific steps to ensure independence of the Group Internal Audit function is maintained when necessary.

The Board is committed to adopting a risk profile in line with our vision and culture. The Group is exposed to a number of risks as a result of its business activities. In reviewing these risks, and the opportunities and returns associated with them, the Board has determined to adopt a very low risk appetite for risks which may adversely impact its business opportunities or reputation. These include areas such as product safety and quality, health and safety, cyber-security, legal, compliance, climate change, environmental and regulatory risks. The Group also has a relatively low risk appetite through our supply chain and finance functions where we seek to minimise counter-party credit risk exposure, ensure the resilience of our supply chain particularly amidst the current period of volatility, and avoid unhealthy levels of financial leverage or complex tax planning structures. Comparatively, the Board has a higher appetite for risks which are associated with growth and potential higher returns such as our focus on innovation and new product development, our involvement in emerging markets and our pioneering spirit which encourages setting ambitious targets such as our commitment to become a B Corporation by 2026. Where the Board has adopted a higher level of risk appetite, we seek to mitigate our downside exposure whether through insurance cover, risk mitigation or control processes internally or natural portfolio hedges such as the diversity of our brand and product ranges and our avoidance of over-concentration on a single category or market.

Where the Group works with a joint venture partner, it applies the same risk management processes. The Group's ability to unilaterally enact mitigation processes in relation to joint venture risks is sometimes constrained by our joint venture agreements, however, the Group believes our agreements are sufficiently robust and our partners are aligned with us in their approach to risk.

Our risk management processes are designed to manage rather than eliminate risks and provide only reasonable not absolute assurance against material misstatement or loss.

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

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.

Group Head of Risk and Internal Audit

Oversees the consistent application of the Group's risk management framework.

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.

Our approach to emerging risk

New and emerging risks are identified in a number of ways:

- Twice a year, the ELT reviews the key strategic objectives of the business specifically in the context of risk.
- 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 ELT 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 should be taken into account when formulating and executing strategy in the future.
- 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. 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

We continually 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 are:

- Pandemic: Covid-19 has demonstrated the risk from global pandemics and we have maintained an elevated risk status, while also recognising that Covid-19 is impacting several of our other risks.
- Consumer, customer and economic trends: we continue to see consumer fragility in many markets and a trend of protectionism in both emerging and developed markets. We have developed our strategy with a focus on leading brands in priority markets to mitigate the associated risk and identify opportunities for growth, but we continue to maintain an elevated risk status.
- IT and information security: partly informed by in-depth internal audit reviews of information security, significant activity across the whole of the business is mitigating the increasing prevalence and sophistication of cyber security incidents. The risk of disruption to our operations and/or unauthorised access and misuse of our sensitive information remains as a result of our systems being attacked. This continues to be a key area of focus, elevated recently due to our reliance on IT systems to support remote working during the Covid-19 pandemic.
- Sustainability and environment: the focus on the environmental and human safety implications of climate change and plastic pollution continues to intensify. While our approach to sustainability offers opportunities for competitive advantage, the risk of adverse consumer or customer reaction, increased cost and regulatory penalties continues to rise. Our ambition to achieve B Corporation certified status by 2026 is an indication of our commitment in this area.

RISK MANAGEMENT CONTINUED

Viability statement

Assessment of prospects

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

- The business model on page 8 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 Group's strong cash generation and its ability to renew and raise debt facilities in most market conditions. The Group currently has significant committed facilities headroom in its existing committed banking arrangements.

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 CEO and is fully reviewed by the Board; and
- The investment planning cycle, which covers three years. The ELT 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; and
- The likelihood and impact of severe but plausible scenarios in relation to principal risks as described on pages 58 to 61. These principal risks were assessed both individually and collectively. While 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 ongoing Covid-19 global pandemic, particularly in the developing markets, and this was built into the viability scenario testing.

Top-down headroom

Bank leverage covenant

The ratio of net debt to EBITDA at the end of FY21 of 0.3x remains substantially below the maximum covenant level under the Group's lending facilities, providing significant headroom. EBITDA would need to fall by more than 87% before triggering any default in relation to the covenants. Action could also be taken to conserve cash by reducing the dividend payment, stopping capital expenditure or taking other actions to preserve cash. Current committed debt facilities mature in November 2023, however, management has held preliminary discussions with the current banking syndicate and the Board is confident that renewal of the revolving credit facility will not be problematic.

Bottom-up scenarios

Each of the principal risks identified on pages 58 to 61 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 ongoing Covid-19 pandemic or other macroeconomic factors impacting Africa causes the forecast recovery in Africa to fail to materialise during the entire three-year viability period. The Nigerian currency, 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 Directors believe that the mitigations implemented during FY21 will protect the Group, as the scenario modelled by management is worse than the experience of FY21, which included both the effects of the lockdown in Nigeria due to the pandemic and a significant 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 eight weeks' inventory on hand to cover such eventualities.
Global inflation causes the Group to experience increased commodity costs in all major markets. Management have 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 work with vendors to obtain the best prices. Known cost increases are already factored into the budget and forecasts.
Scenario 4 combines scenarios 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. Under this worst case in scenario 4, the net debt/EBITDA ratio was only exceeded during FY24, however, even in this scenario there would still be committed facilities headroom which would be undrawn on committed banking facilities. As the breach in the scenario modelling occurs in FY24, further action 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 have 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 87%, that the Board do not 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 2024 in line with the Group's financial and strategic time planning horizons.

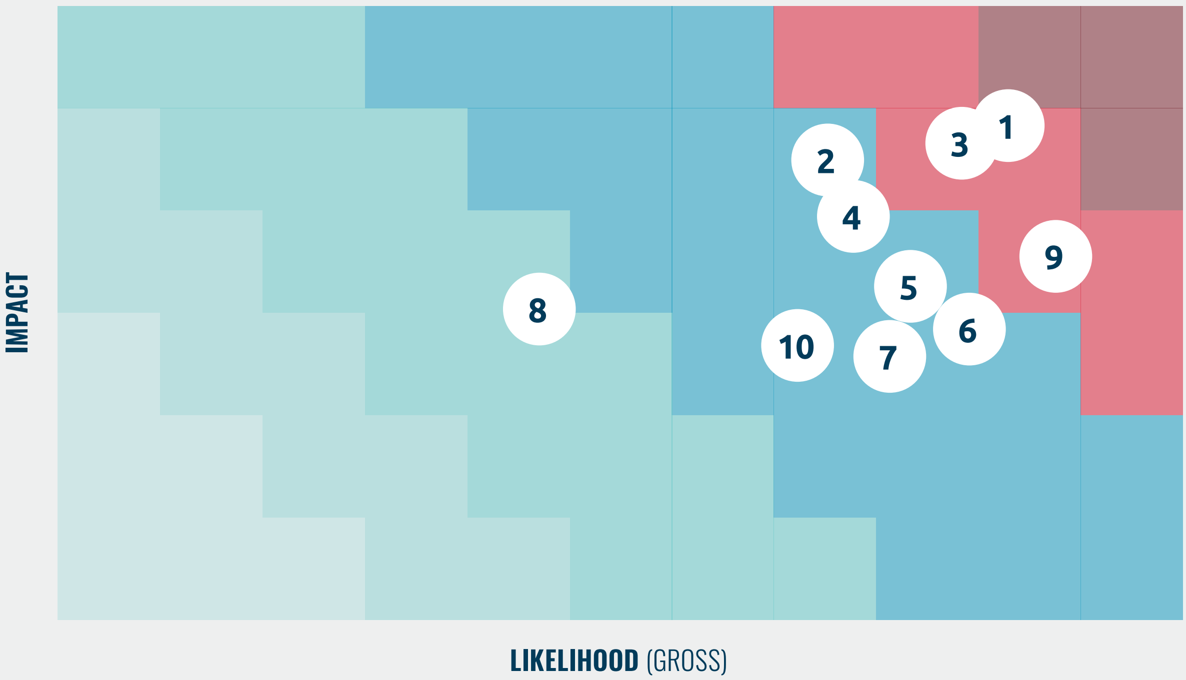
Going concern

The Group's business activities, together with the factors likely to affect its future performance, are set out in the Financial Review on pages 49 to 53 and its Principal Risks and Uncertainties on pages 58 to 61. 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 March 2020 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 have a 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.

PRINCIPAL RISKS AND UNCERTAINTIES

OUR RISK PROFILE

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



LINK TO STRATEGY

1 **Where To Play**
We have a clear focus on the leading brands in our core categories within our priority markets.

2 **How To Win – the PZ Cussons Growth Wheel**
Adopting the PZ Cussons Growth Wheel enables us to build brands in a systematic and repeatable way.

3 **Putting sustainability at the heart of everything we do**
We are elevating sustainability, broadening our ESG efforts and making clear commitments which can be measured over time.

4 **Evolving our culture**
We have reshaped our purpose and are reviewing our values, ensuring each person in the organisation is clear on their role and engaged in executing our new strategy.

5 **Developing leaders at all levels**
We have re-established the rhythms and disciplines of talent management in order to develop leaders at all levels.

6 **Building our capabilities**
We're developing the skills and processes required for us to compete effectively.

7 **Reducing complexity**
We are dramatically simplifying our complex operations and ways of working.

RISKS

1 Pandemic
2 Consumer, customer and economic trends
3 IT and information security
4 Sustainability and environment
5 Legal and regulatory compliance
6 Talent development and retention
7 Business transformation
8 Health & safety
9 Supply chain and logistics
10 Treasury and tax

RISK 1: PANDEMIC

Impact: Decreased — Link to Strategy: 1, 2, 3, 6

Description of risk:

Like all businesses, we continue to operate under uncertain conditions as a result of Covid-19 and we continue to maintain a high-risk awareness in this area, although we consider that a year on, the risk exposure has reduced through increased awareness across the business and the implementation of action plans across the business in response to the pandemic.

The continuing presence of Covid-19, present 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, including as we transition to our new ways of working in response to the pandemic.

There is also the continued 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, albeit mitigated by the contingency plans which we have developed over the course of the past 18 months.

Measures to manage risk:

We continue to take a number of steps to address the risks relating to our people during Covid-19, including the implementation of further health & safety measures to ensure safe working for those at work as we move to a more enduring flexible way of working, 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, increase supply and launch new products, to meet demand, despite the challenges in international sourcing due to the pandemic. 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 continued to adopt strict measures in terms of operational discipline, to manage our cash position effectively. These include the deferral of capital projects, the simplification of our organisational structures and an increased focus on working capital.

Although we have lowered the risk profile of this separate pandemic risk due to the vaccine roll out and the existence of contingency plans, we recognise that pandemic risk will continue to present itself in many different areas as we move to our new way of working and we maintain our diligence in this area and have considered these elements in relation to separate risks.

RISK 2: CONSUMER, CUSTOMER AND ECONOMIC TRENDS

Impact: Increased — Link to Strategy: 1, 2, 7

Description of risk:

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.

This risk was compounded by Covid-19. Demand for hygiene products, such as Carex and Morning Fresh, as well as our wellness and indulgence brands, soared in the early months of the pandemic, while the Beauty category slowed dramatically as retail stores closed and consumer habits changed at unprecedented pace.

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.

Measures to manage risk:

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. The primary drivers for the new strategy were the need to embrace changing consumer needs, including the rapidly changing consumer and shopper habits caused by the pandemic and the need to transform the business following the underperformance of recent years.

We continue to focus on maintaining strong relationships with our existing customers and our new strategy still requires us to 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.

This has all fed into the launch of our new strategy, with our focus on the leading brands in our core categories within our priority markets.

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.

LINK TO STRATEGY

1 Where To Play
2 How To Win – the PZ Cussons Growth Wheel
3 Putting sustainability at the heart of everything we do
4 Evolving our culture
5 Developing leaders at all levels
6 Building our capabilities
7 Reducing complexity

IMPACT

Increased
Same
Decreased

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK 3: IT AND INFORMATION SECURITY

Impact: ^ Link to Strategy: 3, 6

Description of risk:

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.

Measures to manage risk:

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. While management remains confident that our processes and controls are appropriate to mitigate this risk, we also recognise the continually increasing sophistication of cyber attacks and the increased regulatory focus on data security and we have reflected this in an increased risk profile.

RISK 4: SUSTAINABILITY AND ENVIRONMENT

Impact: ^ Link to Strategy: 1, 3, 6

Description of risk:

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, who are increasingly focused on environmental sustainability and transparency in the supply chain and damaging the goodwill in our brands, with consequent limitation of our ability to grow and create value.

Measures to manage risk:

Our ESG activities, in particular, our environment, sourcing and community and charity programmes, ensure that we understand and take account of the 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 on a number of key sustainability projects, but we continuously strive to do more. Actions against our Plastic Promise include increasing our range of refill alternatives to our plastic pump dispensers and removing all plastic from our gift sets on the Sanctuary Spa.

We are putting sustainability at the heart of everything we do, making the needs and requirements of all our stakeholders central to the way we do business. It is at the heart of our new strategy. We recognise the increasing responsibilities of each of us to mitigate these risks and that the demand of our stakeholders in this area is continuously increasing, hence the increased risk profile. The ambitious journey for the Group to become a certified B Corporation by 2026 is a reflection of our determination and commitment. Sustainability performance is embedded within strategic performance.

The Board intends to evolve our current Ethics & Compliance Committee into an ESG Committee. In line with this, we have also appointed our first Chief Sustainability Officer, a role dedicated to coordinating global efforts across the Group.

RISK 5: LEGAL AND REGULATORY COMPLIANCE

Impact: ^ Link to Strategy: 3, 6

Description of risk:

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.

Measures to manage risk:

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. During the year we launched our first Code of ethical conduct, replacing the anti-bribery and corruption policy, which had been launched the year before. In addition, we relaunched our confidential global whistle-blower hotline, details of which are widely communicated and available to all our employees.

As part of management's ongoing review of risks, and in concert with the establishment of our new suite of anti-corruption policies and processes, a revised risk assessment was performed resulting in a re-rating of this risk. Management do not believe that the underlying exposure has changed since the previous year and that the movement on the register is attributable to a change in our methodology of assessment

RISK 6: TALENT DEVELOPMENT AND RETENTION

Impact: — Link to Strategy: 1, 2, 3, 4, 5, 7

Description of risk:

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.

Measures to manage risk:

We are strengthening our human resources processes, with a focus on attracting, retaining and developing the right talent. We regularly review our reward and recognition programmes. We have also taken steps to improve the dialogue with our workforce, conducting a global engagement survey with encouraging scores which we have analysed to develop an appropriate response to drive further improvement in this area. We also maintain Group-wide social media/communication tools, as well as hold quarterly global Town Hall meetings.

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. Talent development, through our commitment to develop leaders at all levels of our business, forms a key part of our new strategy.

RISK 7: BUSINESS TRANSFORMATION

Impact: — **Link to Strategy: 4, 6, 7**

Description of risk:

During the year we launched our new strategy. We will continue to strive to find ways to improve the way our business operates, leveraging additional efficiencies and business simplification as we execute the new 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. The concept of reducing complexity is a core element of our new strategy.

Measures to manage risk:

Dedicated steering committee, often chaired by ELT members, including the CEO and CFO, and project delivery teams, including ELT members, have been established, who conduct in-depth analysis of progress and make regular reports to the Board.

RISK 8: HEALTH & SAFETY

Impact: — **Link to Strategy: 1**

Description of risk:

The health and safety of everyone who is impacted by our business is of paramount importance to us to ensure the wellbeing of our consumers, employees and visitors. This encompasses the safety and quality of our products, the safety of our facilities and offices and the health and safety of our employees working from home under our new working model, including the mental health of our people as we all adapt to new working model. A failure in the practices we adopt to ensure health and safety may result in reputational damage, significant financial loss from product recalls and fines from regulators together with possible criminal liability for the Group.

Measures to manage risk:

We have recently launched a new health & safety policy and will seek to review and revise what we do in this area in the spirit of continuous improvement. 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 will soon be launching our new quality and consumer safety policy to ensure that our standards in this area are maintained and developed where necessary.

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. The same applies to health and safety incidents across the Group where we seek to identify, assess and respond to incidents to ensure we continuously improve our health & safety framework.

RISK 9: SUPPLY CHAIN AND LOGISTICS

Impact: — **Link to Strategy: 3, 6**

Description of risk:

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.

Measures to manage risk:

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.

RISK 10: TREASURY AND TAX

Impact: — **Link to Strategy: 3**

Description of risk:

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.

Measures to manage risk:

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.

The strategic report was approved by the Board and signed on its behalf by Kevin Massie, Company Secretary, on 30 September 2021.

LINK TO STRATEGY

1 Where To Play
2 How To Win – the PZ Cussons Growth Wheel
3 Putting sustainability at the heart of everything we do
4 Evolving our culture
5 Developing leaders at all levels
6 Building our capabilities
7 Reducing complexity

IMPACT

Increased
Same
Decreased

GOVERNANCE


Cussons
IMPERIAL LEATHER
MASTER PERFUMERS
ENCHANTED ESCAPE
& MIDNIGHT ORCHID
RELAXING
BATH SOAK

OUR BOARD

Jonathan Myers

Chief Executive Officer

Appointed: 2020

Skills & experience: Jonathan is an experienced FMCG executive, having worked for a number of well-known global branded consumers goods businesses across a range of categories including beauty, personal care, home care and food. Prior to joining PZ Cussons on 1 May 2020, he was chief operating officer at Avon Products Inc, an international beauty company where he had overall responsibility for supply chain, marketing, digital, research and development and IT functions 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 wide range of categories and had extensive experience in developed and developing markets across Europe, Asia, South America and beyond. At Procter & Gamble he progressed to general manager, oral care and feminine care for the Greater China Region, before moving to the Kellogg Company, the worldwide cereal and snacks 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.

Independent: no

Sarah Pollard

Chief Financial Officer

Appointed: 2021

Skills & experience: Sarah joined PZ Cussons from Nomad Foods, Europe's leading frozen food company, where she most recently served as deputy chief financial officer. Prior to that, she was CFO for their Birds Eye business. Sarah is a chartered management accountant, having qualified with PricewaterhouseCoopers, and subsequently working in investment banking, specifically in mergers and acquisitions at Deutsche Bank. Prior to Nomad Foods, Sarah held a number of senior finance positions at Diageo, Tesco and Unilever. She has worked in commercial, operational and corporate finance roles including investor relations and so brings with her a deep understanding of creating shareholder value in the consumer goods sector.

Independent: no

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 mergers and acquisitions positions at Morgan Stanley and Merrill Lynch. She has a wealth of international experience, especially within African markets.

Independent on appointment: yes

Other appointments:

- Non Executive Director of BUPA
- Non Executive Director of Meggitt Plc
- Non Executive Director of The Intercontinental Exchange, Inc.

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.

Independent: yes

Other appointments:

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

Kirsty Bashforth N R

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 four 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.

Independent: yes

Other appointments:

- Non Executive Director of Serco Group plc

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. He holds the position of chairman of the supervisory board of the University of Economics and Business in Poznan, the leading university of economics in Poland.

Independent: yes

Jeremy Townsend (A) (N) (R)

Non Executive Director

Appointed: 2020

Skills & experience: Jeremy served as chief financial officer of Rentokil Initial plc until August 2020. 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. He currently serves as a non executive director of NHS England and chairs its audit and risk committee.

Independent: yes

Other appointments:

- Non Executive Director of WM Morrison Supermarkets plc

Jitesh Sodha (A) (N)

Non Executive Director

Appointed: 2021

Skills & experience: Jitesh Sodha is an experienced FTSE director and is the chief financial officer at Spire Healthcare Group plc which he joined in 2018. He also sits on the disclosure committee, executive committee and safety, quality and risk committee at Spire Healthcare. Jitesh was previously chief financial officer at De La Rue between 2015 and 2018, and at Greenenergy International, Mobile Streams, where he led their IPO, and T-Mobile International UK.

Independent: yes

Other appointments:

- CFO of Spire Healthcare Group plc

Valeria Juarez (N)

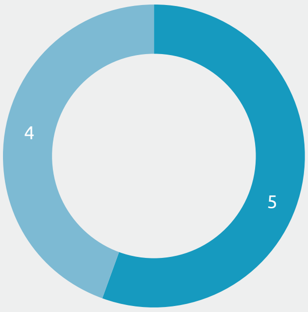
Non Executive Director

Appointed: 2021

Skills & experience: Valeria is the SVP of digital commerce for Ralph Lauren International based in London. Over the last 25 years, she has worked across multiple regions at different companies including Ralph Lauren, Amazon, Diageo, Boston Consulting Group and Procter & Gamble. She is an international business leader with a focus on digital and business transformation. She has extensive experience of general management, digital, strategy, commercial, innovation and marketing covering fashion, branded consumer goods and online retailing.

Independent: yes

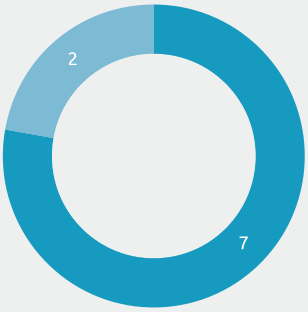
Gender diversity*



Male

Female

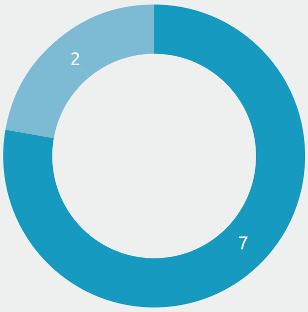
Tenure*



0–3 years

4–7 years

Nationality*



British

Other

* as at the date of this report. For gender diversity figures as at 31 May 2021, see page 75.

Directors' core areas of expertise

- 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 and marketing

Committees

(A) Audit & Risk Committee

(N) Nomination Committee

(D) Director with responsibility for representing the employee voice and employee engagement

(R) Remuneration Committee

Chair

CHAIR'S INTRODUCTION TO GOVERNANCE

Caroline Silver
Non Executive Chair

Alongside the much improved operational and financial performance achieved by the Group this year despite reporting a statutory loss driven by disposal accounting, it has been a period of progress for the Board and our approach to corporate governance.

Board changes

The Nomination Committee has been very active again, inducting our new CEO Jonathan Myers in his first full year in the role, as well as appointing Sarah Pollard as our new Chief Financial Officer and our new Non Executive Directors, Jitesh Sodha in July 2021 and Valeria Juarez in September 2021. I would like to thank Jonathan for his energy, drive and ability to effect change while starting as CEO in a 'virtual' world, and welcome our newest members to the Board.

Board skills and succession planning

Prior to these appointments the Board assessed the balance and skills needed on the Board with an externally facilitated Board skills review, as recommended by the Board effectiveness review carried out by Ffion Hague in 2020.

Continuing its work on the succession needs of the organisation, the Nomination Committee was also instrumental in progressing key appointments to our ELT as part of the talent review work we began last year. A new Inclusion and Diversity Policy was also developed and approved for all appointments this year.

Internal controls

Following the controls review performed by KPMG, also in 2020, we have been responding to recommendations by making improvements to our internal controls environment. This has been delivered through several key personnel appointments, and the development and embedding of new or evolved Group policies. Particular progress has been made to our ethics and compliance, internal audit and risk management processes.

While recognising areas of progress, the Board acknowledges there remains significant work to be done to meet our targets and we welcome the opportunity to continue on this journey in FY22. We note the recent discussions around a potential UK version of the US Sarbanes-Oxley Act and will align our journey to these possible new requirements.

During the year, we launched a new Code of Ethical Conduct, supported by refreshed policies around topics including bribery, whistleblowing and more. This vital document sets out the ethical principles of the Company and codifies the behaviours expected of all employees, agents, contractors and affiliates.

Much of the work developing and embedding the new Code of Ethical Conduct and its related policies and procedures was overseen and carried out by our ad-hoc Ethics & Compliance Committee, established by the Board. As this Committee's work is largely completed and in order to demonstrate our significant ongoing investment in furthering our sustainability agenda, in July 2021 we commenced the process of evolving the Ethics & Compliance Committee into a permanent ESG Committee during FY22.

Strategy and culture

As introduced at our capital markets day and discussed throughout this report, we have a new Group strategy. The Board played an active role in supporting, reviewing and challenging the development of the strategy during our annual strategy day, as well as overseeing how the strategy would be measured internally and externally.

Following the approval of the new strategy we reviewed our company purpose resulting in the approval in July of our new PZ Cussons company purpose, 'for everyone, for life, for good'. In the course of FY22 we will also assess the Company's values to ensure we have the right culture to support the new strategy. Our work in this area has involved employee engagement surveys and also a broad working group within the business involving the ELT and a cross-section of our workforce to get a 'bottom-up' view of what PZ Cussons' values and culture are all about. The Board also received training on how to consider and assess culture, which was led by one of our own Non Executive Directors, Kirsty Bashforth, who has deep experience in this area.

Outlook

Looking ahead, in FY22 we will be continuing our focus on internal controls and risk management. As part of our ongoing succession planning, we will also undertake a full review of Board diversity in line with our new Board diversity policy.

I am confident that we have the correct strategy in place, supported by the right individuals, a commitment to governance and robust internal controls, and that we will continue the progress we have made in driving performance and operational improvement throughout FY21.

BOARD LEADERSHIP AND COMPANY PURPOSE

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

As a Company with a premium listing on the London Stock Exchange, PZ Cussons is required under the Financial Reporting Council (FRC) Listing Rules to comply with the Code Provisions of the Corporate Governance Code 2018 issued in July 2018 (the 2018 Code), which is available on the FRC website (www.frc.org.uk). The principles and provisions of the 2018 Code have applied throughout the year ended 31 May 2021. The Board considers that it has fully complied with the 2018 Code during the financial year covered by this Annual Report and Financial Statements.

Details of the way the 2018 Code has been applied can be found in the following pages:

Board leadership

The Board's role is to provide leadership and set the purpose, values and standards of the Company and the Group. PZ Cussons' business model and strategy is set out on pages 8 and 4 of the Strategic Report and describes the basis upon which the Company generates and preserves value over the long term.

How the Board operates

The Board has overall authority for the management and conduct of the Group's business, strategy and development and is responsible for ensuring that this aligns with the Group's culture. The Board ensures the maintenance of a system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of the systems in place. The Board delegates the day-to-day management of the business to the Executive Directors and the ELT. There is a schedule of matters reserved for the Board's decision which forms part of a delegated authority framework. Matters for the Board's decision include approval of the Group's strategy and objectives, setting the purpose and values of the Group, annual budgets, material agreements and major capital expenditure. The schedule is reviewed regularly to ensure that it is kept up to date with any regulatory changes and is fit for purpose. The last review and revision was undertaken in July 2021.

The Board held seven scheduled meetings during the year. A rolling agenda and forward calendar has been agreed and the agenda for each meeting is agreed with the Chair and Executive Directors. Board papers are circulated to Directors in advance of the meetings. If a Director cannot attend a meeting, he or she is able to consider the papers in advance of the meeting and will have the opportunity to discuss them with the Chair or Chief Executive and to provide comments.

Conflicts of interest

The Company Secretary keeps a register of all Directors' interests. The register sets out details of situations where each Director's interest may conflict with those of the Company (situational conflicts). The register is considered at and reviewed at each Board meeting so that the Board may consider and authorise any new situational conflicts identified.

Director concerns

Directors have the right to raise concerns at Board meetings and can ask for those concerns to be recorded in the Board minutes. The Group has also established a procedure which enables Directors, in relevant circumstances, to obtain independent professional advice at the Company's expense.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Board activity during the year

June 2020	July 2020	September 2020	November 2020	January 2021	March 2021	May 2021
• 2020 FY Budget • Approval of RNS re financial reporting and AGM	• CEO report & strategy discussions • Employee engagement and wellbeing • Investor relations • Financial reporting • Reports from the Board Committees • Board evaluation report • Governance review including updating the schedule of matters reserved for Board decision, approving an updated whistleblowing policy and a fraud policy	• CEO report & strategy discussions • Financial reporting matters • Governance report, including approving the modern slavery statement	• CEO report & strategy discussions • Health and safety • Governance and compliance • Operational and financial updates • Strategy session follow ups	• CEO and CFO Report • Board update on the impact on staff of the pandemic • Deep Dive – Beauty • Reports from the Board Committees • Dividend discussion • IT deep dive • Employee engagement update from the designated Director	• CEO and CFO Report • Health, safety and wellbeing • Strategy roll out • Budget planning and approach • Reports from the Board Committees • Employee engagement update from the designated Director • Sustainability update • Nigeria deep dive	• CEO and CFO Report • Health, safety and wellbeing • People & Talent • Governance and compliance • Approval of the Budget • Reports from the Board Committees • Employee engagement update from the designated Director • Personal care deep dive • Approved Non Executive Director fees • Investor update • Evaluation of the Board, Chair and Board Committees.

STAKEHOLDER ENGAGEMENT

Workforce engagement

The Board recognises that employee engagement is the responsibility of the whole Board. A designated Non Executive Director, Dariusz Kucz, was given responsibility in 2019 for ensuring that the Board successfully engages with our workforce. An engagement agenda was agreed and as reported last year, a special session with selected employees in Indonesia during the Board's market visit marked the kick-off of learning from and listening to employees. A global employee survey was also rolled out in February 2020 just prior to the outbreak of Covid-19. The initial employee engagement plans have been adjusted due to the outbreak of Covid-19, changes in executive management and the global HR function liaising with the designated Non Executive Director. Digital forums were, however, tested in the UK as an online engagement channel and then rolled out to other markets. Digital forums have been held with Africa, ANZ and Group. Feedback from engaging in this way has highlighted that our employees have felt supported by the Company's pandemic reaction and open communications during the pandemic.

A second employee survey was launched in March 2021 with some very positive results. See Sustainability – People on page 28 for further details.

Quarterly Town Hall meetings have been held during 2021 with very positive feedback expressed in the digital forums about the strategy update and capital markets day.

Our employee engagement continues to be developed. The survey outcomes provide a useful guide for actions planning. The designated Non Executive reports on employee engagement at most Board meetings and the 2021–22 employee engagement plan has been finalised and was shared with the Board for final approval. This is an evolving process which has proved extremely beneficial to both the Board and employees. The Board have agreed that the key areas of focus of employee engagement over the next year must continue to be on health and wellbeing, strategy and employee survey outcomes such as culture and communication.

Shareholder engagement

The Chair is responsible for effective communication with the shareholders and is available to meet with investors periodically throughout the year. The Chair writes to key investors annually to offer a meeting without management present to ensure any concerns or questions can be raised directly to the Non Executive Directors. The CEO and CFO are the Company's principal contacts for investors, analysts, press and other interested stakeholders. The Board receives investor feedback reports as part of the CEO's report at each Board meeting, outlining recent dialogue with investors and the feedback received. Analyst reports are also made available to the Board. The Company provides quarterly trading updates and a capital markets day was held in March 2021 which received a positive reception from investors who had clear support for the strategy.

The Chair and Senior Independent Director are available to shareholders to discuss governance and strategy concerns as appropriate and the Committee Chairs are available at the AGM for shareholder questions.

Annual General Meeting ('AGM')

While in normal circumstances the AGM is the annual opportunity for all shareholders to meet with the Directors and to discuss with them the Company's business and strategy, this was not possible last year due to the Government's 'stay at home' provisions. A closed AGM was held in November 2020. However, the Board ensured that shareholders were able to ask questions ahead of the AGM via email. Shareholders were also given the opportunity to watch and listen to the AGM on the day via Zoom. A recording of the AGM is available on the Company's website. This year we hope that there will be fewer restrictions and that the AGM can be held as a physical meeting.

The notice of AGM is posted to all shareholders at least 20 working days before the meeting. Separate resolutions are proposed on all substantive issues and voting is conducted by a poll. The Board believes this method of voting is more democratic than voting via a show of hands since all shares voted at the meeting, including proxy votes submitted in advance of the meeting, are counted.

For each resolution, shareholders will have the opportunity to vote for or against or to withhold their vote. Following the meeting, the results of votes lodged will be announced to the London Stock Exchange and displayed on the Company's website.

DIVISION OF RESPONSIBILITIES

The responsibilities of the Chair, Chief Executive Officer, Senior Independent Director and Board and Board Committees are clear and set out in writing.

Role	Responsibilities
Chair of the Board Caroline Silver	The Chair of the Board is responsible for ensuring overall Board and individual Director effectiveness and for creating and embedding the right governance framework within the Board. Specific responsibilities include: • Effective running of the Board including setting the agenda and ensuring that the Board plays a full and constructive part in the approval of the Group's strategy and overall commercial objectives • Ensuring members of the Board receive accurate, timely and clear information • Reviewing and agreeing training and development for the Board • Ensuring there is effective communication with the Group's shareholders and other stakeholders • Ensuring that the performance of the Board as a whole, its Committees, and individual Directors is formally evaluated • Promoting high standards of integrity and corporate governance throughout the Group, particularly at Board level.
Chief Executive Officer Jonathan Myers	The CEO is accountable to the Chair and the Board for providing timely, accurate and clear information in relation to the Group's performance and delivery of its strategy and overall commercial objectives. In addition the CEO is responsible for: • Developing the Group's objectives and strategy for approval by the Board, and with regard for the Group's shareholders, customers, employees and other stakeholders • The successful achievement of objectives and execution of the Group's strategy • Managing the Group's risk profile in line with the Company's risk appetite and ensuring that effective internal controls are in place • Ensuring effective communications with shareholders • Promoting and conducting the affairs of the Group with standards of integrity and corporate governance that align to the Group's integrity and purpose • Advising and making recommendations in respect of management succession planning and to make recommendations on the terms of employment and remuneration of the ELT • Ensuring open, honest and transparent dialogue between the Board and the ELT • Promoting an entrepreneurial and ethical culture which welcomes and supports a diverse workforce • Championing the Group's values and behaviours.
Chief Financial Officer Sarah Pollard	The CFO's responsibilities include: • Implementing the Group's financial strategy, including balance sheet management and capital allocation • Supporting the CEO in the delivery of the Company's strategy and financial performance • Overseeing financial reporting and internal controls.
Senior Independent Non Executive Director John Nicolson	The Senior Independent Non Executive Director's responsibilities include: • Acting as a sounding board for the Chair and serving as intermediary for the other Directors when necessary • Being available for confidential discussions with other Non Executive Directors • Evaluating the Chair's performance as part of the Board's evaluation process • Chairing meetings of the Non Executive Directors or other meetings where appropriate • Being available to shareholders should the occasion occur when there is a need to convey concern to the Board other than through the Chair or the Chief Executive.
Non Executive Directors	All of the Non Executive Directors: Jitesh Sodha, Valeria Juarez, Kirsty Bashforth, Jeremy Townsend, Dariusz Kucz and John Nicolson are responsible for: • Contributing to the development of the Group's strategy • Promoting and supporting the Group's values and commitment to high standards of corporate governance • Reviewing, oversight and constructive challenge to the ELT on the delivery of the Company's objectives and strategy.

GOVERNANCE FRAMEWORK

THE BOARD

The Board's role is to provide leadership and set the purpose, values and standards of the Company and the Group. 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.

See page 67

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 appointment, terms, remuneration and performance of the External Auditor.

See pages 78 to 85

Nomination Committee

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

See pages 73 to 77

Remuneration Committee

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

See pages 86 to 109

THE EXECUTIVE LEADERSHIP TEAM (ELT)

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 ELT to deliver this strategy.

* In addition to its principal Committees, the Board, from time to time, deals with certain matters in other Committees both formal and ad-hoc. An Ethics & Compliance Committee was set up to oversee the implementation of certain agreed actions relating to ethics and compliance controls. For further information see page 82 of the Audit & Risk Committee Report. Terms of reference for each Committee listed above are available on the Company's website.

GOVERNANCE FRAMEWORK CONTINUED

Balance of independence

The Board currently comprises six independent Non Executive Directors (excluding the Chair) and two Executive Directors. The Board is of the opinion that the Non Executive Directors remain independent, in line with the definition set out in the 2018 Code and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. The Chair was independent on appointment. Prior to the arrival of Jonathan Myers on 1 May 2020 the Chair performed her role as Chair on an executive basis. This was on an interim basis whilst waiting for the arrival of the CEO. The Chair's non executive role was resumed on appointment of the CEO.

Company Secretary

All Directors have access to the advice of the Company Secretary. The appointment and remuneration of the Company Secretary is a matter for the Board.

Board time commitments

All Directors are required to obtain permission of the Board in respect of any proposed appointments to other listed company boards prior to committing to them. The Non Executive Directors are required, by their letters of appointment, to devote sufficient time to meet the expectations of their role as required by the Board from time to time. The Board remains satisfied that all of the Directors spend considerably more than this amount of time on Board and Committee activity.

Attendance

Each of the Directors has committed to attend all scheduled Board and relevant Committee meetings and has committed to make every effort to attend ad-hoc meetings, either in person or by telephone/video call. The Non Executive Directors meet without the Executive Directors and the Chair present at least once a year.

	Board attendance	Audit & Risk Committee attendance	Remuneration Committee attendance	Nomination Committee attendance
C Silver	7/7			5/5
J Myers	7/7			
S Pollard[1]	3/3			
J Nicolson	7/7	5/5		5/5
K Bashforth	7/7		6/6	5/5
D Kucz	7/7	5/5	6/6	5/5
H Owers[2]	3/3		2/2	2/2
J Townsend	7/7	5/5	6/6	5/5
T Minick-Scokalo[3]	0/2	0/3		0/2

1 S Pollard was appointed to the Board as CFO on 4 January 2021.

2 H Owers stepped down from the Board at the AGM on 26 November 2020.

3 T Minick-Scokalo was on an extended leave of absence during 2020 and stepped down from the Board at the AGM on 26 November 2020.

NOMINATION COMMITTEE REPORT

Caroline Silver
Chair

COMMITTEE ROLE

- Regularly review the structure, size and composition of the Board and its Committees
- Reviewing the leadership and succession needs of the organisation
- Identifying and nominating for approval candidates to fill Board vacancies
- Evaluating the Board's diversity and balance of skills
- Evaluating the performance of the Board
- Reviewing the time needed to fulfil the roles of Chair, Senior Independent Director and Non Executive Directors

PRIORITIES FOR 2022

- Continue to review talent and succession plans against the management objective of driving material improvement in succession planning
- Complete the recruitment and onboarding of new Non Executive Directors
- Conduct a refreshed Board skills assessment and ensure the Directors' skills are used in a targeted way to support management
- Review continuing efforts to improve Board and senior management diversity

NOMINATION COMMITTEE MEMBERSHIP

The Directors who served on the Committee during the year are set out below:

Committee members	Member since	Current
Caroline Silver: Chair	2014	✓
Kirsty Bashforth	2019	✓
Dariusz Kucz	2018	✓
John Nicolson	2016	✓
Jeremy Townsend	2020	✓
Helen Owers	2012	Retired at the AGM

For attendance at the Nomination Committee, the Board meetings and other Board Committees please see the full attendance table on page 72.

DEAR SHAREHOLDERS,

On behalf of the Board, and as Chair of the Nomination Committee, I am pleased to present the Nomination Committee Report for the year ended 31 May 2021.

This year the Committee focused on ensuring the Board has the relevant skills and balance to support our new strategy. To assist with this, the Committee carried out an externally facilitated Board skills review in September 2020. This then informed our search for two further Non Executive Director roles following the retirement of both Helen Owers and Tamara Minick-Scokalo at the 2020 AGM. I was pleased to welcome to the Board Jitesh Sodha on 1 July 2021 and Valeria Juarez on 22 September 2021. Jitesh brings with him strong financial experience and helps fill a gap we identified in the concentration of current financial experience on the Board in a small number of Non Executive Directors. Valeria has unique and invaluable experience in e-commerce and digital innovation. The processes for the recruitment of Jitesh and Valeria are described further in the report.

As well as focusing on Board skills, the Committee has concentrated on supporting the development of talent within and below our ELT and ensuring we have a robust succession pipeline for these leadership roles. This work is continuing and we have employed the services of Norman Broadbent and Korn Ferry to assist.

On 4 January 2021 we welcomed Sarah Pollard to the Board as Chief Financial Officer. Sarah has been an excellent addition to the ELT and the Board and as well as her financial skills, her breadth and depth of experience in the consumer goods sector has already improved internal information flows to the Board. An outline of her appointment process is provided within this report. On appointment Sarah received an extensive induction into the business in line with our induction policies.

During the year we also adopted a refreshed Board Diversity Policy to reconfirm the Company's commitment to having a Board and an ELT that reflects the diversity of our workforce and consumers in the countries in which we operate. The policy is available on the Company's website.

The Committee will ensure that enhancing the Board's skills, succession planning and diversity remain at the top of the agenda in the forthcoming year.

NOMINATION COMMITTEE REPORT CONTINUED

How the Committee operates

The Committee meets a minimum of twice a year and more frequently as necessary. During the year the Committee met five times.

Only members of the Committee are entitled to attend the meetings. Other individuals such as the Chief Executive Officer, Chief Human Resources Officer and external advisers may be invited to attend for all or parts of any meeting as and when appropriate. The Committee however ensures that it dedicates sufficient time to discussions without advisers present to facilitate candid exchanges of views by its members and to ensure the independence of the Committee is maintained.

The terms of reference were reviewed and updated during the year to ensure that they are compatible with the Corporate Governance Code 2018 (the 2018 Code) and best practice and are available on the Company's website at www.pzcussons.com.

Activities of the Committee during the year

Board appointments

During the year the Committee led the appointment process for the appointment of new directors including conducting a Board skills analysis in September 2020 and agreeing the skills and experiences needed to fill Board vacancies and address any gaps identified by the Committee. The Chief Human Resources Officer reported to the Committee on the progress of appointments and members of the Committee conducted interviews of longlist and shortlist candidates and recommended preferred candidates to the Board for approval. During the year the Committee also approved a Director Appointment and Induction Policy. The policy highlights that the Committee will approve written role descriptions, including the skills, knowledge and experience required or desired for any role, taking due care to avoid unconscious bias.

The Committee will determine whether open advertising or the use of a search consultancy is appropriate for the potential appointment and in the event the use of a search consultancy is considered appropriate, the Committee will approve the selection criteria to be used for the appointment of such consultancy, having due regard for the importance of diversity in the conduct of all director searches and determine the list of search consultancies to be invited to submit proposals to the Committee and determine which members of the Committee and its advisors shall review proposals and attend meetings with the proposed search consultancies. Following this the Committee will review the candidate longlist prepared in respect of any potential appointment and agree on a shortlist of candidates.

Appointment of a new Chief Financial Officer

Russell Reynolds, a global executive search consultancy, with no other relationship with the Group other than executive and non executive searches, were commissioned to conduct an external search for a CFO. Russell Reynolds are accredited for the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms, which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in the FTSE 350 companies against the scope of the Davies Review. As part of the interview process a number of the members of the Board, including the Chair, the Chair of the Audit & Risk Committee and the CEO, interviewed a shortlist of candidates, resulting in the appointment of Sarah Pollard on 4 January 2021.

Further Non Executive appointments

Following presentations from several recruitment consultants, Russell Reynolds were appointed to assist with the appointment of two further Non Executive Directors to fill the vacancies left by Helen Owers and Tamara Minick-Scokalo who both retired from the Board at the last AGM. The Committee discussed the skillsets needed for both appointments taking into account the Board skills review carried out in September 2020 and the skills of the departing Directors. A longlist of candidates was received for each role and then reduced to a shortlist prior to interviews with the Chair. Following this process, Jitesh Sodha then met with other members of the Board and was appointed to the Board on 1 July 2021 and will serve on the Audit & Risk Committee and Nomination Committee. Valeria Juarez met with members of the Board and was appointed on 22 September 2021. She will initially serve on the Nomination Committee. We welcome their perspectives and look forward to the positive impact of having additional directors with such diverse experiences.

ELT succession and appointments

General Counsel and Company Secretary

Kevin Massie was appointed on 1 June 2020 as General Counsel and Company Secretary.

UK MD recruitment

During the year the Committee oversaw the appointment of a new UK Managing Director. Following a formal recruitment process Kieran Hemsworth was appointed with effect from 4 January 2021.

Chief Supply Chain Officer

During the year the Committee oversaw the internal appointment of a new Chief Supply Chain Officer, Steve Noble with effect from 1 January 2021.

Other ELT appointments

Following the year-end, a Chief Sustainability Officer, Joanna Gluzman and Marketing Transformation Officer, Andrew Geoghegan were also appointed. They both joined the ELT on appointment.

Talent and succession planning

The Committee has overseen a significant talent review over the last two years leading to a re-shaping of the ELT with a number of roles either changed or now held by new entrants. Individual ELT members have undertaken rigorous external assessment to validate capability, capacity and potential. This has led to clear development plans.

During the year a full ELT talent review has been undertaken to establish the talent and succession health across the Group. This identified immediate emergency cover of roles but highlighted the need to develop short-term succession potential in the senior leadership population. The Company partnered with Norman Broadbent plc, an executive search and development organisation, to obtain independent views and advice on further talent development.

Board and Board Committee membership

During the year we have considered the composition of each of the Board Committees to ensure they have the relevant skills and members.

Changes to the Board Committees

We recommended to the Board that Kirsty Bashforth be appointed as Remuneration Committee Chair with effect from 1 July 2020 following the retirement of Helen Owers from the Board at the AGM after serving nine years. Kirsty is an experienced Remuneration Chair and has sat as a member and chaired other listed remuneration committees so has the requisite experience required by provision 32 of the 2018 Code.

Composition and independence

The Nomination Committee is of the opinion that the Non Executive Directors in line with the definition set out in the 2018 Code are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. The Chair was independent on appointment and having performed an executive role on an interim basis in 2020 to cover the CEO has now resumed her Non Executive role. The balance of Directors (excluding the Chair) was two Executive Directors and four independent Non Executive Directors.

The Board complies with the provisions of the Code that require that each Director seeks re-election annually. The existence of a group of controlling shareholders (see the Report of the Directors on page 110) and the election or re-election of independent Directors is subject to a dual shareholder vote at the AGM, 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 excluding the controlling shareholders.

Diversity policy

The Company is committed to having a Board and ELT that reflect the diversity of our workforce and consumers in the countries in which we operate. The ELT and Board are committed to creating an inclusive work environment which encourages members from diverse backgrounds and with diverse perspectives and skills to collaborate and work together towards a common objective. The Board has approved an Inclusion and Diversity Policy for Board and ELT appointments which is available in full on the Company's website and is summarised below.

The Company is a signatory to the 30% Club. We believe that gender diversity is good for our business. The Company has already achieved 30% female representation on the Board and is committed to progress towards achieving 30% female representation on the ELT.

The Company supports the recommendations of the Parker Review and is committed to B.A.M.E representation on the Board within the specified timelines.

When evaluating candidates for the ELT or Board, the Company seeks to make decisions based on merit and objective criteria and the needs of the ELT and Board, having due regard to the benefits of all types of diversity, including (without limitation) diversity of age, gender, social and ethnic backgrounds, disability, sexual orientation, educational and professional backgrounds and cognitive and personal strengths.

Where external recruitment agencies are used, the Company uses agencies who have signed up to the voluntary Code of Conduct on gender diversity and best practice or who can demonstrate equivalent commitments to inclusion and diversity.

The Company aims to achieve long and short lists of candidates that reflect its diversity commitments. In respect of Board appointments, the Company considers candidates from non-traditional corporate backgrounds, including from non-profit organisations, the public sector and academia and/or without prior listed board experience.

As at 31 May 2021, the Board comprised three female and four male Directors, equivalent to 43% female representation. Directly below Board level there were 11 ELT members, of whom 27% were female and 73% male. Direct reports of the ELT were 39% female and 61% male.

Board induction

The Nomination Committee, through the Company Secretary, oversees the induction of all Directors. The purpose of the inductions is to ensure that all Directors have an appropriate understanding of the business of the Company, the duties of the Board and its members and the legal and regulatory environment in which the Company operates. Directors who are to hold an executive role undertake additional induction activities organised by the Chief Human Resources Officer.

Board skills matrix

As a follow-up to the Board effectiveness review in 2020 a Board skills review was undertaken by Ffion Hague at Independent Board Evaluation in September 2020. The skills matrix provided a framework and useful guide to future recruitment at both Board level and ELT level to ensure there was a balance of skills across both leadership teams and the balance of skills complemented each other. It was further recognised that the work of the Nomination Committee was important to shape the teams and meetings should therefore be held as frequently as the Board meetings to ensure the succession planning and talent development work progressed.

NOMINATION COMMITTEE REPORT CONTINUED

Board and Committee performance evaluation and Board effectiveness reviews

In order to evaluate its own effectiveness, the Board undertakes annual effectiveness reviews using a combination of externally facilitated and internally run evaluations over a three-year cycle. The cycle of the Board evaluations is summarised as follows:

YEAR 1	YEAR 2	YEAR 3
Externally facilitated Board evaluation using interviews	Follow-up on action prepared in response to the year 1 evaluation using internally facilitated questionnaires	Continued follow-up on actions arising from the previous two years using internally facilitated questionnaires

Recommendations and progress against the 2020 Board effectiveness review

In 2020 an externally facilitated Board effectiveness review was conducted by Ffion Hague of Independent Board Evaluation. Ffion 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 interviews conducted with each of the Directors, the Company Secretary and other frequent participants in Board meetings and observation by the evaluator of meetings of the Board and each of the principal standing Committees. The recommendations from that review and the progress made through 2020 and 2021 are set out below:

Recommendation	Progress
Review delegated authorities.	The Audit & Risk Committee has continued to review internal financial controls throughout the year. The Board approved a new set of reserved matters in FY21, however the broader delegation of authorities below Board remains a priority for FY22.
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.	Board objectives are in place and a rolling agenda was adopted.
Commission a culture review, particularly in light of the significant changes in senior leadership.	The Board and Nomination Committee focused on recruiting and embedding new senior management in FY21. The Board received a training session on corporate culture in July 2022 and a review of company culture is expected to complete in FY22.
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.	The Board stood down this committee in order to bring ESG matters back to the main Board in light of their importance and centrality to the Board's forward agenda. Following the development of the B Corporation target, the Board intends to establish an ESG Committee during FY22 and is currently finalising its remit, scope and membership.
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.	A new General Counsel and Company Secretary joined the Company in June 2020 and oversaw a review of the Board's reserved matters along with the introduction of standard Board paper formats, annual agendas and other process improvements. These improvements were viewed positively in the Board's FY21 evaluation questionnaires.
Working with the Nomination Committee the Board should review Board and senior leadership succession planning, which should include external benchmarking where relevant.	To commence this process a Board skills review was undertaken by Ffion Hague at Independent Board Evaluation. ELT talent review and succession planning has been a focus at Nomination Committee meetings and Norman Broadbent plc have been appointed to develop talent further.
Review risk management processes to ensure fitness for purpose and alignment to the Company's strategic objectives.	Refreshed risk management processes have been adopted.

2021 Board and Board Committee effectiveness review

Internally facilitated reviews via questionnaire of the Board, Board Chair, Nomination Committee, Remuneration Committee and Audit & Risk Committee were used for the Board and Board Committee effectiveness reviews for 2021. The emphasis of the exercise was to follow up on the recommendations of the 2020 evaluation and to establish priorities for FY22. Separate questionnaires were completed for each of the Board and the Board Committees. The Board questionnaire was completed by all of the Directors and the Company Secretary. Members of each Board Committee along with regular attendees at Committee meetings completed the Board Committee questionnaires. Each Committee considered the results of their evaluations. A separate questionnaire was also completed by all Directors and the Company Secretary on the performance of the Chair. On the whole, the evaluations were positive and concluded that good progress had been made by a refreshed Board in a busy and volatile year.

Recommended objectives for FY22 which were adopted by the Board include, in addition to those listed in each Committee section:

- Complete a review of Company culture to ensure alignment to new strategy and purpose
- Finalise the remit and scope of an ESG Committee to oversee delivery of the Company's sustainability and related goals
- Agree ESG targets and KPIs to align to external reporting goals.

Committee activity during the year

July 2020	September 2020	November 2020	March 2021	May 2021
• Review Board Committee memberships • Progress on the appointment of a new CFO • Talent development update • Update on UK MD appointment and recruitment process • Consideration of the Committee's effectiveness review	• Update on CFO recruitment • Board skills matrix presentation • Approval of the Nomination Committee Report	• ELT recruitment update • Talent review and succession planning	• Update on Non Executive recruitment process including skill set discussion and consultant appointment • Re-appointment of D Kucz	• Update on Non Executive recruitment process • ELT talent review and succession planning • Approval of a Director appointment and induction policy • Committee Report for the Annual Report planning • Consideration of the Committee evaluation • Approval of terms of reference

Caroline Silver
Nomination Committee Chair

30 September 2021

AUDIT & RISK COMMITTEE REPORT

Jeremy Townsend
Audit & Risk Committee Chair

KEY RESPONSIBILITIES

- 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
- Review the adequacy of the Group's whistle-blowing arrangements and procedures for detecting fraud

KEY PRIORITIES IN 2022

- Oversee and assess management's continued progress on internal controls
- Review financial accounting and reporting

AUDIT & RISK COMMITTEE MEMBERSHIP

The Directors who served on the Committee during the year are set out below:

Committee members	Member since	Current
Jeremy Townsend: **Chair**	2020	✓
Dariusz Kucz	2018	✓
John Nicolson	2016	✓
Tamara Minick-Scokalo	2018	Retired at AGM

For attendance at the Audit & Risk Committee, the Board meetings and other Board Committees please see the full attendance table on page 72.

DEAR SHAREHOLDERS,

I am pleased to present the Committee's report for the financial year ended 31 May 2021 which sets out a summary of the work of the Committee and how it has carried out its responsibilities during the year.

My tenure as Chair of the Committee commenced with a Committee meeting to review the findings of the KPMG report commissioned by the Board to review the Company's internal control environment following the departure of the former CEO. As we reported in last year's Annual Report and Financial Statements, the KPMG report did not result in any findings which led to any material misstatements, but it did highlight a number of opportunities for key controls to be improved or evolved. Over the course of this year, management have implemented a number of improvements aimed at enhancing and evolving those controls and a key focus area of the Committee has been overseeing and supporting management in this journey. To provide further assurance, Internal Audit has performed a review of the management response to the KPMG report. The Committee was pleased to note that the review confirmed improvements made by management in a number of areas. However, a number of gaps in the management response were also identified by Internal Audit, and the management did not achieve all of the ambitious targets it had set to improve internal controls. The Committee has reviewed a remeditation plan from management to address these gaps. This regular focus from the Committee, recognising the progress made while supporting management to refocus and correct course where necessary, helps ensure continued focus on addressing the KPMG report findings, with the support of Internal Audit.

This work has been aided by the continued strengthening of our management team which included the addition of a permanent Group Head of Risk and Internal Audit, Derek Quirk, the appointment of our new General Counsel and Company Secretary, Kevin Massie, a Deputy Company Secretary and most recently with the appointment of our new Chief Financial Officer, Sarah Pollard.

Key internal controls improvements during the year include i) the roll out of a comprehensive Code of Ethical Conduct that is supported by a number of other policies, including a refreshed whistleblowing policy and process; ii) the launch of a new Risk Management Framework and related processes; and iii) a review and proposed simplification of the operating model, process design and SAP framework in the Nigerian business. These improvements and fresh approaches have given the Committee confidence that we are on the right path to build a more robust controls culture within the business. While progress has been made, the Committee is aware that it is just the start of the journey and there is considerable work to be done to ensure that i) we continue to improve the controls environment, ii) that the improvements already made are fully embedded within the organisation, and iii) that we employ sufficient scrutiny and challenge to ensure that the management improvement programme fully responds to the risks and improvement opportunities identified by the KPMG report. The importance of this controls improvement process is only heightened by the current discussions and consultations around audit reform and regulatory change including the discussions around the potential for UK regulation in respect of internal controls on financial reporting (UK SOx).

The Committee also reviewed a number of other compliance and related policies such as the Anti-Fraud Policy and the Risk Management Policy among others, and reviewed the Committee's terms of reference to ensure continued alignment with the 2018 UK Corporate Governance Code and best practice.

We have reviewed the significant financial reporting matters and judgements identified by the finance team and Deloitte through the external audit process, and the approach to addressing those matters is set out in the table on page 82 of this report.

As reported in the Financial Review on page 52, the FRC conducted a periodic review of the Company's FY20 Annual Report and Financial Statements and sought to understand a number of accounting decisions and judgements. Following that review the Company made certain corrections or clarifications in our financial reporting as well as taking the opportunity to clarify and improve its accounting and reporting policies, decisions relating to which can be seen in the 'Response to FRC review' section on page 81.

Having carried out an externally facilitated evaluation last year we used an internally facilitated questionnaire for the Committee effectiveness review in 2021. The results were positive with an acknowledgement that there had been improvements in a number of areas. It was recognised, however, that the Committee would benefit from additional financial expertise in order to avoid over-reliance on individual members of the Committee and this has been addressed through the appointment of Jitesh Sodha on 1 July 2021 as a new Non Executive Director. Jitesh is a seasoned FTSE 250 CFO and will bring valuable financial expertise and experience to the Committee.

Our regular programme of meetings and discussions, supported by our interactions with the Company's management, external auditor and the quality of the reports and information provided to us, enables the Committee members to effectively discharge our duties and responsibilities.

AUDIT & RISK COMMITTEE REPORT CONTINUED

How the Committee operates

In accordance with the Committee's terms of reference the Committee is required to meet at least three times a year. The Committee, however, adopted a revised calendar from FY20 so that there were four routine Audit & Risk Committee meetings. This enables a focus on the full year and interim results in September and January and a focus on internal audit, risk and audit planning in the remaining meetings. This year the Committee also held an additional meeting to receive the KPMG report. There were therefore a total of five meetings during the year.

Only members of the Committee are entitled to attend the meetings. However, other Directors and other individuals (including representatives of external advisers) may be invited to attend for all or parts of any meeting as and when appropriate. The Chief Financial Officer, Group Head of Risk and Internal Audit and external audit lead partner are invited to attend meetings of the Committee on a regular basis. During the year the Chair of the Board, the Chief Executive Officer and the Group Financial Controller routinely attend to review specific risks and mitigating action plans. The Company Secretary acts as secretary to the Committee.

Jeremy Townsend, Chair of the Committee, has held a number of senior finance director roles. He served as Chief Financial Officer of Rentokil Initial Plc, the FTSE 100 commercial pest control and hygiene services business, until retiring in August 2020. Jeremy Townsend is also a former Accounting Council Member of the Financial Reporting Council and has been a Non Executive Director and Chair of the Audit Committee of Galliford Try plc since 2017; and joined the Board of WM Morrison Supermarkets plc as a Non Executive Director and Chair of the Audit Committee in July 2020. The experience of the other Committee members is summarised on pages 64 and 65. The Board considers each Committee member is independent and has broad and diverse spread of commercial and relevant industry experience, such that the Board is satisfied that the Committee has the appropriate skills and experience to be fully effective and meets the 2018 Code requirement that at least one member has significant, recent and relevant financial experience.

Activities during the year

Relationship with the External Auditors

The Committee has primary responsibility for managing the relationship with the external Auditor, including assessing their performance, effectiveness and independence annually and recommending to the Board their reappointment or removal.

Following a comprehensive tender in 2017, Deloitte LLP (Deloitte) were appointed as the Group's Auditor so this is their fourth year of auditing the Group. We will keep under review the need for future tenders in accordance with current regulations and subject to annual assessment of the Auditor's effectiveness and independence.

Jane Boardman has been lead partner since Deloitte became the Company's auditors for FY18. It is expected that she will rotate off the audit following the FY22 audit.

During the year, the members of the Committee had the opportunity to meet with representatives from Deloitte without management present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were no issues raised in this regard throughout FY21.

The Committee considers the nature, scope and results of the external auditor's work and reviews, develops and implements a policy on the supply of any non-audit services that are to be provided by the external auditor. It receives and reviews reports from the Group's auditors relating to the Group's Annual Report and Financial Statements and the external audit process.

In respect of the audit for the financial year ended 31 May 2021, Deloitte presented their audit plan (prepared in consultation with management) to the Committee. The Audit plan included an assessment of audit risks, and robust testing procedures.

The Committee approved the implementation of the plan following discussions with both Deloitte and management.

Audit and non-audit fees

The Company paid £2.0m in audit fees for the financial year ended 31 May 2021.

Regarding non-audit services, the Company has a practice of limiting Deloitte LLP to working on the audit or such other matters where their expertise as the Company's auditor makes them the logical choice for the work. This is to preserve their independence and objectivity. The Company did not pay any non-audit fees to Deloitte for the financial year ended 31 May 2021. There is therefore no non-audit fee to audit ratio.

Effectiveness and independence

The Chair of the Committee speaks regularly to the audit partner to ascertain if there are any concerns, to discuss the audit reports and to ensure that the auditor has received support and information requested from management.

In accordance with the guidance set out in the Financial Reporting Council's 'Practice aid for audit committees' the assessment of the external audit has not been a separate compliance exercise, or an annual one-off exercise, but rather it has formed an integral part of the Committee's activities.

This has allowed the Audit & Risk Committee to form its own view on audit quality, and on the effectiveness of the external audit process, based on the evidence it has obtained during the year.

Sources of evidence obtained and observations during the year:

By referring to the FRC's Practice aid on audit quality.	The Committee has looked to this practice aid for guidance and has ensured that assessment of the audit is a continuing and integral part of the Committee's activities.
Observations of, and interactions with, the External Auditor.	The Committee has met with the Audit Partner without management and has had an open dialogue regarding the Committee's view of Deloitte's performance and overall working relationship between the Company and its External Auditor.
The audit plan, the audit findings and the External Auditor external report.	The Committee scrutinises these documents and reviews them carefully at meetings and by doing so the Committee has been able to assess the External Auditor's ability to explain in clear terms what work they performed in key areas, and also assess whether the description used is consistent with what they communicated to the Committee at the audit planning stage. The Committee has also regularly challenged these reports in the meetings.
Input from those subject to the audit.	The Committee has requested the insights from the Chief Financial Officer, the Group Head of Risk and Internal Audit and the Group Financial Controller during the audit process.

Having regard to these matters the Committee has considered the effectiveness of the External Audit Process and feels that the External Auditor has demonstrated professional scepticism and challenged management's assumptions where necessary.

The Audit Committee is satisfied with the scope of Deloitte's work, and that Deloitte continues to be independent and objective.

Response to FRC review

As reported in the Financial Review on page 52 the Company received a letter from the FRC on 22 April 2021 setting out its questions and observations in relation to its review of the Company's FY20 Annual Report and Financial Statements. The review conducted by the FRC was based solely on the Company's published FY20 report and financial statements and does not provide any assurance that the report and financial statements are correct in all material respects. The Company responded to the FRC letter within the agreed time period and has, as a result of the FRC observations and its own review, made certain restatements and corrections to the Company's prior reporting and made additional changes to our accounting policies for the current and subsequent years. The significant observations made by the FRC and the Company's responses are summarised below.

FRC Observation	Company Response
Accounting treatment and related narrative disclosure for the Company's disposal of its Greece business; the Luksja brand in Poland; and the Nutricima milk business in Nigeria.	• Noted FRC observations and reviewed accounting judgements and policies including the interpretation of IFRS 5. • Made certain adjustments to the FY20 figures presented in the comparative figures in its FY21 accounts which are summarised in note 1c on page 136. • Acknowledged an opportunity to improve narrative disclosure on subsequent transactions and to improve consistency between the front and back sections of the annual report and accounts.
Clarification of the assumptions used in determining the discount rates and long-term growth rates used for the impairment testing of goodwill and intangible assets	• Explained movement in discount rates from year to year related to economic factors and change in methodology to use a peer group average beta rather than a company specific beta. • Acknowledged an opportunity to improve narrative disclosure of similar changes in future.
Use of Alternate Performance Measures and adjustment of EBITDA for amortisation	• Made minor corrections in presentation of adjusted EBITDA for FY20 and FY19 in relation to treatment of amortisation.
Use of exceptional items and the basis for concluding that these items were not representative of the underlying trading of the Company	• Provided detail on key restructuring projects treated as exceptional items in prior years to explain the basis for concluding that these items were not representative of the underlying trading of the Company. • Acknowledged an opportunity to improve narrative disclosure of these items to enhance the reader's understanding of the underlying performance of the Company.
Recycling of Nutricima foreign exchange reserves on disposal	• Provided further explanation of the accounting treatment of the foreign exchange reserves on disposal, which is set out in greater detail in note 28 on page 190.

AUDIT & RISK COMMITTEE REPORT CONTINUED

Key judgements and estimates

The Committee reviewed the external reporting of the Group including the interim review and the Annual Report and Financial Statements, as well as the matters raised in the letter from the FRC. In assessing the Annual Report and Financial Statements, the Committee considers the key judgements and estimates. The significant issues and improvements considered by the Committee in respect of the year ended 31 May 2021 are set out in the table below:

Significant issues and judgements	Decisions and improvements
Areas of significant financial judgement	The Committee considered a number of areas of significant financial judgement throughout the year, particularly those referenced within the FRC review letter which is summarised on the previous page. The key areas covered involved the accounting treatment related to the disposal of Nutricima and particularly the associated recycling of historical foreign exchange losses; the Group's decision to move away from presenting exceptional items in the income statement, instead now identifying specific adjusting items; the treatment of uncertain tax positions across the Group; and impairment testing of goodwill, intangible assets and tangible assets and associated discount rates. The Committee accepted the judgements recommended by management having challenged them and considered alternative options.
Internal controls	The Committee monitored progress against the KPMG report and instructed an internal audit to review the management response which, among other things, recommended an ongoing assessment of the adequacy and appropriateness of the management actions recommended by the KPMG report as well as a renewed focus on embedding controls improvements throughout the Group. The Committee will continue to monitor internal controls improvements in FY22.
Risk management	The Committee oversaw the adoption of a revised risk management framework led by the new Group Head of Risk and Internal Audit. This included the standardisation of risk management methodology and registers across the Group. The Committee plans to focus on assessing key risks and integrating risk management reporting in FY22.
Whistleblowing	Supported and oversaw the roll-out of the new whistleblowing hotline system and the launch of the Code of Ethical Conduct, facilitated by the Ethics & Compliance Committee.
Internal audit model	The Committee approved a revised internal audit resource model to better take advantage of the benefits of developing internal capability while still utilising external expertise where appropriate.

RISK MANAGEMENT AND INTERNAL CONTROLS

Internal control structure

The Board oversees the Group's risk management and internal controls and determines the Group's risk appetite. The Board has, however, delegated responsibility for review of the risk management methodology, and the effectiveness of internal controls, to the Audit & Risk Committee.

Review of control environment

Following receipt of the KPMG report, management prepared a detailed action plan responding to each of the recommendations made by KPMG with clear executive ownership and timelines for each recommendation. The Audit & Risk Committee oversees the implementation of management's responses to the KPMG report and receives a report on progress at each meeting.

Internal Audit now tracks progress against the target dates agreed and have carried out a design review of all management responses to the KPMG report as well as an operational review of controls already established. Actions that were required included the phased roll out of a Code of Ethical Conduct throughout the organisation.

Financial control improvements have also been progressed including the further development of a Group-wide framework of control, balance sheet account reconciliations controls and the completion of a management self-assessment exercise. EY have been engaged by the Company to review the Nigerian business' SAP processes, and the Committee receives updates on the progress of this review and management's responses to improve and simplify SAP processes in the Nigeria business. The Company's financial control and reporting capability has also been improved through the appointment of a new assistant financial controller and a new Group financial controller.

An ad-hoc Ethics & Compliance Committee was formed to oversee the implementation of certain agreed actions relating to ethics and compliance controls. In particular the Ethics & Compliance Committee oversaw the development and roll out of the Code of Ethical Conduct. This code provides a framework document for the PZ Cussons new ethics and compliance system. The Code is supported by other policies that have also been refreshed including:

- Conflicts of interest policy – setting expectations for avoidance of conflicts
- Whistleblowing policy – setting the expectation of a 'speak up' culture
- Gifts and hospitality policy – establishing the circumstances for gifts and hospitality
- Inside information and share dealing policies – ensuring compliance with Listing and Market Abuse Regulations rules

- Anti-fraud policy – establishing a zero tolerance for fraud
- Failure to prevent the facilitation of tax evasion policy – ensuring compliance with the duty to prevent criminal facilitation of tax evasion
- Risk management policy.

While the Committee notes the controls improvements made over the course of FY21, it is also clear that considerable work remains to achieve the Company's target level of internal controls effectiveness, particularly in light of the recent discussions surrounding a potential UK version of the Sarbanes-Oxley Act. In particular, the Committee noted Internal Audit recommendations for additional challenge and scrutiny to ensure that the controls improvements implemented by management are fully embedded throughout the organisation and fully responsive to the underlying controls risks to which they relate.

Internal audit function

A key source of internal assurance is delivery of an internal audit plan, which is designed to help the organisation achieve its strategic priorities. The internal audit function is led by the Group Head of Risk and Internal Audit, Derek Quirk, who joined the business in May 2020. Derek supervises the internal audit teams based in the Company's main markets. There are in-house internal audit teams in Africa and Asia and in the UK the function is co-sourced with the Company's internal audit partner, KPMG LLP.

An updated Internal Audit Charter was adopted in July 2020. The Internal Audit Charter provides a framework within which the Internal Audit function operates and formalises the arrangements approved by the Committee for the Group Internal Audit function within the Company. The Charter re-confirms that the Internal Auditing function is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control.

The FY21 Internal Audit Plan was approved by the Audit & Risk Committee in May 2020. The Group Head of Risk and Internal Audit reports progress against this plan and highlights significant findings at the Committee meetings. The Group Head of Risk and Internal Audit also has regular meetings with the Audit & Risk Committee Chair and the CFO. Whilst the Covid-19 pandemic has prevented internal audit operational site visits, the in-house teams, being resident in-country, have been able to continue to visit operational units. Other assessments have been done remotely, leveraging technology to assist in the process.

The Committee has assessed the effectiveness of the internal audit function as part of its annual performance evaluation process and is satisfied that the current arrangements remain appropriate and effective for the Company. Indeed, the Committee is confident that the new Group Head of Risk and Internal Audit has assisted the Committee in building a more robust controls culture across the Company.

Risk management

While the Board oversees the Group's risk management it delegates responsibility for review of the risk management methodology and effectiveness of the risk management process and the effectiveness of internal controls to the Audit & Risk Committee. During the year a renewed Risk Management Policy has been adopted to drive a consistent Group-wide approach to risk determination, analysis, recording and management and to ensure that reasonable steps are taken to mitigate risk. The Policy reaffirms that the Group recognises that the management of risk is an important component of good management practice and that the Group has an open and receptive approach to identifying, discussing and addressing risk.

The risk policy is underpinned by a revised framework that outlines the Group's underlying approach to risk management, documents the roles and responsibilities of key stakeholders and outlines key aspects of the risk management process and identifies the main reporting procedures.

This risk management process and risk framework ensures that we capture and mitigate risks to the successful delivery of strategic objectives. The risk management process covers initial risk identification, including emerging risks, assessment of the gravity of the risk, target risk and risk velocity, the extent to which risks can be mitigated and planning for and implementing effective risk mitigation activities. The Group operates both top-down and bottom-up approaches to ensure that significant strategic and operational risks are identified. The Group Internal Audit function provides independent assurance to both management and the Committee on the effectiveness of the Group's risk management framework and as to whether sound internal control systems operate to mitigate these risks. Recognising that the roles of head of risk and head of internal audit are combined, the Committee takes specific steps to ensure the independence of the Group internal audit function. Accordingly, the Committee is satisfied that the risk management framework and internal control systems are effective.

Whistleblowing policy

The Company is required to maintain, subject to the oversight by the Audit & Risk Committee, a mechanism for the confidential reporting of suspected fraud and other wrongdoing. The Company previously maintained a 'speak up' policy within the framework of its anti-bribery policy documentation and engaged the services of an external provider to operate a confidential telephone and web-based reporting system.

AUDIT & RISK COMMITTEE REPORT CONTINUED

Following the receipt of the KPMG report the effectiveness of that system was questioned. The General Counsel and Company Secretary reviewed the whistleblowing systems and recommended that the Board adopt a new stand-alone Whistleblowing Policy as part of the wider work on the Code of Ethical Conduct. Navex Global, a leading whistleblowing system provider, was engaged to provide a new telephone and web-based reporting system in October 2020 for use with the Whistleblowing Policy.

Once approved the Whistleblowing system and policy was launched to the workforce. The launch consisted of internal social media posts with an awareness contest, intranet posts, ELT cascades, desktop background changes to highlight whistleblowing and posters being placed in prominent locations around all offices. The whistleblowing system is independently monitored by the internal audit function. The Committee receives regular whistleblowing reports and reports on the effectiveness of the Whistleblowing policy and reports regularly to the Board on these matters.

Statement of compliance

The Company confirms that it has complied with terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory User of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('the Order') throughout the year. In addition to requiring mandatory audit re-tendering at least every ten years for FTSE 350 companies, the Order provides that only the Audit Committee, acting collectively or through its Chair, and for and on behalf of the Board is permitted:

- To the extent permissible in law and regulation, to negotiate and agree the statutory audit fee and the scope of the statutory audit
- To initiate and supervise a competitive tender process
- To make recommendations to the Directors as to the External Auditor appointment pursuant to a competitive tender process
- To influence the appointment of the audit engagement partner
- To authorise an External Auditor to provide any non-audit services to the Group, prior to the commencement of those non-audit services.

We undertook an audit tender in 2017, which resulted in the appointment of Deloitte LLP. The Committee has considered Deloitte's performance annually 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 2021 Annual General Meeting.

The Board is ultimately responsible for the Group's system of internal controls and risk management and discharges its duties in this area by:

- Holding regular Board meetings to consider the matters reserved for its consideration
- Receiving regular management reports which provide an assessment of key risks and controls
- Scheduling regular Board reviews of strategy including reviews of the material risks and uncertainties (including emerging risks) facing the business
- Ensuring there is a clear organisational structure with defined responsibilities and levels of authority
- Ensuring there are documented policies and procedures in place
- Seeking assurance from the Group Internal Audit function
- Reviewing regular reports containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance, cash flows and financial and non-financial KPIs.

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

Fair, balanced and understandable

The Directors are required to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee has satisfied itself that the controls over the accuracy and consistency of information presented in the Annual Report are satisfactory, that the information is presented fairly (including the calculations and use of alternative performance measures) and has confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate allowing the Board to make the 'fair, balanced and understandable statement' in the Directors' Responsibilities Statement.

Financial reporting

The Company reports to shareholders on its financial performance twice a year. During the 12 months prior to the date of this report, the Audit Committee reviewed the interim financial statements for the six months to 30 November 2020 and the full-year financial statements and Annual Report for the year to 31 May 2021. The principal steps taken by the Audit Committee during the past 12 months in relation to its review of the published financial statements were:

- Review of the 2020 interim financial statements and 2020 Interim Announcement and consideration of Deloitte's comments on the drafts of these documents

- Review of plan for preparing the financial statements and Annual Report for the year ending 31 May 2021
- Review of the significant judgements and estimates that impact the financial statements and
- Review of the financial statements and Annual Report for the year ending 31 May 2021 and consideration of Deloitte's comments on these documents.

The Audit Committee monitors the implications of new accounting standards and other regulatory developments for the Company's financial reporting and regularly receives technical updates from the External Auditors. These technical updates have kept the Committee informed on the UK Corporate Reform and the expected timescales, the Audit Market Reform and the likely introduction of UK regulation in respect of internal controls on financial reporting (UK SOX).

Viability statement and going concern

The Committee has reviewed the basis for the Company's Viability Statement that is drafted with reference to the financial forecasts for the next three years. In light of the significant impact of Covid-19 on the Global economy, the Committee placed additional scrutiny on the assumptions used in the forecasts to ensure they are appropriate. The Committee provides advice to the Board on the Viability Statement.

The Committee ensured sufficient review was undertaken of the adequacy of the financial arrangements and cash flow forecasts. Accordingly, the Committee recommended to the Board that the statement be approved.

Similarly, and again in light of the significant impact of Covid-19 on the Company's operations, the Committee placed additional focus on the appropriateness of adopting the going concern basis in preparing the Group's financial statements for the year ended 31 May 2021 and satisfied itself that the going concern basis of presentation of the financial statements and the related disclosure is appropriate.

June 2020	July 2020	September 2020	January 2021	May 2021
• Receipt of the KMPG report	• Update on key accounting issues and judgements • External Auditor Report to the Committee • Review of draft Committee report in Annual Report and Financial Statements • Review of the litigation report • Update on the progress of internal audit • Approval of the internal Audit Charter • KPMG report progress update	• Update on key accounting issues and judgements • Fair, balance and understandable review • Approval of the Committee report • External Auditor Report to the Committee • Review of Annual Report and Financial Statements and announcements • Internal audit update • KPMG report progress update	• Update on key accounting issues and judgements • Audit planning • KPMG report progress update • External Auditor Report to the Committee • Approval of the interim results announcement • Internal audit update • Risk management framework • Whistleblowing update	• Update on key accounting issues and judgements • External Auditor Report to the Committee • KPMG report progress update • Full-year risk review – risk management framework and risk management policy • Internal audit update, plan and resourcing model. Approving the internal audit charter • Whistleblowing update • Review the Committee evaluation report • Review and amendments to the Committee terms of reference

Jeremy Townsend
Audit & Risk Committee Chair

30 September 2021

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 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 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.
- 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 2022

- Complete a tender for Committee advisor
- Review engagement with the workforce on executive remuneration
- Consider how to encourage equity-based remuneration more widely through the Company

REMUNERATION COMMITTEE MEMBERSHIP

Committee members	Member since	Current
Kirsty Bashforth: Chair	2019	✓
Dariusz Kucz	2018	✓
Jeremy Townsend	2020	✓
Helen Owers	2012	Retired at the AGM

For attendance at the Remuneration Committee, the Board meetings and other Board Committees please see the full attendance table on page 72.

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present our 2021 Remuneration Committee Report. This report is divided into three sections:

1) This **Remuneration Committee Chair Statement** – providing a summary of the Committee's activities throughout the year and the key decisions that we made.
2) The **Remuneration Policy** – the 2021–2023 Policy which was approved by our shareholders in a binding vote at the 2020 AGM.
3) The **Report on Directors' Remuneration** – a report on remuneration which details how the policy was applied throughout the 2021 financial year and how the Committee intends to apply the Policy in the upcoming financial year, which will be subject to an advisory vote at our 2021 AGM.

This has been a busy first year as Chair of the Committee: a new management team, refreshed strategy, Covid-19 and the continued increasing criticality of sustainability providing the backdrop to remuneration decisions. In such a changing context, we continue to be ready to adjust specifics in the policy to ensure alignment and relevance in being able to objectively review performance.

Background to remuneration decisions

With Jonathan Myers joining the Company as CEO just before the start of this financial year and Sarah Pollard joining as CFO in January 2021, this year has seen a re-invigoration and renewal of the strategic direction for the Company, laying the foundations for sustainable, profitable revenue growth. There has been revenue and profit growth in all regions, driven by double digit growth in Must Win Brands. Coupled with increased strategic investment in our brands, we have seen revenue grow 2.7% to £603.3m versus 2020, with adjusted profit before tax before continuing operations up 11% year-on-year to £68.6m.

The constant presence of Covid-19 has been considered in-depth by the Committee when assessing performance and setting targets. Management approached the pandemic in a focused and nuanced manner and the Committee satisfied itself that the strong performance of the Company was attributable to the actions of the management team and not unduly aided by events out of its control:

- While Hygiene products saw unprecedented demand, management acted fast to ensure the supply of raw materials and to divert production capacity to meet that demand.
- Beauty products experienced restricted distribution routes and reduced demand, and the Committee welcomed the accelerated move into e-commerce opportunities to overcome significant disruption and capture demand as it returned.

With regards to the Covid-19 experience of the wider workforce and the context of the wider market the Committee noted that:

- The Company did not engage in any Covid-19 related redundancy programmes nor did it utilise any voluntary government support packages in any of its markets other than UK VAT relief which applied to all UK businesses and which was repaid early.
- Significant investments were made by the Company to ensure employee wellbeing, including technology and allowances to enable and support remote working, enhanced safety and sanitation in production facilities, testing for factory staff in the UK and Africa, financial support for the provision of vaccines to employees in Indonesia, wellness and fitness offerings and new permanent flexible working principles.
- All employee bonuses were paid.
- As normal during the pandemic, and with the exception of a short delay to the pay review at the height of the lockdowns, employee salary reviews and increases were unaffected.

On this basis, the Committee determined it would not be appropriate to apply discretion to reduce FY21 bonus payments for the Executive Directors.

Remuneration governance

Throughout the year the Committee has comprised exclusively independent Non Executive Directors in accordance with the 2018 Code. Helen Owers was Committee Chair until 1 July 2020 when she stepped down from the Committee and the Board, at which point I formally took over as Committee Chair.

The Committee held six scheduled meetings during the 2021 financial year with our activities summarised in the box on page 72. The Company Secretary serves as secretary to the Committee and attends all meetings. Only members of the Committee are entitled to attend, however, the Board Chair, the Chief Executive Officer, the Chief Financial 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 108.

Board changes

This year Sarah Pollard was appointed to the Board as CFO. Her remuneration was set in line with the Remuneration Policy on a salary of £325,000 and a pension contribution in line with the majority of the UK workforce at 10% of salary.

She also participates in the annual bonus and Performance Share Plan with an opportunity of 125% of salary under each. Given that she joined part way through the year, the opportunity for 2021 was based on her pro-rata salary since appointment. Sarah also received compensation totalling £131,015 on joining the Company to compensate her for outstanding shares forfeited on departure from her former employer. The payment was of equal value to the shares forfeit at the time of joining the Company and she agreed to use the net proceeds of the payment to acquire PZ Cussons shares and to hold these against the Company's share ownership guidelines.

Had she remained in employment the net of tax value of the shares forfeit, which did not have any performance conditions, would also have been retained and so the buyout was a like-for-like replacement.

Shareholder engagement

The Committee recognises the importance of understanding the perspective of shareholders when taking decisions. We communicate with our shareholders during both Remuneration Policy reviews and in advance of any significant changes to the implementation of our policy. While we note that there are a range of different views among institutional investors on the most appropriate pay models and performance metrics, we will always consider the views expressed to us and explain why we take a different approach if we choose to do so. In relation to our approach to engagement during 2020, we were pleased to be recognised for our pro-active approach by JO Hambro in a case study included in their 2020 Stewardship Report. The Committee's discussions on sustainability targets for the FY22 LTIP and beyond, in particular, have been informed by these discussions.

Employee engagement

The Committee seeks to understand and incorporate the perspective of the broader workforce to inform its decisions:

- Board engagement with Town Halls, digital forums and engagement surveys takes place throughout the year (see page 28 for further details).
- During the year, the Committee Chair and Dariusz Kucz (designated employee engagement Non Executive Director) attended a workforce forum to outline the approach to executive pay and its alignment with strategy and the wider pay policies. The alignment of pension contributions for executives with the wider workforce was welcomed, and the importance of 'sharing the pain and the gain' when determining incentives was reiterated.

REMUNERATION COMMITTEE REPORT CONTINUED

- The Committee oversaw not just changes to the executive bonus plan but also the way this cascaded into the organisation, for example, through the application of LTIP below the Executive Director level, to ensure greater alignment between executives and the broader senior team.
- A share incentive plan which allows all UK employees to participate in equity-based remuneration was approved during FY21 and is set for launch in FY22.

The Committee reaffirmed that the changes made to remuneration in FY21 were appropriate and took account of employees' views.

The Committee also agreed, as a priority for FY22, to consider additional ways to better encourage equity-based remuneration through the wider workforce, building on foundations laid in FY21.

Remuneration earned during the year ended 31 May 2021

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

Salary

- Jonathan Myers' salary on appointment as Chief Executive Officer in May 2020 was £575,000 and this was not subject to review in FY21.
- Sarah Pollard was appointed as Chief Financial Officer in January 2021 on a salary of £325,000. With regard to both Executive Directors, in line with the Company's Remuneration Policy, the Committee intends to ensure that base salary levels achieve market competitive positioning based on performance and increased experience in post over an appropriate period.

Annual bonus payout

- The 2021 annual bonus included targets primarily relating to three key financial indicators: adjusted profit before tax, revenue growth and net working capital percentage, with the balance of the bonus being subject to delivery against key business objectives.
- Given the strong financial performance in the year, with revenue and profit growth across all regions, 100% of the 80% of bonus assessed against financial performance was achieved. The Committee also assessed the performance against the key business objectives which focused on Organisational Effectiveness and Strategic Execution and determined that 100% of the 20% available was earned. Full details of the performance assessment against both the financial and key business objectives can be found on page 102.
- As such, overall 100% of the maximum bonus was earned by the Chief Executive Officer and Chief Financial Officer. The Committee is comfortable that this is in line with underlying corporate performance and shareholder experience over the year. The outturn is also in line with the experience of the wider workforce with maximum bonus being awarded in a number of operating units and bonus in line with target in the majority of others.
- In line with the Policy approved at the 2020 AGM, one quarter of the bonus will be deferred into shares for three years.

Long-term incentives

- Given their recent appointments, there were no Performance Share Plan ('PSP') awards vesting to the current Executive Directors in respect of performance periods ending 31 May 2021.
- Jonathan Myers was granted a PSP award during 2021 over shares to the value of 150% of salary and following appointment in January 2021, Sarah Pollard was granted a PSP award over shares to the value of 125% of salary, pro-rata for the period since appointment. These awards will vest to the extent EPS, Strategic Revenue Growth and Sustainability targets are met over the period to 31 May 2023 with any shares vesting subject to a two-year holding period.

Wider employee remuneration context

- Over the course of FY21, the Committee expanded performance based elements to pay below Executive Director level and added a restricted stock component 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. Use of 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 Committee reviews retention and recognition restricted stock awards twice a year. The quantum of restricted stock awards granted when compared against performance shares was adjusted to reflect the greater certainty of rewards in line with normal market practice. These awards were very well received by recipients. The Committee received shareholder approval for the implementation of employee share purchase plans in the United Kingdom and other markets where feasible.

Discretion

- In July 2021, the Committee agreed to recommend an approximately 15% increase to the LTIP award issued to the CEO in November 2020. The Committee approved similar enhanced awards to all other participants in the LTIP in recognition of performance under challenging conditions and to ensure appropriate incentives and retention following the considerable changes in the ELT in a short period. The Committee further recognised the strong start made by the CEO and his quick delivery of a new strategy and improved business performance. This increase is subject to shareholder approval and further details are set out in the notice of meeting for the 2021 AGM.

- During the year, the Committee used its discretion to restate the strategic target applicable to 20% of the FY21 long-term incentive award. The restatement of the target related to redefining Focus Brands as Must Win Brands in line with our strategy. This change ensures that only those brands which have a validated growth wheel within the new strategy re treated as part of the LTIP. The Committee tested the impact of these changes and concluded that for FY21, this change made this measure more, rather than less challenging.
- Any future changes to the constituent brands within the Must Win Brand category will take place annually to ensure alignment with the budget process, and on an indexed basis which will ensure a consistent degree of stretch.

Our approach to remuneration for the year ending 31 May 2022

The approach to remuneration for FY22 is largely unchanged other than reviewing and updating the performance conditions attached to the bonus and PSP to ensure they are fully aligned with strategic priorities. As such, in FY22:

- Executive Director salaries have been reviewed to ensure they are at an appropriate level compared to peer benchmarks, appropriately recognise the experience and performance of the Executive Directors and align with the experience of the broader UK workforce.
- A salary increase of 3% has been provided to the CEO and the CFO, each of which was effective 1 September 2021, in line with the average provided to the UK workforce.
- The annual bonus and PSP opportunity for the Chief Executive Officer will be in line with the normal Remuneration Policy level at 150% of salary and 125% for the Chief Financial Officer which can be earned for delivery against challenging targets.
- The specific annual bonus metrics continue to reflect current strategic priorities and as such the bonus will be based on adjusted profit before tax (40% weighting), revenue growth (30% weighting), net working capital (10% weighting) with the remaining 20% split equally between two key business objectives. For FY22, the key business objectives relate, as they did for FY21, to strategic execution and to organisational effectiveness, in equal measure.
- One quarter of any bonus earned will continue to be required to be deferred into shares for three years.
- The metrics and weightings used for the LTIP for awards to be made in FY22 will remain in line with the prior year with adjusted EPS growth remaining a key measure of underlying financial performance and determining the vesting of 60% of the award, with strategic and sustainability metrics each determining 20% of the total PSP vesting.
- The strategic metric is based on revenue growth from Must Win Brands and will be based on absolute targets rather than being assessed on a relative basis to provide clearer line of sight for participants and the sustainability target will specifically address and incentivise the Company's ambitions in this area over the coming years. Further details of the performance metrics are set out on pages 104.
- 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). In line with the approved Remuneration Policy, shares must also be retained until the minimum shareholding guidelines are met, including following the end of service in accordance with our post-cessation holding expectations.
- 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.

Further details of the approach to remuneration for FY22 are set out on pages 102 to 105.

Concluding remarks

Our approach to remuneration under the new policy is focused on providing clear alignment between strategy, incentives, stakeholder experience and the relevant principles of the 2018 Code. It is never a precise science and requires judgement on wider contextual issues alongside the strict outturn calculations, to ensure the right balance. This year has been an acute example of this and we have sought to recognise performance within that backdrop. I hope our shareholders agree with our approach and will support the advisory vote on the Report on Remuneration and the resolutions to implement the enhancement to the FY20 LTIP award for the CEO at our upcoming AGM. We welcome your views and any discussion on the matters set out within the report.

Kirsty Bashforth
Remuneration Committee Chair

REMUNERATION COMMITTEE REPORT CONTINUED

Committee activities during the year ended 31 May 2021.

July 2020	September 2020	November 2020	January 2021	March 2021	May 2021
• Presentation from the remuneration advisor on governance, remuneration trends and the implications for the business • Review of draft annual bonus awards for FY20 • Consideration of investor feedback on Remuneration Policy • Approval of financial targets for the annual bonus scheme for FY21 • Review of vesting of past awards under the PSP • Approval of annual awards and performance targets (in principle) under the Performance Share Plan for FY21 • Consideration of share plan participation for all employees • Review of draft Remuneration Report in respect of FY20 • Approval of CFO remuneration package	• Update on post AGM trends and regulation from the remuneration advisor • Consideration of final investor feedback on proposed 2020 Remuneration Policy • Approval of actual annual bonus awards for FY20 performance • Approval of PSP targets for the FY21 awards • Approval of Employee Stock Purchase Plan (SIP) and PSP Rules • Approval of 2020 Remuneration Policy and Remuneration Report in respect of FY20	• Review of cascade of non-financial targets outside of the Executive Directors • Consideration of salary adjustments within the ELT (not Executive Directors) • Consideration of implementation of Employee Stock Purchase Plan (SIP) • Approval of the grant of the FY21 PSP awards • Consideration of AGM voting and investor feedback	• Half-year review of FY21 annual bonus targets • Consideration of disclosure of Must Win Brands • Consideration of administrative matters relating to the operation of the Company's share plans • Approval of pro-rated Performance Share Plan awards	• Interim update on performance versus FY21 annual bonus scheme • Consideration of administrative matters relating to the operation of the Company's share plans	• Presentation from the remuneration advisor on governance, remuneration trends and the implications for the business • Consideration of forecast performance in respect of FY21 annual bonus • Consideration of provisional FY22 annual bonus targets • Consideration of Group salary proposals • Consideration of overall Group remuneration structure • Consideration of provisional FY22 Performance Share Plan targets • Consideration of Committee terms of reference • Consideration of Committee performance • Consideration of Remuneration Report themes • Review of Board Chair's fee
KB, HO, JT, DK	**KB, HO, JT, DK**	**KB, JT, DK**	**KB, JT, DK**	**KB, JT, DK**	**KB, JT, DK**

At a glance summary: how we will implement the policy in FY22

The table below summarises how the Committee intends to implement the Remuneration Policy for the forthcoming financial year ending 31 May 2022.

Key policy features	FY22 implementation	Link to KPIs

Salary

Key policy features:

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.
- Pay increases elsewhere in the Group.

FY22 implementation:

- Salary increases in line with the UK workforce average, effective from 1 September 2021

	Chief Executive Officer	Chief Financial Officer
Salary	£592,250	£334,750
Increase	3%	3%

Link to KPIs: –

Pension/benefits/all-employee share schemes

Key policy features:

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.

FY22 implementation:

- Chief Executive Officer, J Myers, and Chief Financial Officer, S Pollard, both 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.

Link to KPIs: –

Annual bonus

Key policy features:

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 payout does not reflect business performance or individual contribution.

25% of any bonus earned deferred into shares for three years.

Recovery and withholding provisions apply.

FY22 implementation:

	Chief Executive Officer	Chief Financial Officer
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.

Link to KPIs:

- Adjusted profit before tax
- Revenue growth
- Net working capital percentage
- Strategic priorities

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.

FY22 implementation:

	Chief Executive Officer	Chief Financial Officer
LTIP award	150% of salary	125% of salary

Performance metrics:

	Weighting	Threshold target	Threshold vesting	Maximum target
Adjusted basic EPS	60%	2% per annum	25%	6% per annum
Revenue growth from Must Win Brands	20%	2% per annum	25%	6% per annum
Sustainability	20%	See page 104		

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

Link to KPIs:

- Adjusted basic EPS
- Revenue growth
- Sustainability

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.

FY22 implementation:

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

	1 Sept 2021	1 Sept 2020	2020–21 increase
Basic fees			
Chair*	250,000	250,000	+0%
Non Executive Director	55,000	52,500	+4.8%
Additional fees			
Senior Independent Director	10,000	5,000	+100%
Chair of Audit & Risk or Remuneration Committee	10,000	10,000	+0%
Chair of any other Committee	5,000	5,000	+0%
Director responsible for employee engagement	5,000	5,000	+0%

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

REMUNERATION POLICY

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.

The policy was approved by shareholders at the 2020 Annual General Meeting (AGM) and became effective from the date of the AGM on 26 November 2020. The Remuneration Policy as approved can be viewed at www.pzcussons.com and is included on the following pages, updated for factual changes where appropriate.

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 designing 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.

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. 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. 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.
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.

REMUNERATION POLICY CONTINUED

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
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 payout 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 payout 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
Variable remuneration continued				
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 equivalent 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.

REMUNERATION POLICY CONTINUED

Recovery and withholding provisions

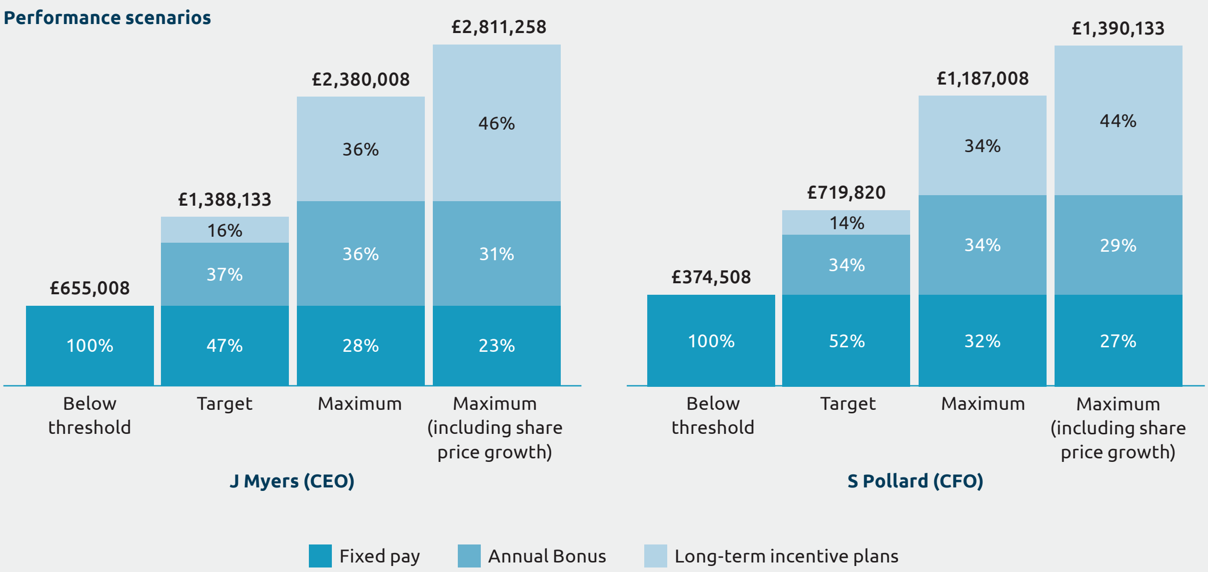
The Committee may, in its discretion, apply malus and/or clawback to annual bonus and PSP awards at any time within three years of payment in circumstances of a misstatement of results, error in payout calculations or the calculation being based on incorrect information, misconduct, corporate failure 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 year 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.



	Minimum performance	Target performance	Maximum performance	Maximum performance including share price growth
Fixed elements of remuneration	Base salary as at 31 May 2021, an estimate of the value of benefits (£25,000 for J Myers and £16,000 for S Pollard) and pension contributions at 10% of base salary			
Annual bonus	0%	**60% of maximum opportunity** J Myers – 60% of 150% of salary S Pollard – 60% of 125% of salary	**100% of maximum opportunity** J Myers – 150% of salary S Pollard – 125% of salary	**100% of maximum opportunity** J Myers – 150% of salary S Pollard – 125% of salary
Long-term incentive plans	0%	**25% of award** J Myers – 25% of 150% of salary S Pollard – 25% of 125% of salary	**100% of award** J Myers – 150% of salary S Pollard – 125% of salary	**100% of award with a 50% increase in share price over the vesting period** J Myers – 150% of salary S Pollard – 125% 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 Directors' service contracts are shown below:

Name	Date of appointment
J Myers	1 May 2020
S Pollard	4 Jan 2021

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.
- Any payments for loss of office shall only be made to the extent that such payments are consistent with this Policy.

REMUNERATION POLICY CONTINUED

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.
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	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. 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-Mar-2023
K Bashforth	31-Oct-2022
D Kucz	30-Apr-2024
J Nicolson	30-Apr-2022
J Sodha	30-Jun-2024
J Townsend	31-Mar-2023

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.

REPORT ON DIRECTORS' REMUNERATION

Information contained within the Report on Directors' 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 2021:

	Salary/fees[1]		Benefits[2]		Bonus[3]		PSP		Pension[4]	
	2021 (£)	2020 (£)	2021 (£)	2020 (£)	2021 (£)	2020 (£)	2021 (£)	2020 (£)	2021 (£)	2020 (£)
Executive Directors										
J Myers[5]	575,000	47,917	22,508	1,874	862,500	–	–	–	57,500	4,792
S Pollard[6]	135,417	–	7,092	–	164,734	–	–	–	13,542	–
G Kanellis[7]	–	404,667	–	15,316	–	–	–	–	–	80,933
B Leigh[8]	–	13,820	–	777	–	–	–	–	–	2,764
Subtotal	710,417	466,404	29,600	17,967	1,027,234	–	–	–	71,042	88,489
Non Executive Directors										
C Silver (chair)[9]	250,000	291,667	537	4,145	–	–	–	–	–	–
K Bashforth[10]	61,667	30,625	–	416	–	–	–	–	–	–
D Kucz	57,500	57,500	–	4,231	–	–	–	–	–	–
T Minick–Scokalo[11]	–	21,875	–	1,917	–	–	–	–	–	–
J Nicolson	62,500	62,500	–	3,074	–	–	–	–	–	–
H Owers[12]	26,679	62,500	–	2,939	–	–	–	–	–	–
J Townsend[13]	62,500	8,750	–	–	–	–	–	–	–	–
Subtotal	520,846	535,417	537	16,722	–	–	–	–	–	–
Total	1,231,263	1,001,821	30,137	34,689	1,027,234	–	–	–	71,042	88,489

	Other[6]		Total fixed		Total variable		Total[7]	
	2021 (£)	2020 (£)	2021 (£)	2020 (£)	2021 (£)	2020 (£)	2021 (£)	2020 (£)
Executive Directors								
J Myers[5]	–	–	655,008	54,582	862,500	–	1,517,434	54,582
S Pollard[6]	131,015	–	156,050	–	164,734	–	451,631	–
G Kanellis[7]	–	–	–	500,916	–	–	–	500,916
B Leigh[8]	–	–	–	17,361	–	–	–	17,361
Subtotal	131,015	–	811,058	572,859	1,027,234	–	1,969,307	572,859
Non Executive Directors								
C Silver (chair)[9]	–	–	250,537	295,812	–	–	250,537	295,811
K Bashforth[10]	–	–	61,667	31,041	–	–	61,667	31,041
D Kucz	–	–	57,500	61,731	–	–	57,500	61,731
T Minick–Scokalo[11]	–	–	–	23,792	–	–	–	23,792
J Nicolson	–	–	62,500	65,574	–	–	62,500	65,574
H Owers[12]	–	–	26,679	65,439	–	–	26,679	65,439
J Townsend[13]	–	–	62,500	8,750	–	–	62,500	8,750
Subtotal	–	–	521,384	552,139	–	–	–	552,139
Total	131,015	–	1,332,441	1,124,998	1,027,234	–	2,490,690	1,124,998

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 102 and 103.

4 J Myers and S Pollard receive salary supplements of 10% of salary in lieu of pension contributions.

5 J Myers was appointed Chief Executive Officer with effect from 1 May 2020.

6 S Pollard was appointed Chief Financial Officer with effect from 4 January 2021. Sarah received compensation totalling £131,015 on joining the Company to compensate her for outstanding shares forfeited on departure from her former employer. The payment was of equal value to the shares forfeit at the time of joining the Company and Sarah agreed to use the net proceeds of the payment to acquire PZ Cussons shares and to hold these against the Company's share ownership guidelines. Had she remained in employment the net of tax value of the shares forfeit, which did not have any performance conditions, would also have been retained and so the buy-out was a like-for-like replacement.

7 G Kanellis retired from the Company on 31 January 2020.

8 B Leigh ceased employment with the Company on 13 June 2019.

9 C Silver assumed the role of Executive Chair for the period between 31 January 2020 and 30 April 2020 when J Myers commenced his role as Chief Executive Officer. Details of her pay during this period were included in the 2020 Annual Report and Accounts.

10 Amounts are rounded to the nearest pound sterling.

11 T Minick-Scokalo was on leave for personal health reasons since 1 November 2019 and stepped down from the Board at the 2020 AGM.

12 H Owers stepped down from the Board at the 2020 AGM.

13 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. Salaries 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.

The Committee determined that J Myers' and S Pollard's salaries will be increased by 3% with effect from 1 September 2021 which is in line with the average increase applied to the UK workforce.

	FY22 base salary (£)	FY21 base salary (£)	Increase (%)
J Myers[1]	592,250	575,000	3
S Pollard[2]	334,750	325,000	3

1 J Myers was appointed CEO on 1 May 2020.

2 S Pollard was appointed CFO on 4 January 2021.

Non Executive Director fees

The current fee structure is as follows and increases the base Non Executive Director fee by £2,500 and Senior Independent Director fee by £5,000, following five years of no increases to either fee, to reflect benchmarks and in recognition of the current time commitment of the Directors:

Role	FY21/22 change	FY22 fee	FY21 fee
Board Chair	0%	£250,000	£250,000
Non Executive Director base fee	4.8%	£55,000	£52,500
Additional fees for Committee Chair			
Audit & Risk	0%	£10,000	£10,000
Remuneration	0%	£10,000	£10,000
Additional fee for Senior Independent Director	100%	£10,000	£5,000
Additional fee for Director responsible for employee engagement	0%	£5,000	£5,000

Annual bonus for the year ended 31 May 2021

In respect of the year ended 31 May 2021, the Chief Executive Officer, Jonathan Myers, and the Chief Financial Officer, Sarah Pollard, both participated in the annual bonus scheme.

Under this scheme, the Chief Executive Officer was eligible to earn a cash bonus of up to 150% of base salary and the Chief Financial Officer 125% of base salary (pro-rata for the period since appointment) with a quarter of any bonus earned being deferred into Company shares which vest after three years and are subject to recovery and withholding provisions and continued employment.

For the 2021 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. Following the policy review last year, the bonus metrics for 2021 were updated with the introduction of revenue growth in place of operating profit contribution to strengthen the alignment with the strategic priorities. Together these financial targets comprised 80% of the overall bonus opportunity with strategic objectives focused on organisational effectiveness and strategic execution comprising the remaining 20% of the bonus opportunity. The targets and the Committee's assessment of performance against them are set out on the following page.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Financial targets

The financial targets and our performance against them are set out below:

Metric	Proportion of total bonus	Threshold (10% payout)	Target (60% payout)	Stretch (100% payout)	Actual performance	Proportion of total bonus payable
Adjusted profit before tax	40%	£53.9m	£59.9m	£62.9m	£68.6m	40%
Revenue growth	30%	£506.1m	£562.3m	£590.4m	£603.3m	30%
Net working capital percentage	10%	17.9%	16.4%	15.6%	7.1%	10%

Strategic targets

The 2021 strategic objectives related to organisational effectiveness and strategic execution.

Metric	Proportion of total bonus	Milestones achieved	Proportion of total bonus payable
Organisational effectiveness	10%	Complete all planned, ongoing Group optimisation actions to deliver maximum in-year benefits. Post strategic review, realign organisation model and deliver additional operational effectiveness and efficiency activities within defined timelines and KPIs.	10%
Strategic execution	10%	Undertake and complete a full strategic review in H1 FY21. Ensure that the detailed strategy sets out a clear Go-To-Market plan by Category, Brand and OU. Delivery and execution plans as well as agreed outcomes which are approved by the Board. Cascade strategy and commence execution at all levels of the organisation within defined timelines and KPIs.	10%

Overall 100% of the maximum bonus was earned by the Chief Executive Officer and Chief Financial Officer. The Committee is comfortable that this is in line with underlying corporate performance and shareholder experience over the year which included positive share price performance and the payment of dividends. The outturn is also in line with the experience of the wider workforce with bonuses payable based on the performance achieved against the targets set at the start of the year with maximum bonus being awarded in a number of operating units and bonus in line with target in the majority of others. In making the bonus payments, the Committee also considered management's response to the disruption and challenges that Covid-19 poses and noted that the Company did not receive government furlough support or Covid-19 loans.

One quarter of this amount will be deferred into shares for three years.

Annual bonus for the year ended 31 May 2022

Executive Directors will continue to be eligible to participate in the annual bonus scheme in respect of the year ending 31 May 2022 under the Policy. The annual bonus opportunity for the Chief Executive Officer and Chief Financial Officer will continue to be 150% and 125% of salary respectively, which can be earned for delivery against challenging targets, with 60% of maximum payable for on-target performance under the financial metrics.

As for FY21, the specific annual bonus metrics reflect current strategic priorities with adjusted profit before tax aligning pay with profitability (40% weighting) revenue growth metric driving organic growth (30% weighting) and net working capital percentage (10% weighting) used to ensure there is a focus on efficient working practices. 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 FY22 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 payout 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 PSP, 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 PSP, the PZ Cussons plc Long-Term Incentive Plan 2020 (the 'LTIP 2020'), was approved by shareholders and adopted at the 2020 Annual General Meeting. PSP awards granted to former Directors in FY18 which were due to vest in FY21 did not meet their performance criteria and lapsed.

Awards granted in the year ended 31 May 2021 (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 2021 an award was made to J Myers under the PSP over shares with a value equal to 150% of base salary. Following her appointment on 4 January 2021, S Pollard was also granted an award over shares worth 125% of base salary, pro-rated for the period from appointment as set out below:

	Scheme	Basis of award	Number of shares[1,2]	Face value	Percentage vesting for threshold performance	Performance period end date
J Myers	LTIP 2020	150% of salary	375,000	£862,500	25%	31-May-2023
S Pollard	LTIP 2020	125% of salary	70,973	£169,271	25%	31-May-2023

1 J Myers was granted an award over 375,000 shares under the LTIP on 27 November 2020 calculated using the average mid-market closing share price on 26 November 2020 of 230p. S Pollard was granted a pro-rated award over 70,973 shares under the LTIP on 1 February 2021 calculated using the average mid-market closing share price on 26 January 2021 of 238.5p. The share price used to determine the number of shares subject to the award was in accordance with the rules of the LTIP 2020.

2 J Myers' award will be increased by 61,046 shares (with a face value of £140,405.8) for a total of 436,046 shares if resolutions 3 and 4 proposed for the AGM are approved by shareholders. The performance period end date will be 31 May 2023.

The performance metrics were aligned with the business' mid- to long-term priorities with the introduction of a strategic revenue metric and a sustainability metric with a 20% weighting each to supplement the EPS growth metric (60% weighting).

Measure	EPS growth	Strategic target	Sustainability target
Weighting	60% weighting	20% weighting	20% weighting
Description	Growth in adjusted EPS over three-year performance period	Revenue growth from Must Win Brands measured relative to growth in revenue from Portfolio Brands[1]	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-Corporation 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.

1 Following the completion of the strategic review Focus Brands were reclassified Must Win Brands. The strategic review also resulted in the change in categorisation of certain brands and the performance measure has been aligned with these definitions. The Committee have ensured that the reclassification of brands is no less stretching as detailed in the Chair's introduction to governance on page 66.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

The EPS and strategic targets 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 sustainable, profitable revenue 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 will also consider the Company's return on capital employed across the relevant performance period in determining whether to apply discretion to alter formulaic outcomes taking into account the overall performance of the business.

In line with the Remuneration Policy, the awards are 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 also apply to awards made under the PSP which apply for a period of up to three years from vesting of awards.

Awards to be granted in the year ending 31 May 2022

The Committee intends to make PSP awards to the Chief Executive Officer and Chief Financial Officer during the year ending 31 May 2022 in line with the Directors' Remuneration Policy. The award to J Myers and S Pollard will be in respect of shares equivalent to 150% of salary and 125% of salary respectively.

The awards will vest to the extent performance conditions are met over the three-year performance period. The performance metrics and their weightings will largely be unchanged from those that applied to the FY21 awards.

Measure	EPS growth target	Strategic target	Sustainability targets
Weighting	60% weighting	20% weighting	20% weighting as set out below
Description	Growth in adjusted EPS over three-year performance period	Absolute revenue growth from Must Win Brands	
Threshold target (25% vesting)	2% per annum	2% per annum	
Maximum target (100% vesting)	6% per annum	6% per annum	

The Committee has, however, reviewed its approach to target setting based on updated internal planning, external expectations for future performance and feedback from major shareholders.

EPS growth target

This review concluded with a decision by the Committee that the definition of EPS performance in the future will be:

- Measured based on adjusted basic EPS from continuing operations measured on a constant currency basis. This will ensure that any adjustments to EPS are in line with our reporting of adjusted basic EPS (as per page 91) and that performance is based on continuing operations only so that we achieve consistency when measuring our underlying performance.
- Measured on a constant currency basis to ensure that there will be a strong link between management performance and incentive outcomes given the geographic spread of our earnings and the potential for exchange rate volatility in certain locations (e.g. the Naira in Nigeria).

With regard to the degree of stretch in the EPS targets, the range of growth targets has been increased compared to the range set last year (2% to 6% per annum growth from 1% to 5% per annum growth). The Committee considers this to result in targets that are at least as demanding as the range of growth targets that were set for the FY21 awards. However, notwithstanding the degree of stretch in the targets, the Committee reserves the right to reduce vesting if testing the targets on a constant currency basis does not reflect the shareholder experience over the performance period. The Committee also expects to continue to set EPS targets on this basis in future years.

Strategic target

These will be based on revenue growth from Must Win Brands , and measured on an absolute basis (as opposed to relative to total group revenue growth) in order to provide a more direct line of sight for the participants.

Sustainability targets

The targets have been set based on progress towards the Group's ambitions to achieve B Corporation certification and address our priorities with respect to (i) ethical sourcing, (ii) reduction in carbon intensity and (iii) our employees (each of which will determine the vesting of one-third of the 20% portion of the award based on sustainability).

Following the Company's first year of work towards its B Corporation target and further consultation with major shareholders, a full review of the Company's sustainability targets has commenced, in particular with respect to plastics as discussed on pages 32 and 33. Furthermore, with the recent appointment of a Chief Sustainability Officer who is leading this comprehensive review, the Committee anticipates that sustainability measures in any future LTIP awards will continue to evolve to reflect our longer-term goal of B Corporation accreditation and the conclusions of the current review work which will include new targets relating to plastics usage.

	Ethical sourcing	CDP performance	Employee engagement
Threshold target (25% payout)	Publish a revised supplier code of conduct aligned to our recently approved Code of Ethical Conduct and embed it across the supplier base with at least 90% of suppliers by value having either signed up to it or demonstrated that they have in place their own code which meets or exceeds our own. Adopt and publish a PZ Sustainability Charter setting out our commitments across key ESG areas and encourage our supply base to sign up to our charter with at least 60% of our suppliers by value signing up to our Sustainability Charter by the end of the performance period.	Improve from current 'B-' score to a 'B' score by the end of the performance period.	Improve the employee engagement scores to 73% (+1%) by the end of the performance period.
Maximum target (100% payout)	In addition to threshold, (1) achieve 99% of suppliers by value signing up to our Supplier Code of Conduct; and (2) 90% of our suppliers by value signing up to our Sustainability Charter.	Achieve an 'A/A-' score by the end of the performance period.	Improve the employee engagement score across the group to 75% (+3%) by improving 1% each year of the performance period.

Pro-rata vesting between threshold and maximum targets.

As in previous years, any shares vesting at the end of the three-year performance period will be subject to a two-year holding period.

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.
- Until this share ownership threshold is met, to 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.
- After ceasing to be a Director, Executive Directors are also required to maintain the lower of: (1) a shareholding of at least 200% of their base salary for the first year following cessation of their employment, and 100 for the second year; and (2) their shareholding on cessation.
- As set out in the Remuneration Policy, to defer 25% of any bonus earned into shares for three years.

Interests in shares (audited)

The interests in the Company's shares of each of the Executive Directors as at 31 May 2021 (together with interests held by any connected persons) were:

	Ordinary shares held at 31 May 2021	Interests in share incentive schemes that are not subject to performance conditions as at 31 May 2021	Interests in share incentive schemes that are subject to performance conditions as at 31 May 2021[1]	Value of shares held at 31 May 2021 as a % of base salary
J Myers	50,000	–	375,000	22%
S Pollard	29,485	–	70,973	23%

1 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 and while they have not yet met the guideline given their recent appointments to the Company and Board, progress is being made towards achieving the 200% of salary guideline. There have been no changes in the Executive Directors' interests between 31 May 2021 and the date of this report.

The Non Executive Directors' shareholdings are disclosed on page 111 within the Report of the Directors.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

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 2020	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2021	Share price at date of award (£)	Share price at date of vesting (£)	Gain (£)	Vesting/ transfer date[1]
J Myers	27-Nov-2020	–	375,000	–	–	375,000	2.285	–	–	27-Nov-23
S Pollard	1-Feb-2021	–	70,973	–	–	70,973	2.480	–	–	1-Feb-24

1 Subject to performance conditions as set out on page 103. Shares vesting under the award are subject to a two-year post vesting holding period.

Deferred bonus awards (audited)

Under the annual bonus, 25% of any payment is deferred into shares for three years. As at 31 May 2021, the Directors did not have any outstanding deferred bonus awards.

	Date of award[1]	Number of options/ awards at 1 June 2020	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2021	Share price at date of award (£)	Share price at date of vesting (£)	Gain (£)	Vesting/ transfer date
J Myers	–	–	–	–	–	–	–	–	–	–
S Pollard	–	–	–	–	–	–	–	–	–	–

1 Awards ordinarily vest on the third anniversary of grant, conditional only on continued employment.

Pension benefits (audited)

Directors are eligible for membership of the Company's defined contribution pension arrangements and/or the provision of cash allowances in lieu of thereof. The contribution for J Myers and S Pollard is set at 10% of salary, in line with the rate applicable to the wider UK workforce.

Loss of office payments and payments to former Directors (audited)

There were no loss of office or payments to former Directors during the year which have not been disclosed in full in prior reports.

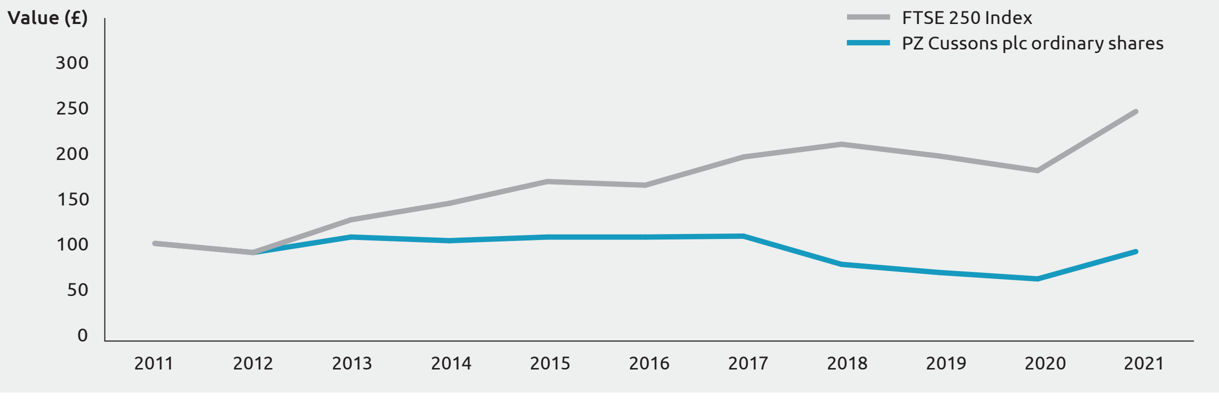
Limits on shares issued to satisfy share incentive plans

The Company's share incentive plans may operate over newly 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 2021 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 2021 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 the FTSE 250 index TSR



Chief Executive Officer remuneration for previous ten years

	Total remuneration (£)	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2020–21	1,517,434	100%	n/a
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%

1 For 2019–20 the figure for total remuneration represents the pay of A Kanellis from 1 June 2019 to 31 January 2020, the fees paid to C Silver while acting as Executive Chair from 1 February 2020 through 30 April 2020 and the pay of J Myers since his appointment on 1 May 2020. No bonus was paid to any of these individuals and the 2017 and 2018 PSP awards lapsed in full.

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 2020 and 31 May 2021, and the percentage change:

	2021 £m	2020 £m	% change
Total employee costs	76.9	80.1	5.4%
Dividends paid	25.5	24.2	5.4%
Profit before tax and adjusting items[1]	68.6	61.8	11.0%

1 This metric is in line with the Group's profitability KPI, which is set out on page 43.

Change in Directors' remuneration and for employees

The table below shows the change in annual Director remuneration (defined as salary, taxable benefits and annual bonus), compared to the change in employee annual remuneration for a comparator group, from FY20 to FY21.

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), and because PZ Cussons plc has no employees other than the Executive Directors.

	Percentage change (FY21 / FY20)		
	Salary / fees	Benefits	Bonus
UK Employee average	3%	0.0%	0.0%
J Myers (CEO)[1]	0%	0.1%	n/a
S Pollard (CFO)[2]	n/a	n/a	n/a
C Silver (Chair)[3]	(14.3)%	(87.0)%	n/a
K Bashforth[4]	17.5%	(100.0)%	n/a
D Kucz	0.0%	(100.0)%	n/a
T Minick- Scokalo[5]	(100.0)%	(100.0)%	n/a
J Nicolson	0.0%	(100.0)%	n/a
H Owers[6]	(14.6)%	(100.0)%	n/a
J Townsend[7]	19%	n/a	n/a

1 J Myers joined the Company on 1 May 2020 therefore the percentage change has been annualised based on one month for FY20 versus the full year for FY21. There was no increase to the annualised salary or benefits between FY20 and FY21.

2 S Pollard joined the Company on 4 January 2021.

3 C Silver assumed the role of CEO on an interim basis and received an additional allowance during this time.

4 K Bashforth joined the Company on 1 November 2019; the change has been annualised based on seven months for FY20 versus the full year for FY21.

5 T Minick-Scokalo was on extended leave for personal reasons and therefore was not paid a fee in FY21.

6 H Owers left the Company at the 2020 AGM and was therefore paid her fee for six months of FY21, which has been annualised as if she had served the full year.

7 J Townsend joined the Company on 1 April 2020 therefore the percentage change has been annualised based on two months for FY20 verses the full year for FY21.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

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 is the pay received by J Myers in relation to 2021. In setting remuneration for the CEO, both internal and external benchmarks are considered, as is the remuneration of the broader workforce. The Committee receives market updates from their independent advisors which provide context from other listed companies. Executive pay policy for the CEO, other Directors and senior management is then set to as to be appropriately positioned for the size and scope of the roles and experience of the individuals.

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. The CEO figure used in FY20 was a combination of pay received by A Kanellis for the period he served as CEO, the fees paid to C Silver while she acted as Executive Chair and the pay received by J Myers for the period he served as CEO during the year. No incentive payments in respect of the individuals in-role were paid in FY20. The change in the pay ratio is as a result of these factors and that in FY21 J Myers was awarded the maximum bonus opportunity.

Employee data includes those employed as at 31 May 2021. For any employee who joined after 1 June 2020 and was still employed at 31 May 2021, remuneration for that employee has been calculated as if the employee had been employed for the full year. Where there was no identifiable employee at the 25th, 50th or 75th percentile, then the data for the employee closest to that percentile has been used. If two employees were equally close to the relevant percentile then the employee with the most representative pay mix was selected. Additionally, where pay includes statutory pay such as maternity, paternity or sick pay these amounts have been included in the calculation.

CEO pay ratio	FY20	FY21
Method	A	A
CEO Single figure	£659,665	£1,517,508
Upper quartile	9	19
Median	13	29
Lower quartile	19	40

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions as at 31 May 2021 are set out below:

2021	Salary	Total pay
Upper quartile individual	£61,260	£79,627
Median individual	£44,917	£52,549
Lower quartile individual	£34,169	£37,949

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, member until 2020 AGM when she stepped down from the Board)
- D Kucz
- J Townsend

The Committee was advised in relation to Directors' remuneration during the year by Korn Ferry who were appointed by the Committee 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 £57,550 excluding VAT for the year. Korn Ferry also provided PZ Cussons with executive coaching services during 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 C 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 J Myers as CEO on proposals relating to the remuneration of members of the Group's senior management team and he too attended meetings by invitation. The Chief Human Resources Officer 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.

In setting remuneration for Executive Directors and senior managers, both internal and external benchmarks are considered, as is the remuneration of the broader workforce. The Committee receives market updates from Korn Ferry which provide context from other listed companies. Executive pay policy is then set to as to be appropriately positioned for the size and scope of the roles and experience of the individuals.

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 PSP. 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 2021 Annual General Meeting.

The votes cast at the 2020 Annual General Meeting in respect of the approval of the 2020 Report on Directors' Remuneration and in respect of the approval of the Directors' Remuneration Policy are shown below:

Advisory vote on the 2020 Report on Directors' Remuneration (2020 AGM):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
328,247,057	99.95	169,193	0.05	328,416,250	788,490

Binding vote on the Directors' Remuneration Policy (2020 AGM):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
301,319,114	91.74%	27,121,924	8.26%	328,441,038	775,302

By order of the Board of Directors

Kirsty Bashforth
Remuneration Committee Chair

30 September 2021

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements and the report of the auditor for the year ended 31 May 2021.

Principal activities

The principal activities of the Group are the manufacture and distribution of soaps, detergents, toiletries, beauty products, pharmaceuticals, electrical goods, edible oils, fats and spreads and nutritional products. The subsidiary undertakings and joint ventures principally affecting the profits, liabilities and assets of the Group are listed in note 29 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 49 to 53 of the Strategic Report.

The Directors recommend a final dividend of 3.42p (2020: 3.13p) per ordinary share to be paid on 30 November 2021 to ordinary shareholders on the register at the close of business on 22 October 2021, which, together with the interim dividend of 2.67p (2020: 2.67p) paid on 1 April 2021, makes a total of 6.09p for the year (2020: 5.80p).

Scope of the reporting in this Annual Report and Financial Statements

The Group's statement on corporate governance can be found on pages 64 to 109 which 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 and Financial Statements 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 and other employee share schemes	Report on Directors' Remuneration – pages 100 to 109
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 24 of the Consolidated Financial Statements
13	Shareholder waivers of future dividends	ESOT: see note 24 of the Consolidated Financial Statements
14	Agreements with controlling shareholders	Report of the Directors pages 112 and 113

All the information referenced above is hereby incorporated by reference into this Report of the Directors.

The Board

The Directors, who served throughout the year and unless stated otherwise were in office up to the date of signing the financial statements are detailed below:

	Service in the year 31 May 2021
C Silver	Served throughout the year
J Myers	Served throughout the year
K Bashforth	Served throughout the year
D Kucz	Served throughout the year
J Nicolson	Served throughout the year
S Pollard	Appointed 4 January 2021
J Townsend	Served throughout the year
T Minick-Scokalo	Resigned on 26 November 2020
H Owers	Resigned on 26 November 2020

J Sodha was appointed to the Company as a Non Executive Director with effect from 1 July 2021. Valeria Juarez was appointed to the Company as a Non Executive Director with effect from 22 September 2021.

Directors' interests

The Directors' and connected persons' interests in the share capital of the Company at 31 May 2021, together with their interests at 1 June 2020, or date of appointment if later, are detailed below:

Ordinary shares

Beneficial	2021 Number	2020 Number
C Silver	42,500	42,500
J Myers	50,000	–
K Bashforth	5,000	5,000
D Kucz	7,500	7,500
S Pollard	29,485	n/a
J Nicolson	–	–
J Townsend	10,000	–
J Sodha[3]	–	n/a
V Juarez[4]	–	n/a
Total	144,485	55,000

1 The figures in the tables do not include 10,291,149 (2020: 10,731,030) ordinary shares purchased and held by the Employee Share Option Trust (ESOT) as at 31 May 2021. 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 share awards granted under the PZ Cussons plc Performance Share Plan or deferred share awards under the senior executive annual bonus scheme.

3 As at J Sodha's date of appointment, 1 July 2021. J Sodha purchased 22,200 shares on 2 July 2021.

4 As at V Juarez's date of appointment, 22 September 2021.

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.

REPORT OF THE DIRECTORS CONTINUED

Directors' indemnification and insurance

Indemnities are in force under which the Company has agreed to indemnify the Directors, the Company Secretary and officers of Group subsidiaries, 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 indemnified individuals 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 indemnified person must repay those defence costs.

The Company purchases and maintains insurance for the Directors and officers of the Company in performing their duties, as permitted by Section 233 Companies Act 2006. This insurance has been in place during the year and remains in place at the date of signing this report.

Other substantial interests

The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 22 September 2021:

	As at 22 September 2021		As at 31 May 2021	
	Number of shares	%	Number of shares	%
Zochonis Charitable Trust	63,019,193	14.70%	63,019,193	14.70%
Sir J B Zochonis Will Trust	49,320,712	11.50%	49,320,712	11.50%
Heronbridge Investment Mgt	31,157,024	7.27%	31,157,024	7.27%
Majedie Asset management	21,160,944	4.94%	21,160,944	4.94%
J B Zochonis Settlement	19,927,130	4.65%	19,927,130	4.65%
Lindsell Train Investment Management	18,682,474	4.36%	18,682,474	4.36%
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 23 of the Consolidated Financial Statements.

Significant agreements

Relationship Agreement

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, related family groups and trusts under their control are deemed to be controlling shareholders of the Company (together, the 'Concert Party'). In light of the significant changes to senior management and the Board over the course of FY20 and FY21, a consultation was held with the Takeover Panel and certain former executives and other shareholders along with the Company's employee benefits trust and pension trustees were determined to no longer meet the legal definition of acting in concert with the core members of the founding Zochonis family. Accordingly, the Takeover Panel approved the reconstitution of the Concert Party as comprising the core members of the founding Zochonis family and certain related trusts holding, in the aggregate, approximately 43.89% of the issued share capital of the Company, compared with 51.03% held by the previously constituted Concert Party. So far as the Company is aware, no current or former member of the Concert Party has divested of any of their shares following this reconstitution.

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 2021 (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.
- 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 £70,000 (2020: £503,000). No political contributions were made (2020: £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 are contained within the Sustainability – environment section on pages 30 to 33.

Employment of people with disabilities

During the year the Group has maintained its policy of providing equal opportunities for the appropriate employment, training and development of people with disabilities . 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. Further details on our engagement with employees can be found in pages 20 and 28 to 29. Employee views are provided to the Board through updates from the designated Non Executive Director for employee engagement.

Inclusion and diversity

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 including Indian, Chinese, Polish, Indonesian, Singaporean, Thai, Greek, Australian, Nigerian, Ghanaian, Kenyan, American, Canadian and British. 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 local talent who understand different cultures. 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. During the year a refreshed diversity and inclusion policy was adopted that reinforced the Company's commitment to having a Board and an Executive Leadership Team that reflects the diversity of our workforce and consumers in the countries in which we operate.

Further details on the composition of our global employee population are set out in the table below:

	2021		2020		2019		2018		2017	
	No.	%	No.	%	No.	%	No.	%	No.	%
Female employees	832	28	899	27	1,064	28	1,183	28	1,252	26
Male employees	2,111	72	2,461	73	2,717	72	3,003	72	3,523	74
Female senior managers	51	32	68	35	77	34	80	35	87	34
Male senior managers	110	68	125	65	150	66	147	65	167	66
Female Group Board Directors	3	43	4	50	3	38	3	38	3	38
Male Group Board Directors	4	57	4	50	5	62	5	62	5	62
Employees with over 15 years' service	1,039	35	1,168	35	1,211	32	1,297	31	1,289	27
Employees over 50	408	14	438	13	424	11	411	10	401	8

REPORT OF THE DIRECTORS CONTINUED

Stakeholder engagement

The Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and consider these relationships and factors in their decision making. Further details can be found in the Strategic Report and our section 172 statement on page 22.

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 81.

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 58 to 61 of the Strategic Report.

Annual General Meeting

The Company's 2021 Annual General Meeting will be held at the Raddison Blue Hotel Manchester Airport, Chicago Ave, Manchester, M90 3RA, United Kingdom at 10:30am on 23 November 2021. The resolutions that will be proposed at the 2021 Annual General Meeting are set out in the separate Notice of Annual General Meeting, which accompanies this Annual Report and Financial Statements.

Share capital

As at 31 May 2021, 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 so far 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.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time.

Purchase of own shares

Pursuant to shareholder approval given at the 2020 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 but not at the 2021 Annual General Meeting. No shares were purchased from 1 June 2020 to 31 May 2021 (2020: nil) and no acquisitions were made by the ESOT (see note 24 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).
- 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 6 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 and Financial Statements. A viability statement has been prepared and approved by the Board and this is set out on page 57.

Events after the balance sheet date

In late September 2021, the Company was notified of an intention to initiate arbitration in respect of a breach of warranty relating to a previous divestment. Based on the information received to date the Company believes that the claim is unlikely to succeed but that there is not sufficient information available as yet to conclude that any outflow is remote.

The Company does not believe that the potential amount of any award can be reasonably estimated at present, given the early stage of the claim.

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 4 to 13.
- Details of Group subsidiaries including overseas branches are set out in note 29 on pages 192 and 193.
- Financial instruments and risk management are set out in note note 6 on page 201.
- Trade payables under vendor financing arrangements are set out in note 1 on page 147.

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.
- 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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.
- 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 and Financial Statements, 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 64 and 65 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.
- 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.

By order of the Board of Directors

Kevin M Massie
Group General Counsel
and Company Secretary

30 September 2021

FINANCIAL STATEMENTS


SANCTUARY
SPA
VITAMIN C
GLOW BOOST
BODY SERUM

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to regulation (EC) No 1606/2002 as it applies in 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.

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 30 for the consolidated financial statements, and related notes 1 to 10 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to regulation (EC) No 1606/2002 as it applies in 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 Rafferty's Garden assets; • Provision for uncertain tax positions; and • Classification and presentation of adjusting items. 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 £3.2m which was determined on the basis of 5% of adjusted profit before tax.
Scoping	The scope of our audit covered 94% of revenue, 91% of adjusted profit before tax and 88% of net assets.
Significant changes in our approach	In the prior year, we included management override of controls as a key audit matter. Given the strengthening of the Group's governance structure since the prior year, we did not identify this as a key audit matter in the current year. Notwithstanding the improvements in governance, there continue to be deficiencies in internal controls over financial reporting at both the entity level and the process level across the Group, and therefore we again concluded at the planning stage that it was not appropriate to adopt a controls reliance approach. In the current year, we have identified provision for uncertain tax positions as a key audit matter as a result of rapidly developing and ambiguous tax legislation in a number of the Group's overseas territories; specifically, in Nigeria and Indonesia; the quantification of potential tax liability exposures and related disclosures require the application of significant judgement.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls related to management's process for evaluating the Group's ability to continue as a going concern, including the identification and evaluation of the relevant business risks and the method, model and assumptions applied by management;
- Obtaining management's approved going concern model, including the sensitivities performed, and challenging the assumptions and sensitivities used with reference to analyst reports, market data and other external information;
- Assessing the appropriateness of the scenario analysis, including the additional stress-testing performed by management with reference to historical performance and other external data;
- Performing a retrospective review of management's historical accuracy of forecasting;
- Evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities, and analysing management's actual and forecast covenant positions at the period end date and throughout the going concern period; and
- Evaluating the appropriateness of management's disclosures in the financial statements related to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

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 RAFFERTY'S GARDEN ASSETS

KEY AUDIT MATTER DESCRIPTION

As at 31 May 2021, the Group recognised intangible assets of £221.0m (2020: £225.9) as per note 10 of the financial statements, which includes the Rafferty's Garden brand that had a carrying value at 31 May 2021 of £23.2m. Rafferty's Garden is a baby food and nutrition brand operating largely in the Australian market. The brand is not considered to be one of the Group's 'Must Win Brands' and its financial performance historically has been mixed. In the year ended 31 May 2020, an impairment charge of £18.9m was recorded in relation to the brand. The brand is deemed to be of indefinite life and accordingly is not amortised. Rafferty's Garden is considered to represent a single cash generating unit (CGU) for the purposes of impairment testing due to the largely independent cash inflows arising from the brand.

During the year ended 31 May 2021, management performed its annual impairment assessment, as required by IAS 36. This process involved the preparation of discounted cash flow analysis to support the value in use of the Rafferty's Garden CGU, in order to determine the CGU's recoverable amount. Management's discounted cash flow model is particularly sensitive to the assumed discount rate and terminal growth rate.

Management's value in use model applies a post-tax discount rate to post-tax cash flows, notwithstanding the requirement of IAS 36 to perform value in use analysis on a pre-tax basis; Instead, an inferred pre-tax rate is calculated by working backwards from the determined value in use, using forecast pre-tax cash flows of the CGU, and this inferred pre-tax rate is disclosed in the accounts to meet the requirements of IAS 36. This post-tax discount rate adjusts for risks specific to the CGU but excludes an allowance for a size premium, which we consider to be an important element of determining a market participant rate.

Management's value in use calculation indicated that significant headroom existed in relation to the CGU in the base case. Management applied its determination of reasonably possible downside sensitivities to the base case, which resulted in significant headroom still being present. Management therefore concluded that no impairment was required. Further, management concluded that despite the significant headroom in the sensitised base case, no reversal of previously recorded impairments was appropriate due to the ongoing uncertain economic outlook in light of COVID-19, and the relatively recent return to growth for the CGU.

Further detail in relation to management's impairment considerations has been provided in note 10 to the financial statements.

The key inputs to management's model, as noted above, have been identified as a key source of estimation uncertainty on page 138. 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 78 to 85. Due to the level of judgement in the key inputs, this gives rise to the possibility of there being a 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 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 Rafferty's Garden as a distinct CGU;
- Assessed the discount and terminal growth rates applied. In doing so, we involved our valuation specialists to challenge management on the reasonableness of the discount rate applied in their model which is based on a post-tax WACC for comparable companies operating in similar markets as the Group, and evaluated the growth rates by benchmarking against available market views and analysis;
- Completed a sensitivity analysis by including adjustments to both the underlying cash flows and the discount rate to include a size premium;
- Reflected a size premium in the discount rate, we performed further sensitivity analysis reflecting, in our view, reasonably possible downside scenarios in relation to the terminal growth rate and year on year growth rates used in the base case value in use calculation;
- Understood the extent to which forecasts can be reliably derived by the company; and
- 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 business and of local macroeconomic factors.

We tested the integrity of the impairment models and cash flow forecasts for arithmetical accuracy. We considered the compliance of management's impairment models with the requirements of IAS 36 'Impairment of Assets'. We also evaluated 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 concur with the conclusions of management that no impairment is required in relation to the carrying value of Rafferty's Garden is appropriate. In addition, we concur with management's conclusion that it is not appropriate to reverse previously recorded impairment provisions in relation to Rafferty's Garden, albeit on a different basis to management's conclusion, as set out below.

We consider that the use of a post-tax discount rate, applied to post-tax cash flows, in management's model is technically not compliant with IAS 36, however it does not in isolation result in different conclusions in respect of value in use being reached. It is our view, however, that a size premium should be applied in determining the discount rate for this CGU. When a size premium is applied, the headroom in management's base case model reduces significantly, but remains positive, demonstrating that neither further provision for impairment, nor reversal of previously recorded impairment, is appropriate. We also concluded that the disclosures made in respect of possible downside scenarios in note 10 are appropriate.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

5.2 PROVISION FOR UNCERTAIN TAX POSITIONS !

KEY AUDIT MATTER DESCRIPTION

The Group operates in a number of overseas territories, including some with rapidly developing or ambiguous tax legislation. It also undertakes transactions with complex or subjective tax implications, such as divestments and intercompany transactions. As at 31 May 2021, there were a number of open tax claims against the Group in relation to its overseas subsidiaries relating to 2013 and onwards. The claims typically challenge the deductibility of certain expenses, or, in the case of indirect taxes, the application of VAT rules. Historically, similar claims, whilst initially very large, have resulted in immaterial cash outflows. Hence, there is a range of possible outcomes for provisions and contingencies and management is required to make certain judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of tax provisions and disclosures.

We therefore identified a key audit matter in the current year relating to the quantification of the potential exposures in Nigeria and Indonesia due to the ongoing material claims made by the authorities in these territories that require significant judgement to determine the appropriate provisions and related disclosures.

The accounting policy applied by the Group in relation to the provision for uncertain tax positions is described on page 131 and the key sources of estimation uncertainty in relation to current tax are described in Note 1 of the Consolidated Financial Statements, with further disclosures in relation to tax provisions and contingent liabilities included in Note 7.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

With the support of our UK in-house taxation specialists across corporation tax and transfer pricing, and with input from tax specialists within our overseas component teams, we assessed the appropriateness of the provision for uncertain tax positions and of the contingent liability disclosure by performing the following audit procedures:

- Obtained an understanding of the relevant controls relating to provision for uncertain tax positions;
- Assessed management's policies for recognition and measurement of uncertain tax positions for compliance with the guidance per IFRIC 23;
- Evaluated the transfer pricing methodology of the Group and associated approach to provisioning;
- Considered evidence such as the actual results from the recent tax authority audits and enquiries, third-party tax advice where obtained, and our tax specialists' own knowledge of market practice in relevant jurisdictions; and
- Assessed the disclosures made by management in Notes 1 and 7 in relation to provisions for uncertain tax positions and contingent liabilities.

Particular focus was applied to contingent liability disclosure in relation to the Group's Indonesia component, where there are a number of material outstanding claims in relation to corporate income tax and VAT. In addition, we challenged the approach taken to transfer pricing risk in relation to the Nigeria component's transactions with the Group's Singapore procurement hub.

KEY OBSERVATIONS

From our work we concluded that management has applied a consistent approach to estimating provisions for uncertain tax positions and are satisfied that management's estimates are appropriately recorded and tax matters are appropriately disclosed.

5.3 CLASSIFICATION AND PRESENTATION OF ADJUSTING ITEMS

KEY AUDIT MATTER DESCRIPTION

In the year to 31 May 2021, the Group recognised pre-tax adjusting items of £51.6m (2020: £34.4m), as disclosed in note 3 of the financial statements and within the Audit & Risk Committee report on page 82.

In prior periods, management recognised 'exceptional items' in the income statement; however in recognition of the focus by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC), the Group has changed its accounting policy to identify adjusting items instead. The Group adopts a columnar format in the income statement to highlight these adjusting items.

Adjusting items, and amounts derived from them such as adjusted profit measures, are considered to be non-GAAP measures on the basis that adjusting items are not defined within IFRS. The extent to which items meet the Group's definition of adjusting items is a key area of judgement and also represents a risk of fraudulent financial reporting. In particular, as noted by the ESMA guidelines on alternative performance measures, it is important to identify all adjusting items to give balance to the recognition of credits and charges in the consolidated income statement. Management has included disclosure of its policy in respect of the classification of items as adjusting in note 1.

Management has included projects costs, net profits on the disposal of businesses and brands, impairment charges and the impact of the UK tax rate change on the Group's deferred tax provisions in relation to its capitalised brands (intangible assets). Some of these items are similar in nature to amounts recorded as exceptional items in previous years, as they relate to multi-year restructuring projects. No COVID-19 related income or costs have been included as adjusted items. Due to the potential for the classification of these items to influence the perception of the group's results, there is an inherent fraud risk in relation to the appropriateness and competeness of adjusting items.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We have performed the following audit procedures in our response to this key audit matter:

- Obtained an understanding of the relevant controls relating to adjusting items;
- Assessed management's revised accounting policy on adjusting items in accordance with IAS 8 for any retrospective application required;
- Substantively tested a sample of the adjusting items recognised in the year to supporting documentation, such as invoices or sale agreements and worked with tax specialists to assess the impact of the UK tax rate change;
- 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 adjusting items; and
- Considered the completeness of adjusting items through our testing of other income and expenses, and the balance between recognition of credits and charges.

We have reviewed the financial statement disclosures and assessed whether the balance of disclosures is appropriate when reporting non-GAAP measures throughout the financial statements.

KEY OBSERVATIONS

Overall, we have concluded that the presentation and prominence of items described as adjusting in the financial statements meet the requirements of the adjusting item accounting policy disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

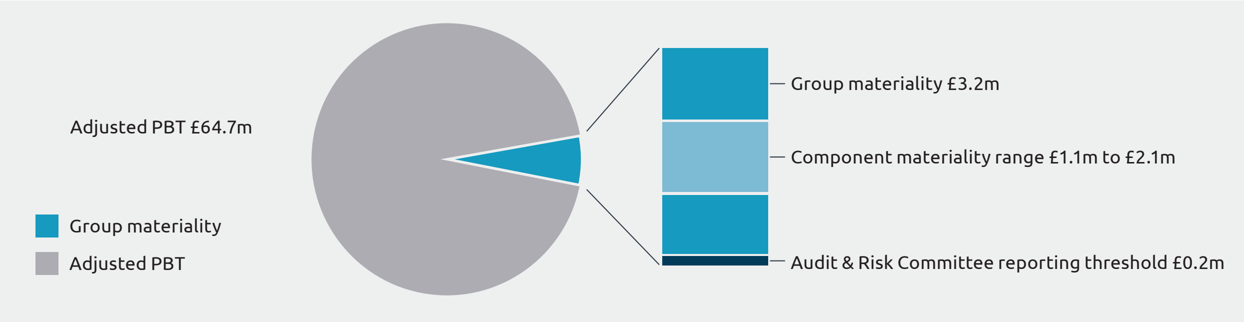
6. Our application of materiality

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	£3.2m (2020: £2.9m)	£1.1m (2020: £1.4m)
Basis for determining materiality	5% of adjusted pre-tax profit (2020: 4.7% of adjusted pre-tax profit). The profit before tax figure has been adjusted for certain items as disclosed in note 3 of the financial statements.	Parent company materiality was determined on the basis of 1% of net assets, and then capped at 35% of Group materiality (2020: 1% of net assets capped at 50% 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 the basis on which management make decisions and monitor performance as it excludes the impact of significant one-off items as well as profits and losses relating to acquisitions or disposals of business or other transactions of similar nature.	This is the holding company and given its less complex operations, 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 financial statements	Parent company financial statements
Performance materiality	60% (2020: 50%) of Group materiality	65% (2020: 50%) of parent company materiality
Basis and rationale for determining performance materiality	Improvements made by the Group in respect of its governance and certain entity level controls which arose from an independent review undertaken in prior year, has led to us to increase the basis of performance materiality from 50% to 60%. In determining performance materiality, we also considered the following factors: • our cumulative experience from prior year audits; • the level of corrected, uncorrected misstatements and prior period errors identified in the current year; • 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; and • our risk assessment, including our understanding of the entity and its environment.	In determining performance materiality for the parent company, we considered the following factors: • our risk assessment, including our understanding of the entity and its environment; and • low value of profit impacting misstatements identified in prior periods compared to the group accounts.

6.3. Error reporting threshold

We agreed with the audit and risk committee that we would report to the Committee all audit differences in excess of £160,000 (2020: £150,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit and 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

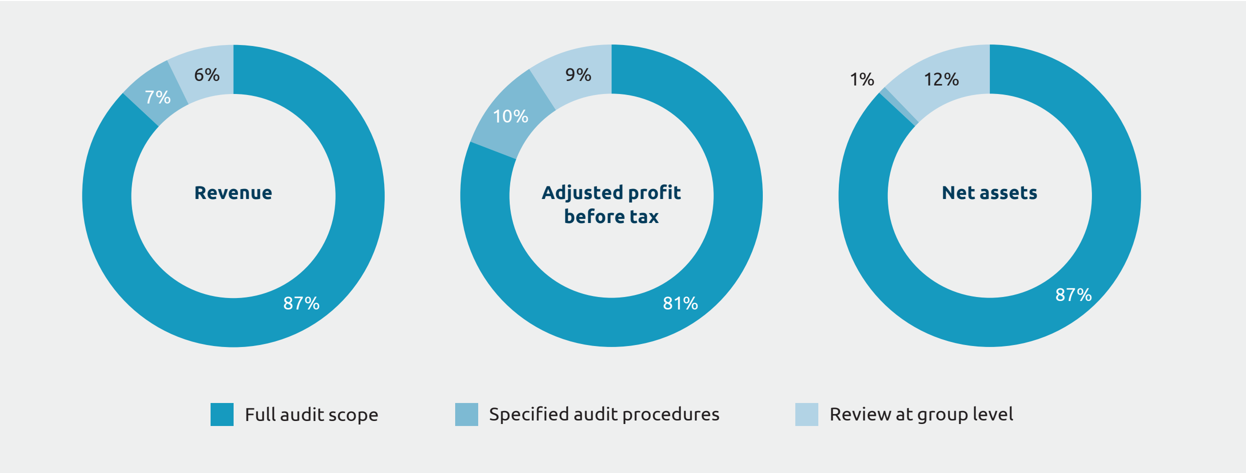
7.1. Identification and scoping of components

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, and Indonesia. We performed specified audit procedures on a further 5 components including Singapore, Ghana and one legal entity each within the UK and Nigeria, as well as one trading entity within the US. The parent company is located in the UK and was audited directly by the Group audit team.

As a consequence of the audit scope determined, we achieved coverage of approximately 94% (2020: 87%) of revenue, 91% (2020: 85%) of adjusted profit before tax and 88% (2020: 85%) of net assets, based on full scope audits and specified audit procedures. 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 £1.1m to £2.1m (2020: £1.0m to £1.8m).

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 either full scope 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 underlying transactions within the Group;
- Promax, which is used within PZ Cussons UK and PZ Cussons Australia to record 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 assessed the remediation of prior year IT findings impacting SAP and subsequently concluded, ahead of the year end, that it was not appropriate to rely on IT controls due to the weaknesses noted in relation to access controls in SAP.

Furthermore, as noted by the Audit and Risk Committee on page 78, the Group's control environment is undergoing a programme of improvement and several deficiencies have been identified by the Group's internal audit function, and by ourselves in the performance of our audit, which it expects to address in subsequent periods. Therefore, considering the developing nature of the overall control environment and the findings of the IT audit work, we concluded that a fully substantive approach was appropriate in all aspects of the audit for the year ended 31 May 2021.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

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 continued disruption to international travel as a result of 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 and Indonesia (which would also have included meeting with the Australian component team). Instead, these meetings were carried out virtually. We also held a number of virtual meetings throughout all phases of the component audit work.

We included all component audit teams in our team briefings, discussed their risk assessment, attended close meetings by videoconference and reviewed documentation of the findings of their work remotely.

The COVID-19 pandemic had a significant impact on the execution of the FY21 audit, both in the UK and overseas. A significant portion of the audit was performed remotely as a result of local lockdown restrictions and at various points, delivery of the audit was impacted by members of Deloitte audit teams and management contracting or being otherwise exposed to COVID-19.

Given the remote nature of our oversight, the weaknesses in the control environment, and the additional challenges posed by local lockdowns, particularly in jurisdictions such as Indonesia and Nigeria where audit evidence in some areas remains largely paper-based and where the COVID-19 vaccination programme is not well progressed, the group audit team increased the level of interaction with component teams by holding at least weekly calls with each significant component from the planning stage of the audit through to the completion of those component audits. The group engagement team reviewed underlying component work on a regular basis and allowed sufficient time to follow up on any matters identified. These calls were in addition to the planning briefings and audit closing meetings that we would ordinarily undertake with component teams. To facilitate this oversight, the group team included an additional senior member of the engagement team with day to day responsibility of oversight of our component teams and their audit work, under the leadership of the engagement partner. Other senior members of the audit team were also involved in the oversight of all significant components.

Where there were delays in completing our audit work at component level, we included group and component management on a number of the calls with component teams.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 and 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, including a number of potential instances of non-compliance with laws and regulations which were identified by management over the course of the year that required further investigation by internal audit and the group's compliance and legal functions but did not result in matters of significant concern;
  - 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;
- the matters discussed among the audit engagement team including significant component audit teams and 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 our 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: carrying value of Rafferty's Garden assets, classification and presentation of adjusting items and promotional trade spend accruals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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, UK and overseas pension regulations, and UK and overseas 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 framework related to the sale of beauty, cosmetic and healthcare products, employment laws and the UK Bribery Act.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

11.2. Audit response to risks identified

As a result of performing the above, we identified carrying value of Rafferty's Garden assets and classification and presentation of adjusting items as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and 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 to 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 and 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;
- evaluating the processes undertaken by management to assess its control environment in response to the potential non-compliance with laws and regulations identified;
- 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 tested a sample of 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. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 114;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 114;
- the directors' statement on fair, balanced and understandable set out on page 115;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 55;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 54; and
- the section describing the work of the audit and risk committee set out on page 78.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. 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.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit and 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 four years, covering the years ended 2018 to 2021.

15.2. Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

16. 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

30 September 2021

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 MAY 2021

		Year ended 31 May 2021			(Restated)* Year ended 31 May 2020		
	Notes	Business performance excluding adjusting items £m	Adjusting items (note 3) £m	Statutory results for the year £m	Business performance excluding adjusting items £m	Adjusting items (note 3) £m	Statutory results for the year £m
Continuing operations							
Revenue	2	603.3	–	603.3	587.2	–	587.2
Cost of sales		(366.4)	–	(366.4)	(360.2)	–	(360.2)
Gross profit		236.9	–	236.9	227.0	–	227.0
Selling and distribution costs		(100.3)	–	(100.3)	(91.7)	–	(91.7)
Administrative expenses		(71.2)	(5.4)	(76.6)	(72.2)	(43.5)	(115.7)
Share of results of joint ventures	13	5.6	–	5.6	2.8	–	2.8
Operating profit / (loss)	2	71.0	(5.4)	65.6	65.9	(43.5)	22.4
Finance income		1.5	–	1.5	0.9	–	0.9
Finance costs		(3.9)	–	(3.9)	(5.0)	–	(5.0)
Net finance costs	6	(2.4)	–	(2.4)	(4.1)	–	(4.1)
Profit / (loss) before taxation		68.6	(5.4)	63.2	61.8	(43.5)	18.3
Taxation	7	(14.4)	(13.8)	(28.2)	(14.5)	5.0	(9.5)
Profit / (loss) for the year from continuing operations	4	54.2	(19.2)	35.0	47.3	(38.5)	8.8
Discontinued operations							
(Loss) / profit from discontinued operations	28	(5.3)	(46.3)	(51.6)	(2.4)	13.3	10.9
Profit / (loss) for the year		48.9	(65.5)	(16.6)	44.9	(25.2)	19.7
Attributable to:							
Owners of the Parent	9	49.6	(66.2)	(16.6)	48.5	(25.0)	23.5
Non-controlling interests		(0.7)	0.7	0.0	(3.6)	(0.2)	(3.8)
		48.9	(65.5)	(16.6)	44.9	(25.2)	19.7
Basic EPS (p)	9	11.85	(15.82)	(3.97)	11.59	(5.97)	5.62
Diluted EPS (p)	9	11.84	(15.80)	(3.96)	11.59	(5.97)	5.62
From continuing operations							
Basic EPS (p)	9	13.12	(4.75)	8.37	12.17	(9.16)	3.01
Diluted EPS (p)	9	13.10	(4.75)	8.35	12.17	(9.16)	3.01

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MAY 2021

	Notes	2021 £m	(Restated)* 2020 £m
(Loss) / profit for the year		(16.6)	19.7
Other comprehensive (expense) / income			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefit obligations	22	(9.5)	1.9
Deferred tax gain / (loss) on re-measurement of post-employment benefit obligations	20	2.4	(0.4)
Total items that will not be reclassified to profit or loss		(7.1)	1.5
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(31.9)	(6.5)
Deferred tax on foreign exchange related to quasi-equity loans		1.4	–
Cash flow hedges – fair value loss in year net of taxation	18	(0.6)	(0.4)
Cost of hedging reserve	18	0.2	0.1
Recycle of foreign exchange equity reserves on disposals	28	39.9	–
Recycle of equity reserves on disposal of subsidiary		–	(8.6)
Total items that may be subsequently reclassified to profit or loss		9.0	(15.4)
Other comprehensive income / (expense) for the year net of taxation		1.9	(13.9)
Total comprehensive (expense) / income for the year		(14.7)	5.8
Attributable to:			
Owners of the Parent		(9.7)	9.8
Non-controlling interests		(5.0)	(4.0)

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

CONSOLIDATED BALANCE SHEET

AT 31 MAY 2021

	Notes	31 May 2021 £m	(Restated)* 31 May 2020 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	10	297.5	304.4
Property, plant and equipment	11	91.5	112.3
Long-term right-of-use assets	26	11.7	13.7
Net investments in joint ventures	13	34.2	40.9
Deferred taxation assets	20	5.9	15.4
Tax receivable		1.7	6.9
Retirement benefit surplus	22	33.6	42.9
		476.1	536.5
Current assets			
Inventories	14	91.1	104.6
Trade and other receivables	15	110.7	104.1
Derivative financial assets	18	1.0	0.7
Current tax receivable		14.2	9.6
Current asset investments	16	0.3	0.3
Cash and short-term deposits	17	87.0	78.7
		304.3	298.0
Assets held for sale	12	7.6	20.5
		311.9	318.5
Total assets		788.0	855.0
Equity			
Share capital	23	4.3	4.3
Capital redemption reserve		0.7	0.7
Hedging reserve		(0.4)	–
Currency translation reserve		(87.4)	(100.5)
Other reserve		(39.1)	(39.0)
Retained earnings		483.7	530.3
Attributable to owners of the parent		361.8	395.8
Non-controlling interests		20.0	25.4
Total equity		381.8	421.2

	Notes	31 May 2021 £m	(Restated)* 31 May 2020 £m
Liabilities			
Non-current liabilities			
Borrowings	17,18	118.0	127.0
Other payables		0.3	0.4
Long-term lease liability	26	8.7	10.4
Deferred taxation liabilities	20	75.2	65.6
Retirement & other long-term employee benefit obligations	22	12.9	12.2
		215.1	215.6
Current liabilities			
Overdrafts	17,18	–	1.2
Trade and other payables	19	150.9	161.8
Short-term lease liability	26	3.1	3.4
Derivative financial liabilities	18	0.7	0.9
Current taxation payable		35.2	47.7
Provisions	21	0.7	3.2
		190.6	218.2
Liabilities directly associated with assets held for sale	12	0.5	–
Total liabilities		406.2	433.8
Total equity and liabilities		788.0	855.0

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

The Financial Statements from pages 130 to 204 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

C Silver **J Myers**
30 September 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MAY 2021

		Attributable to owners of the Parent							
	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
At 1 June 2019		4.3	(84.5)	0.7	538.8	(39.0)	0.3	29.2	449.8
Profit for the year (restated)*		–	–	–	23.5	–	–	(3.8)	19.7
Other comprehensive income / (expense):									
Re-measurement of post-employment obligations	22	–	–	–	1.9	–	–	–	1.9
Exchange differences on translation of foreign operations (restated)*		–	(6.3)	–	–	–	–	(0.2)	(6.5)
Cash flow hedges – fair value loss 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	20	–	–	–	(0.4)	–	–	–	(0.4)
Total comprehensive income / (expense) for the year (restated)*		–	(16.0)	–	26.1	–	(0.3)	(4.0)	5.8
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 (restated)*		4.3	(100.5)	0.7	530.3	(39.0)	–	25.4	421.2
At 1 June 2020		4.3	(100.5)	0.7	530.3	(39.0)	–	25.4	421.2
Loss for the year		–	–	–	(16.6)	–	–	–	(16.6)
Other comprehensive income / (expense):									
Re-measurement of post-employment obligations	22	–	–	–	(9.5)	–	–	–	(9.5)
Exchange differences on translation of foreign operations		–	(26.8)	–	–	(0.1)	–	(5.0)	(31.9)
Cash flow hedges – fair value loss in year net of taxation	18	–	–	–	–	–	(0.6)	–	(0.6)
Cost of hedging reserve	18	–	–	–	–	–	0.2	–	0.2
Disposals – recycle of equity reserves	28	–	39.9	–	–	–	–	–	39.9
Deferred tax on re-measurement of post-employment obligations	20	–	–	–	2.4	–	–	–	2.4
Deferred tax on foreign exchange related to quasi-equity loans		–	–	–	1.4	–	–	–	1.4
Total comprehensive income / (expense) for the year		–	13.1	–	22.3	(0.1)	(0.4)	(5.0)	14.7
Transactions with owners:									
Ordinary dividends	8	–	–	–	(24.3)	–	–	–	(24.3)
Non-controlling interests dividend paid		–	–	–	–	–	–	(0.2)	(0.2)
Acquisition of non-controlling interests		–	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners recognised directly in equity		–	–	–	(24.3)	–	–	(0.4)	(24.7)
At 31 May 2021		4.3	(87.4)	0.7	483.7	(39.1)	(0.4)	20.0	381.8

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2021

	Notes	2021 £m	(Restated)* 2020 £m
Cash flows from operating activities			
Cash generated from operations	25	73.4	128.5
Taxation paid		(20.0)	(16.8)
Interest paid	6	(2.9)	(5.1)
Net cash generated from operating activities		50.5	106.6
Cash flows from investing activities			
Interest income	6	1.2	0.9
Investment income		0.3	–
Purchase of property, plant and equipment and software	10,11	(8.9)	(6.7)
Proceeds from sale of assets		0.1	0.6
Cash flow from disposal of companies & businesses	28	16.2	44.4
Repayment of loans by joint ventures	13	3.4	–
Funding provided to joint venture		(9.6)	(1.5)
Net cash generated from investing activities		2.7	37.7
Cash flows from financing activities			
Dividends paid to non–controlling interests		(0.2)	(0.3)
Dividends paid to Company shareholders	8	(24.3)	(34.6)
Acquisition of non–controlling interests		(1.1)	–
IFRS 16 finance lease payments	26	(4.0)	(3.2)
Repayment of loan facility	17	(9.0)	(79.0)
Net cash used in financing activities		(38.6)	(117.1)
Net increase in cash and cash equivalents		14.6	27.2
Cash and cash equivalents at the beginning of the year	17	77.5	51.9
Effect of foreign exchange rates	17	(5.1)	(1.6)
Cash and cash equivalents at the end of the year	17	87.0	77.5

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

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 205. PZ Cussons plc is the parent company and ultimate parent of the Group.

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 2021 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
Thermocool Engineering Company Ltd	09266188
Bronson Holdings Ltd	09771991

1. Accounting policies

The Financial Statements have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606 / 2002 as it applies in the European Union.

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 58.

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 and pensions) 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

In the current year, the Group has not applied any new IFRS standards or amendments to standards as those which were amended were not relevant to the Group's policies or statements.

(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 2021 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';	from FY24
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28;	date TBC
• Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform;	from FY22
• Amendments to IFRS 3 'Business Combinations';	from FY23
• Amendments to IAS 1 'Presentation of Financial Statements'; and	from FY24
• Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors'	from FY24

(c) Restatement due to prior year adjustments

As reported in the Financial Review on page 52, the FRC conducted a periodic review of the Company's FY20 Annual Report and Accounts and sought to understand a number of accounting decisions and judgments. Following that review the Company made certain corrections or clarifications in our financial reporting. These reclassifications were identified as part of the FRC's review, with the error related to Ghanaian investment property being identified as part of the preparation of the current year Financial Statements. These corrections are as follows:

Reclassification between Continuing and Discontinued Operations

Certain amounts reported within 'continuing operations' on the face of the Consolidated Income Statement are more appropriately included within discontinued operations. Specifically, the post-tax loss of discontinued operations was appropriately reported in the income statement line item 'Loss from discontinued operations'. However, the post-tax gains recognised on the disposal of the disposal groups constituting the discontinued operations, totaling £15.0m, were reported in the 'Administrative expenses' and 'Taxation' lines within continuing operations, albeit separately highlighted as exceptional. The impact of this is to increase continuing administrative expenses by £16.4m, decrease continuing taxation charge by £1.4m and increase the profit from discontinued operations by £15.0m.

Reclassification between Cash Generated from Operating Activities and Investing Activities

In the consolidated cash flow statement, cash proceeds of £9.2m received in relation to the Luksja discontinued operations were included within operating activities. These should have been adjusted for in 'Cash generated from operations' and then shown in the 'Cash inflows from investing activities' section as 'Cash flow from disposal of companies and businesses' (in aggregate with the cash inflows on disposal of Minerva SA, which were presented appropriately in this line item). The impact of is to reduce cash generated from operations by £9.2m and increase cash generated from investing activities by £9.2m.

Accounting for Ghanaian Investment Property

In addition, in preparing these Financial Statements, an error was identified relating to the accounting for investment property in Ghana. The Group's Ghanaian entity had entered into a historic contract to exchange the rights to develop 28 properties on land that the Group owned in return for eight of the properties, once they had been completed. As this transaction did not involve cash, the Group had erroneously not recorded any accounting entries in relation to the recognition of the investment property that was acquired in this exchange of assets, nor was any of the land, which had an immaterial cost, derecognised in relation to the 20 properties that were retained by the property developer.

We consider that recognition of an asset in relation to this contract prior to title in relation to the properties passing to the Group is not appropriate as there were delays, of a number of years, in the development of the properties and a legal dispute over the Group's ownership of the land, which while ultimately resolved, called into question, until FY20, the probability of the contract being successfully executed. Therefore, the Group should have applied the requirements of IAS 40 paragraph 5 and recognised the investment properties on the balance sheet at their fair value, being the deemed cost under the Group's cost accounting policy in respect of investment properties, of £5.6m at the point that title passed to the Group, which was during the year ended 31 May 2020. A corresponding credit to the income statement of £5.6m should also have been recognised at the point of recognition of the investment properties, as well as a related deferred tax liability of £1.4m and a corresponding tax charge of £1.4m. These income statement amounts have been recognised within adjusting items in FY20 as they meet the Group's definition of adjusting items, being material and one-off in nature.

Further, during FY20, one of the eight properties held by the Group was sold for proceeds of £0.5m. Since no book value had been recorded for these properties, the disposal was recorded at the proceeds value against other investment properties. Subsequently no profit or loss was recognised on disposal. Given the correct accounting described above, this disposal transaction has been reversed and replaced with the difference between the proceeds and the revised carrying value of the property, being a loss on disposal of £0.2m. This net loss has been recognised within operating profit before adjusting items on the basis that it does not meet the Group's adjusted items policy, being neither material nor one-off in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

All of 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 table below:

	31 May 2020 £m					
	As previously reported	Reclassification between Continuing and Discontinued Operations	Reclassification between Cash Generated from Operating Activities and Investing Activities	Recognition of investment property	Disposal of investment property	As restated
Consolidated Income Statement						
Continuing Operations						
Administrative expenses	(104.7)	(16.4)	–	5.6	(0.2)	(115.7)
Operating profit	33.4	(16.4)	–	5.6	(0.2)	22.4
Profit before tax	29.3	(16.4)	–	5.6	(0.2)	18.3
Taxation	(9.7)	1.4	–	(1.4)	0.2	(9.5)
Profit / (Loss) from continuing operations	19.6	(15.0)	–	4.2	–	8.8
(Loss) / Profit from discontinued operations	(4.1)	15.0	–	–	–	10.9
Profit attributable to owners of the parent	19.3	–	–	4.2	–	23.5
Consolidated Cash Flow Statement						
Cash generated from operations	137.7	–	(9.2)	–	–	128.5
Net cash generated from operating activities	115.8	–	(9.2)	–	–	106.6
Cash flow from disposal of companies & businesses	35.2	–	9.2	–	–	44.4
Net cash generated from investing activities	28.5	–	9.2	–	–	37.7
Net increase / (decrease) in cash and cash equivalents	27.2	–	–	–	–	27.2
Balance Sheet						
Property plant and equipment	106.9	–	–	5.6	(0.2)	112.3
Deferred tax liability	(64.4)	–	–	(1.4)	0.2	(65.6)
Current tax payable	(47.8)	–	–	–	0.1	(47.7)
Currency reserves	(100.6)	–	–	–	0.1	(100.5)
Retained earnings	526.1	–	–	4.2	–	530.3
Reserves attributable to owners of the parent	391.5	–	–	4.2	0.1	395.8

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.

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 adjusting 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 adjusting item.

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.

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 tested 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

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 control of goods has 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 promotions, 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.

Where promotions, rebates or discounts give rise to variable consideration, the Group accounts for this by using the most likely amount method and this is generally estimated using known facts with a high degree of accuracy. Revenue is constrained to the extent that variable consideration has been taken into account for the period and that no reversal in consideration is expected.

Foreign currencies

The individual Financial Statements of each Group entity are prepared 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 from continuing operations.

Retirement benefit and similar 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 are defined contribution schemes, with the exception of PZ Cussons Indonesia, who operate a defined benefit scheme. 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, past service costs and a cost / income based on the net interest expense / income on net pension scheme liabilities / surpluses. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier.

Re-measurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding interest) are included directly in the Group's Statement of Comprehensive Income.

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 when employees have rendered service entitling them to the contributions.

Other long-term employee benefit obligations relate to provisions for benefit obligations in accordance with local overseas laws in Thailand and Indonesia. The provision is assessed by an independent actuary using the projected unit credit method, with actuarial valuations carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Adjusting items

The Group adopts a columnar Income Statement format to highlight significant items within the Group's results for the year. Such items are those debits or credits which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable alternative view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature. 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 'Adjusting items'.

The Directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance 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 represents a change from the Group's previous practice of reporting exceptional items and will be adopted on a consistent basis for each of the half-year and full-year results going forwards.

This change was made recognising the views of European Securities and Markets Authority, the Financial Reporting Council, and changes in market practice.

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 enacted or substantively enacted by the end of the reporting period.

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.

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% per annum
Plant and machinery not less than	8% per annum
Fixtures, fittings and vehicles not less than	20% per annum

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.

An asset is de-recognised from the balance sheet when it is sold or retired and no future economic benefits are expected from that asset. 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 when the asset is de-recognised.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment 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 has been impaired is reviewed for possible reversal of the impairment at each subsequent balance sheet date.

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 value that would have been determined had an impairment loss not been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investment Property

On acquisition, investment property is initially recognised at cost, or deemed cost where no monetary consideration is exchanged. Investment property is subsequently recognised in the accounts at cost and recorded as a separate line item within property plant and equipment. Gains or losses on disposal are recognised within administrative expenses in profit and loss. No depreciation is charged on the basis that it is not considered to be material in any year or cumulatively.

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 adjusting items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 on a straight line basis over their useful lives (not exceeding ten years) at the point at which they come into use.

Leases

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 (defined as those less than £5k). 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 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 12 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.

The lease liability is initially measured at the present value of the lease payments, excluding those 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 remeasures 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 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.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the 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 that 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 line 'Other operating expenses' 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.

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 based on normal operating conditions with 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.

Assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when their carrying amount will be recoverable principally through a sale transaction rather than through continuing use. In order to be classified as a 'held for sale' asset or disposal group, the sale must be highly probable and the assets must be available for sale immediately in their present condition. In addition all of the following criteria must also be met: management is committed to the plan to sell; the assets are being actively marketed; actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and a sale has been agreed or is expected to be concluded within 12 months of the balance sheet date.

Immediately prior to classification as held for sale, the value of the assets or groups of assets is re-measured in accordance with the requirements of IFRS 5. Subsequently, assets and disposal groups classified as held for sale are measured at the lower of book value or fair value less disposal costs. Assets held for sale are neither depreciated nor amortised.

Discontinued operations

To be classified as a discontinued operation, any disposal group or asset held for sale must have clearly distinguishable operations or cash flows, as well as meeting any one of the following three criteria. The component must be a separate major line of business or geographical area of operations; or part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. If none of these three criteria are met, the disposal group or asset held for sale will be classified within continuing operations.

Cash, cash equivalents and bank overdrafts

Cash and short-term deposits in the balance sheet comprise cash and short-term bank deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

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 re-measured 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's financial assets are subsequently measured at either amortised cost or fair value through profit and loss, depending on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(a) Trade receivables

Trade and other receivables are initially measured at transaction price, and subsequently at amortised cost. The amortised cost for trade and other receivables is generally equivalent to the invoiced amount less allowance for expected credit losses ('ECL'). The ECL is based on the difference between the contractual cash flows due in accordance with the contract and the present value of all the cash flows that the Group expects to receive. The Group has elected to use the simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECLs at each reporting date (i.e. the expected credit losses that will result from all possible default events over the expected life of the financial instrument). The Group has applied the practical expedient to calculate ECLs using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade receivables are fully impaired and subsequently written off when all possible routes through which amounts can be recovered have been exhausted. The Group recognises any impairment gain or loss in profit or loss with a corresponding adjustment to the financial asset's carrying amount through a loss allowance account.

(b) Loans to joint ventures

The Group's loans to the joint venture (presented in the balance sheet as part of the 'net investment in joint ventures') was measured initially at fair value and is subsequently measured at fair value through profit or loss. An annual estimate of the loss allowance is calculated using a lifetime expected credit loss model. The Group assesses the ECL allowance for the loan from the joint venture as follows:

- Where there has been a significant increase in credit risk since initial recognition – the Group measures ECL based on lifetime ECLs i.e. all credit losses expected from possible default events over the remaining life of the loan, irrespective of the timing of the default.
- Where there has not been a significant increase in credit risk since initial recognition – the Group measures the loss allowance at an amount equal to 12-month ECL i.e. the portion of lifetime ECL that is expected to result from default events on the loan that are possible within 12 months after the reporting date.

In assessing whether the credit risk has increased significantly on the loan from the joint venture since initial recognition, the Group compares the risk of a default occurring on the loan at the reporting date with the risk of a default occurring on the loan at the date of initial recognition. In making this assessment, the Group considers, in particular, the financial and operational performance of the joint venture, changes to the financial forecasts or increases in credit risk on other receivables. The Group has determined that the ECL for the loan to the joint venture should be based on lifetime ECLs at the reporting date and has determined that no provision is required in relation to this loan. Any associated loss allowance related to loans to joint ventures is recorded in profit or loss.

(c) Unlisted equity investments

The Group's unlisted equity investments are subsequently measured at fair value through profit or loss with any fair value gains or losses recognised in profit or loss. Dividends on unlisted equity investments are recognised as other income in the Income Statement when the right of payment has been established.

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.

Trade payables

Trade payables are initially recognised at fair value, normally being the invoiced amounts, and subsequently measured amortised cost, using the effective interest rate method. The carrying amount of trade receivables generally equals the originally invoiced amounts.

Trade payables under vendor financing arrangements

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 £2.7m (2020: £4.8m), 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 fair value.

Investments are classified as available for sale. Subsequently, the investments, which represent shares held in two companies, 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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as an equity instrument.

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 and changes in the fair value for the element of derivatives that are not designated in a hedge relationship. The reserve includes both the cash flow hedge reserve and the cost of hedging reserve. Amounts are reclassified to profit or loss when the hedged transaction happens or when the hedged transaction is no longer expected to occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

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.

Other reserve

Amounts in respect of the Employee Share Option Trust (ESOT) are recognised in the other 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 Leadership Team (ELT). 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 four reporting segments being Europe & the Americas, Asia Pacific, Africa and Central. Further detail is included in note 2.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation for a future liability as a result of a past event, where the amount of the obligation can be estimated reliably and it is probable that the Group will be required to settle that obligation. The amount recognised as a provision is the Group's best estimate of the likely outflows required to settle the obligation at the balance sheet date.

(i) Restructuring costs

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring and the plan has either started to be implemented or the main features of the plan has been announced to those affected by it. The measurement of a restructuring provision includes only the direct expenditure that has been necessarily incurred as a result of the restructure, and not costs associated with the on-going activities of the entity. Restructuring costs that are one-off and individually material or costs that relate to programmes linked to the Group's wider transformation strategy are disclosed separately within adjusting items in the consolidated income statement. Restructuring costs that are recurring in nature are recorded as an expense within the Income Statement.

(ii) Warranty Provisions

Warranties are provided within the Africa Electricals Division. Warranties are provided from the date of purchase and are typically 12 months in length. A warranty provision is included in the financial statements, which is calculated on the basis of historical returns as well as past experiences and industry averages for defective products.

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.

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 22 for details of key estimates and assumptions applied in valuing the pension schemes.

Current tax

The current tax liabilities / assets directly relates to the actual tax payables / receivables on the Group's profits and is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. 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.

An estimate is made where the tax liabilities remain to be agreed with the relevant tax authorities in each jurisdiction in which the Group operates. Due to the uncertainty associated with such tax items there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. 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. Whilst a range of outcomes is reasonably possible, the extent of the range is shown below for each material liability.

Included within the current tax liability of the Group are two material current tax estimates with carrying values as at 31 May 2021 of £17.1m (2020: £15.3m) and £3.5m (2020: £3.6m). There is a remaining £3.7m made up of a number of immaterial balances, the largest of which is £2.8m.

The tax estimate of £17.1m 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 £17.1m.

The tax estimate of £3.5m 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 £3.5m.

Within the remaining tax liability of £3.7m, the most significant value is a tax estimate of £2.8m which 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 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 £2.8m.

The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. At 31 May 2021 the Group had contingent liabilities of £26m in respect of such uncertain tax positions (2020 - £29m), which are in relation to claims and assessments in two of our overseas markets. In these markets there is a history of large claims being received which are considered to have little or no basis, and ultimately result in immaterial cash outflows, but which take time to conclude. Whilst the Group considers that there is a low possibility of any material outflow as a result of these claims, they have been disclosed as contingent liabilities in accordance with IAS37.

Whilst the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with the relevant tax authorities, or litigation where appropriate, the Group continues to believe that it has made appropriate provision for periods which are open and not yet agreed by the tax authorities.

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 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

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.

The Directors are also required to apply judgement when assessing whether the brands meet the definition of a cash generating unit ('CGU') under IAS36. With Regards to the Beauty brands, the Directors consider that the Beauty business can be treated as a single CGU under this definition on the basis that the cash inflows are largely independent from other assets or groups of assets.

Discontinued operations

The Directors are required to assess whether any disposal group or asset held for sale should be classified as a discontinued operation within the financial statements. Under IFRS 5, certain conditions must be met. In forming their judgement related to the disposals of Nutricima and five:am, the Directors considered the materiality of the operations being disposed of to the Group and the similarity to operations from a strategic and geographical perspective.

In respect of Nutricima, the Directors have classified the disposal group as a discontinued operation. The assets represented a significant component of the Nutricima entity and following completion of the sale, the entity ceased to make commercial sales. Nutricima represented a separate major line of business as it was the only PZ Cussons fully consolidated entity operating in the food and nutrition sector in the Nigerian geography.

In respect of five:am, the Directors have classified the disposal as a continuing operation. five:am does not represent a disposal of a major line of business or an exit from a geographical area of operation as the Group continues to operate in the food and nutrition sector in Australia and five:am is not considered a major line of business.

FX recycling

Judgement is applied by the Directors in determining the treatment of exchange differences relating to the disposal of foreign operations under IAS 21 'The Effects of Changes in Foreign Exchange Rates'. On disposal, the cumulative amount of exchange differences related to the foreign operation recognised in other comprehensive income is reclassified.

Judgement was applied in respect of the sale of assets related to Nutricima, in consideration of whether the partial disposal was deemed a disposal under paragraph 48 of IAS 21. The Directors considered that as at 31 May 2021, the activities of the foreign operation had ceased and on this basis judged that there had been a disposal and subsequently all the remaining foreign exchange differences arising in connection with this foreign operation have been reclassified to profit and loss.

2. Segmental analysis

The segmental information presented in the note is consistent with management reporting provided to the Executive Leadership Team (ELT), which is the Chief Operating Decision Maker ('CODM'). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate. The CODM considers the business from a geographic perspective, with Europe & the Americas, Asia Pacific, Africa and Central being the operating segments.

In accordance with IFRS 8 'Operating Segments', the ELT has identified these reportable segments which aggregate the Group's trading entities by geographic location as these entities are considered to have similar economic characteristics. The number of countries that the Group operates in within these segments is limited to no more than five countries per segment, which share similar customer bases and encounter comparable micro environmental challenges.

The CODM assesses the performance based on operating profit before any adjusting items. Revenues and operating profit of the Europe & the Americas and Asia Pacific segments arise from the sale of Hygiene, Beauty and Baby products. Revenue and operating profit from the Africa segment also arise from the sale of Hygiene, Beauty and Baby products as well as Electrical products. The Central segment refers to the activities in terms of revenue of our in-house fragrance house and in terms of cost of expenditure associated with the Global headquarters and above market functions net of recharges to our regions. The prices between Group companies for intra-group sales of materials, manufactured goods, and charges for franchise fees and royalties, are carried out on an arm's length basis.

Reporting used by the CODM to assess performance does contain information about brand specific performance but global segmentation between the portfolio of brands is not part of the regular internally reported financial information.

In November 2020, the Group made a change to report a 'Central' operating segment; this was previously within 'Europe & the Americas'. The change was made as a result of the new Chief Operating Decision Maker ('CODM') deciding that the Group's segmental reporting, and internal reporting, should better reflect the way in which the business is managed and to more clearly be able to identify and manage the performance of the Europe & the Americas segment separate from that of the Central activities.

Reporting segments

Continuing operations

2021	Europe & the Americas £m	Asia Pacific £m	Africa £m	Central £m	Eliminations £m	Total £m
Gross segment revenue	220.9	194.5	192.6	50.9	(55.6)	603.3
Inter segment revenue	(4.0)	(7.3)	–	(44.3)	55.6	–
Revenue	216.9	187.2	192.6	6.6	–	603.3
Segmental operating profit before adjusting items and share of results of joint ventures	52.1	20.7	5.1	(12.5)	–	65.4
Share of results of joint ventures	–	–	5.6	–	–	5.6
Segmental operating profit before adjusting items	52.1	20.7	10.7	(12.5)	–	71.0
Adjusting items	(1.1)	0.1	(1.7)	(2.7)	–	(5.4)
Segmental operating profit	51.0	20.8	9.0	(15.2)	–	65.6
Finance income						1.5
Finance costs						(3.9)
Profit before taxation						63.2

2020 (restated)*	Europe & the Americas £m	Asia Pacific £m	Africa £m	Central^ £m	Eliminations £m	Total £m
Gross segment revenue	211.6	194.7	187.5	105.9	(112.5)	587.2
Inter segment revenue	(3.6)	(9.5)	–	(99.4)	112.5	–
Revenue	208.0	185.2	187.5	6.5	–	587.2
Segmental operating profit before adjusting items and share of results of joint ventures	54.3	18.5	(10.4)	0.7	–	63.1
Share of results of joint ventures	–	–	2.8	–	–	2.8
Segmental operating profit before adjusting items	54.3	18.5	(7.6)	0.7	–	65.9
Adjusting items	(5.0)	(37.8)	4.7	(5.4)	–	(43.5)
Segmental operating profit	49.3	(19.3)	(2.9)	(4.7)	–	22.4
Finance income						0.9
Finance costs						(5.0)
Profit before taxation						18.3

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

^ In the financial statements for the year ended 31 May 2020 'Central' was included within 'Europe & the Americas'.

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:

2021	UK £m	Nigeria £m	Other £m	Total £m
Revenue	197.3	163.6	242.4	603.3
Goodwill and other intangible assets	268.9	3.0	25.6	297.5
Property, plant and equipment	24.1	42.8	24.6	91.5
Long-term right-of-use assets	7.3	1.2	3.2	11.7
Net investment in joint ventures	34.2	–	–	34.2

2020 (Restated)*	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	30.2	112.3
Long-term right-of-use assets	7.5	1.6	4.6	13.7
Net investment in joint ventures	40.9	–	–	40.9

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Segmental analysis continued

The Group analyses its revenue by the following categories:

	2021 £m	2020 £m
Hygiene	322.4	321.1
Baby	100.0	98.3
Beauty	74.1	66.6
Electricals	79.4	76.2
Other	27.4	25.0
	603.3	587.2

3. Adjusting items

Year to 31 May 2021	Adjusting items before taxation £m	Taxation £m	Adjusting items after taxation £m
Adjusting items included within continuing operations:			
Group and regional restructuring	2.8	(0.5)	2.3
Impact of classification of five:am assets as held for sale	(1.2)	0.3	(0.9)
Nigeria simplification	3.8	(0.2)	3.6
UK tax rate change – deferred tax impact	–	14.2	14.2
	5.4	13.8	19.2
Adjusting items included within discontinued operations:			
Loss on disposal of Nutricima assets	40.7	5.2	45.9
Disposal of Luksja brand	0.4	–	0.4
	41.1	5.2	46.3
Total adjusting items	46.5	19.0	65.5

Year to 31 May 2020	Restated* Adjusting items before taxation £m	Restated* Taxation £m	Restated* Adjusting items after taxation £m
Adjusting items included within continuing operations:			
Group structure & systems project	4.9	(1.1)	3.8
Group strategy project	3.5	–	3.5
Profit on sale of Greece business	3.1	–	3.1
Profit on sale of Luksja brand	1.0	–	1.0
Impairment of Australian assets	36.6	(5.3)	31.3
Gain on exchange of land for investment property	(5.6)	1.4	(4.2)
	43.5	(5.0)	38.5
Adjusting items included within discontinued operations:			
Group strategy	2.4	–	2.4
Profit on sale of Greece business	(11.0)	–	(11.0)
Profit on sale of Luksja brand	(6.1)	1.4	(4.7)
	(14.7)	1.4	(13.3)
Total adjusting items	28.8	(3.6)	25.2

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Explanation of adjusting items

Year to May 2021

Adjusting items – continuing operations

Group and regional restructuring

The Group incurred costs of £2.8m relating to restructuring. These costs are predominantly redundancy costs relating to a reduction in the organisational model in the Group Head Office and in the Regions. £4.9m of costs related to restructuring were included within the Group Structure and Systems adjusting item from the prior year. The directors have considered these costs adjusting in nature on the basis that they relate to one-off restructuring costs and particularly redundancy.

Impact of classification of five:am assets as held for sale

The Group recognised an impairment reversal credit of £1.5m as a result of revaluing the five:am assets prior to classifying as held for sale (see notes 10 and 12 for further details). Costs of £0.3m were incurred relating to advisory and legal fees associated with the sale of the brand. This has been included within continuing operations adjusting items as the sale of five:am does not represent a disposal of a major line of business or an exit from a geographical area of operation as per IFRS 5. The directors have considered these costs adjusting in nature on the basis that they relate to the disposal of operations.

Nigeria simplification

The Group incurred £3.8m of costs related to redundancy and restructuring associated with the Nigeria simplification project, including redundancy costs across the Nigerian businesses (£0.7m), separation costs and the write-down of assets due to the closure of our Coolworld retail electrical stores in Nigeria (£0.7m), change in ownership of the joint ventures due to impact of merging PZ Wilmar Ltd and PZ Wilmar Food Ltd (£0.2m) and an impairment charge following the cessation of trading of Wilmar PZ International Pte Limited (£2.2m). Further activity is expected against this project in the following financial year ending May 2022 which is expected to include costs related to restructuring as well as income associated with the disposal of residential property. The Directors have considered these costs adjusting in nature on the basis that they relate to one-off restructuring costs and particularly redundancy, and write-down of assets and investments related to restructuring of activities.

UK tax rate change – deferred tax impact

The impact of changes to the enacted corporation tax rates has increased the tax charge by £14.2m. The impact largely relates to the increase in the corporation tax rate in the UK from 19% to 25% resulting in the revaluation of deferred tax liabilities of which £8.9m relates to intangible balances held only on consolidation. The directors have considered these costs adjusting in nature on the basis that they relate to the one-off costs impact of a change in corporation tax change and are not reflective of the underlying tax position of the Group.

Adjusting items – discontinued operations

Loss of disposal of Nutricima assets

The Group recognised costs of £45.9m relating to the sale of the Nutricima business. This represents the loss on disposal net of project related costs of £40.7m, which includes the recycling of foreign exchange losses from the currency reserve of £39.9m related to intercompany loans and assets sold, and attributable tax charge of £5.2m. Further detail is provided in note 28. A further £5.9m of costs were incurred against this project in the prior year within the Group Strategy project in adjusting items. The directors have considered these costs adjusting in nature on the basis that they relate to the one-off costs associated with the disposal of operations.

Disposal of Luksja brand

The Group incurred final costs of £0.4m in relation to the wind up of PZ Cussons Polska legal entity as a result of the Luksja disposal in the previous financial year. The Directors have considered these costs adjusting in nature on the basis that they relate to the one-off costs associated with the disposal of operations.

Year to 31 May 2020

Group structure and systems project – continuing

The Group incurred costs of £4.9m 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 in the Group Head Office and in the Regions.

Group strategy project – continuing and discontinued

The Group incurred costs of £5.9m 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. The costs to sell of £2.4m have been included within discontinued operations as they relate directly to the disposal of Nutricima which itself has been classified within discontinued operations. The remaining costs, predominantly the ERP system impairment, have been classified within continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Adjusting items continued

Profit on sale of Greece business – continuing and discontinued

The Group recognised income of £7.9m relating to the sale of the Minerva Greece business. This represents the profit on disposal net of project related costs. The £3.1m loss presented within Continuing Operations relates to the impairment of the attributable element of the Group's ERP system. More detail is provided in note 28.

Profit on sale of Luksja brand – continuing and discontinued

In February 2020, the Group sold the Luksja Personal Care brand in Poland. Income of £5.1m has been recognised which represents the profit on disposal net of project related costs. The £1.0m loss presented within Continuing Operations relates to the impairment of the attributable element of the Group's ERP system. More details is provided in note 28.

Impairment of Australian assets – continuing

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 £36.6m (£6.7m goodwill, £28.1m other intangible assets and £1.8m property, plant and equipment) per IAS 36.

Gain on exchange of land for investment property - continuing

In September 2019 the Group acquired a number of residential properties in Ghana in exchange for providing permission for development of these, and further properties, on land owned by the Group. Management has considered the requirements of IAS40:27 and recognised the deemed cost of the properties as a gain on exchange in the income statement. This has been recognised as a prior year adjustment and further detail is available within note 1c.

4. Profit for the year – analysis by nature

Profit for the year has been arrived at after charging / (crediting):

	2021 £m	(Restated*) 2020 £m
Net foreign exchange losses	16.0	2.8
Research and development costs	2.1	2.4
Impairment of property, plant and equipment (note 11)	0.5	1.8
Depreciation of property, plant and equipment (note 11)	11.0	15.1
Impairment reversal) / impairment of intangible assets (note 10)	(1.5)	41.1
Amortisation of intangible assets (note 10)	6.3	6.8
Depreciation of right-of-use assets (note 26)	3.3	3.5
Loss on disposal of assets	8.7	0.5
Raw and packaging materials and goods purchased for resale (note 14)	343.3	381.4
Inventory provisions (note 14)	6.6	7.3
Net trade receivable provision (release) / charge (note 15)	(2.7)	1.6
IFRS 16 short-term or low value lease rentals (note 26)	0.2	0.2
Employee costs (note 5)	76.9	80.1
Auditor's remuneration (see below)	2.0	2.1

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Auditor's remuneration

A more detailed analysis of Auditor's remuneration on a worldwide basis is provided below:

	2021 £m	2020 £m
Fees payable to the Company's Auditor for the audit of the Company's annual Financial Statements and Consolidation	1.0	0.9
Fees payable to the Company's Auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	1.0	1.1
Total audit fees	2.0	2.0
Fees payable to the Company's Auditor and its associates for other services:		
– Audit-related assurance services	–	0.1
Total fees	2.0	2.1

Fees for permitted non-audit services paid to the Company's Auditor totalled £nil (2020: £22,000).

5. Directors and employees

Employee costs

The average monthly number of employees (including Executive Directors) was as follows:

	2021 Number	2020 Number
Production	2,009	2,253
Selling and distribution	744	870
Administration	399	448
	3,152	3,571

The costs incurred in respect of the above were as follows:

	2021 £m	2020 £m
Wages and salaries	67.6	73.0
Social security costs	3.9	3.7
Pension costs	4.6	3.4
Share-based compensation costs	0.8	–
	76.9	80.1

The pension costs (note 22) consist of:

	2021 £m	2020 £m
Defined benefit schemes	1.6	–
Defined contribution schemes	2.4	2.7
Nigerian gratuity scheme	0.4	0.7
Other post-employment benefits	0.1	–
	4.6	3.4

All current Executive Directors are members of 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:

	2021 £m	2020 £m
Short-term employee benefits	2.4	1.9
Post-employment benefits	0.1	0.1
Total	2.5	2.0

Additional details are within the Report on Directors' Remuneration on pages 100 to 109.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Net finance costs

Continuing Operations

	2021 £m	2020 £m
Interest receivable on cash deposits	0.9	0.1
Interest receivable on defined benefit pension scheme	0.6	0.8
Interest income	1.5	0.9
Interest payable on bank loans and overdrafts	(1.2)	(3.0)
Interest payable to external third parties	(0.5)	(0.3)
Interest payable on defined benefit pension scheme	(0.6)	(0.6)
Interest expense on lease liabilities	(1.0)	(0.5)
Finance costs related to Revolving Credit Facility	(0.6)	(0.6)
Finance costs	(3.9)	(5.0)
Net finance costs	(2.4)	(4.1)

Discontinued Operations

	2021 £m	2020 £m
Interest payable	–	(0.1)
Net finance costs	–	(0.1)

7. Taxation

	Restated* 2021 £m	Restated* 2020 £m
Current tax		
UK corporation tax charge for the year	8.5	7.8
Adjustments in respect of prior years	1.6	0.1
Double tax relief	(1.0)	(0.8)
	9.1	7.1
Overseas corporation tax charge for the year	0.9	10.8
Adjustments in respect of prior years	(0.2)	(0.4)
	0.7	10.4
Total current tax charge	9.8	17.5
Deferred tax		
Origination and reversal of temporary timing differences	5.1	(12.4)
Adjustments in respect of prior years	3.6	0.4
Effect of rate change adjustments (including adjusting item of £14.2m (2020: £nil)	14.4	4.9
Total deferred tax charge	23.1	(7.1)
Total tax charge	32.9	10.4

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Within the tax charge for the year, £19.0m is classified within adjusting items, of which £19.4m is deferred tax and (£0.4m) is current tax. Further detail included in note 3.

UK corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. UK deferred tax has been remeasured at 25% following the enactment of UK Finance Act 2021, an impact of £14.2m which has been included in adjusting items.

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.

	2021 £m	(Restated)* 2020 £m
Profit before tax from continuing operations	63.2	18.3
(Loss) / profit before tax from discontinued operations	(46.9)	11.9
Profit before tax	16.3	30.2
Tax at the UK Corporation tax rate of 19.0% (2020: 19.0%)	3.1	5.7
Adjusted for:		
Tax effect of expenses that are not deductible / taxable	15.8	8.7
Tax effect of non-taxable income	(2.9)	(6.8)
Effect of rate changes on deferred taxation (all territories)	14.4	4.9
Tax effect of share of results of joint ventures	(1.7)	(0.9)
Other taxes suffered	2.4	1.3
Net adjustment to amount carried in respect of uncertain tax positions	(6.8)	0.1
Movements in deferred tax assets not recognised	8.1	0.2
Adjustments in respect of prior years	5.0	0.1
Difference in foreign tax rates (non-UK residents)	(4.5)	(2.9)
Tax charge for the year	32.9	10.4
Tax charge attributable to continuing operations	28.2	9.5
Tax charge attributable to discontinued operations	4.7	0.9
Tax charge for the year	32.9	10.4

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

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 £15.8m. This is due to non-deductible expenditure associated with losses arising on the disposal of the Nutricima business and the recycling of foreign exchange differences relating to Nutricima Ltd (as described in note 28).
- The effect of items being treated as non-taxable has reduced the tax charge for the year by £2.9m.
- The impact of changes to the enacted corporation tax rates has increased the tax charge by £14.4m. The impact largely relates to the increase in the corporation tax rate in the UK from to 19% to 25% resulting in the revaluation of deferred tax liabilities of which £8.9m relates to brand intangible balances held only on consolidation which are not expected to result in any tax payable in the future.
- Other taxes suffered increase the tax charge for the year by £2.4m. This includes Nigerian minimum tax and unrelievable withholding taxes incurred on dividends received in the UK.
- 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 judgmental interpretations give rise to quantifiable risks which are provided for on the balance sheet. The adjustment this year reduces the tax charge by £6.8m due to the work performed in the year to reduce the level of risk.
- 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 £4.5m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Taxation continued

The resulting Income Statement tax charge for the year, combining the results of continuing and discontinued operations, represents an effective tax rate of 201.8% (2020: 34.4 %). This high effective tax rate is a direct result of the FX recycling associated with the disposal of Nutricima £(39.9)m which reduced profit but is non-deductible for tax purposes, and the £14.2m charge associated with UK Corporation tax rate change which is a tax only adjustment, with no associated profit.

Taxation on items taken directly to equity and other comprehensive income was a charge of £3.8m (2020: £3.7m) and relates to deferred tax on pensions and foreign exchange differences on intercompany loans. Further detail is included in note 20.

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, which totalled £24.3m (2020: £30.1m). 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, and necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. At 31 May 2021 the Group had contingent liabilities of £26m in respect of such uncertain tax positions (2020: £29m), which are in relation to claims and assessments in two of our overseas markets. In these markets there is a history of large claims being received which are considered to have little or no basis, and ultimately result in immaterial cash outflows, but which take time to conclude. Whilst the Group considers that there is a low possibility of any material outflow as a result of these claims, they have been disclosed as contingent liabilities in accordance with IAS37. Original estimates are always refined as additional information becomes known. Further information on these uncertain tax positions can be found in note 1 under 'Key sources of estimation uncertainty'.

8. Dividends

	2021 £m	2020 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2020 of 3.13p (2019: 5.61p) per ordinary share	13.1	23.5
Interim dividend for the year ended 31 May 2021 of 2.67p (2020: 2.67p) per ordinary share	11.2	11.1
	24.3	34.6
Proposed final dividend for the year ended 31 May 2021 of 3.42p (2020: 3.13p) per ordinary share	14.3	13.1

The proposed final dividends for the years ended 31 May 2020 and 31 May 2021 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 2020 and 31 May 2021 respectively.

9. Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profits / losses) attributable to each ordinary share in issue. Basic EPS is calculated by dividing the earnings (profit after tax in accordance with IFRS) attributable to owners of the Parent by the weighted average number of ordinary shares that were in issue during the year. Diluted EPS demonstrates the impact if all outstanding share options that would vest on their future maturity dates if the conditions at the end of the reporting period were the same as those at the end of the contingency period (such as those to be issued under employee share schemes – see note 24) were exercised and treated as ordinary shares as at the balance sheet date.

	2021 Number 000	2020 Number 000
Basic weighted average	418,402	418,353
Diluted weighted average	419,016	418,353

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, while 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:

	2021 Number 000	2020 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	(10,323)	(10,372)
Basic weighted average shares in issue during the year	418,402	418,353
Dilutive effect of share incentive plans	614	–
Diluted weighted average shares in issue during the year	419,016	418,353

Total Earnings Per Share

	2021 £m	(Restated)* 2020 £m
(Loss) / profit after tax attributable to owners of the Parent	(16.6)	23.5
Adjusting items (net of taxation effect)	66.2	25.0
Adjusted profit after tax	49.6	48.5

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

	2021 pence	(Restated)* 2020 pence
Basic (losses) / earnings per share	(3.97)	5.62
Adjusting items	15.82	5.97
Adjusted basic earnings per share	11.85	11.59
Diluted (losses) / earnings per share	(3.96)	5.62
Adjusting items	15.80	5.97
Adjusted diluted earnings per share	11.84	11.59

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Earnings per share continued

From continuing operations

	2021 £m	(Restated)* 2020 £m
Profit attributable to owners of the Parent from continuing operations	35.0	12.6
Adjusting items (net of taxation effect)	19.9	38.3
Adjusted profit after tax	54.9	50.9

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

	2021 pence	(Restated)* 2020 pence
Basic earnings per share	8.37	3.01
Adjusting items	4.75	9.16
Adjusted basic earnings per share	13.12	12.17
Diluted earnings per share	8.35	3.01
Adjusting items	4.75	9.16
Adjusted diluted earnings per share	13.10	12.17

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

From discontinued operations

	2021 £m	(Restated)* 2020 £m
(Loss) / profit after tax attributable to owners of the Parent from discontinued operations	(51.6)	10.9
Adjusting items (net of taxation effect)	46.3	(13.3)
Adjusted loss after tax	(5.3)	(2.4)

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

	2021 pence	(Restated)* 2020 pence
Basic (losses) / earnings per share	(12.33)	2.61
Adjusting items	11.06	(3.18)
Adjusted basic losses per share	(1.27)	(0.57)
Diluted (losses) / earnings per share	(12.31)	2.61
Adjusting items	11.05	(3.18)
Adjusted diluted losses per share	(1.26)	(0.57)

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

10. Goodwill and other intangible assets

	Goodwill £m	Software £m	Brands £m	Total £m
Cost				
At 1 June 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
Currency retranslation	(0.1)	(0.8)	0.3	(0.6)
Additions	–	2.4	–	2.4
Acquisition of non-controlling interest	0.9	–	–	0.9
Disposals	(2.9)	(0.8)	–	(3.7)
Reclassifications from property, plant and equipment	–	1.3	–	1.3
Reclassified as held for sale (note 12)	(21.5)	–	(32.8)	(54.3)
Revised analysis between cost and amortisation of intangible assets & between categories	8.4	0.7	(2.6)	6.5
At 31 May 2021	53.9	66.0	233.2	353.1
Accumulated amortisation & impairment				
At 1 June 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
Currency retranslation	0.3	(0.3)	–	–
Charge for the year	–	6.3	–	6.3
Disposals	(2.9)	(0.7)	–	(3.6)
Impairment reversal	–	–	(1.5)	(1.5)
Reclassified as held for sale (note 12)	(21.5)	–	(26.8)	(48.3)
Revised analysis between cost and amortisation of intangible assets & between categories	8.4	–	(1.9)	6.5
At 31 May 2021	10.6	32.8	12.2	55.6
Net book values				
At 31 May 2021	43.3	33.2	221.0	297.5
At 31 May 2020	42.8	35.7	225.9	304.4

Transfers from property, plant and equipment mainly represent the capitalised element of software costs relating to IT network and security improvements.

Revised analysis between cost and amortisation relates to historic impairment losses which had been recorded against 'Cost', rather than in 'Accumulated amortisation & impairment', and historic currency retranslations which had all been recorded against 'Accumulated amortisation & impairment'. In addition, £0.7m of software costs were identified which had previously been disclosed as 'Other Brands'.

Amortisation is charged to administrative expenses in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Goodwill and other intangible assets continued

The impairment reversal in the year related to the reassessment of the recoverable amounts of the relevant assets associated with the five:am brand immediately before the assets were classified as held for sale. The fair value of five:am's brands was £6.0m, compared to the carrying value of £4.5m. As such, in accordance with IAS 36, an impairment loss of £1.5m has been reversed prior to reclassifying the assets to Assets Held for Sale. Further details of the assets held for sale classification are available in note 12.

Software includes the ERP system (SAP). The carrying value of this asset as at 31 May 2021 is £28.0m (2020: £29.9m), with six 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-year which are then extrapolated beyond the five year period based on estimated long-term growth rates.

As the Group's brands 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 brands 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 brands to each CGU.

	Goodwill 2021 £m	Goodwill 2020 £m	Brands 2021 £m	Brands 2020 £m
Original Source	–	–	9.8	9.8
Beauty division brands	40.4	40.4	188.2	188.2
Rafferty's Garden	–	–	23.0	22.9
Nutricima	–	–	–	9.2
five:am	–	–	6.0	4.3
Other[1]	2.9	2.4	–	0.7
Total	43.3	42.8	227.0	235.1
Reclassified as held for sale:				
Nutricima	–	–	–	(9.2)
five:am	–	–	(6.0)	–
Total	43.3	42.8	221.0	225.9

1 Other includes goodwill arising on the purchase of shares in PZ Cussons Nigeria plc and PZ Cussons Ghana Ltd.

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.

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;
- terminal growth rates, using the estimated long-term growth rate applicable for the geographies in which the CGUs operate; and
- discount rate – the discount rate uses 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		Long-term growth rate	
	FY21	FY20	FY21	FY20
Original Source	7.1%	6.8%	1.7%	0.7%
Beauty division brands	7.1%	6.8%	1.7%	0.7%
Rafferty's Garden	6.9%	7.4%	3.0%	2.3%

The discount rates disclosed above are the pre-tax discount rates applied in the FY21 value-in-use calculations. These discount rates do not include a size premium. 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. The changes in the discount rates from FY20 are driven by an increase in the pre-tax cost of debt, an increase in the risk free rates and a decrease in the country equity risk premiums. The external sources used for all three measures are consistent year on year.

Long-term growth rates have been set for each CGU based on the GDP forecast long-term growth rates for the territories in which the CGUs operate, which have been deemed an appropriate proxy for long-term growth. These CGUs operate in geographies which include the UK, Australia, the USA and central Europe.

Having performed the annual impairment tests, no impairments have been recognised in FY21. 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 CGUs to be less than their carrying value.

For the Beauty division brands, sensitivity analysis was performed to assess the impact of a reasonable change in key assumptions to the headroom of £328.3m. Replicating the impact seen in the business during the Covid-19 pandemic in the financial year FY20, which would result in lower sales than assumed in our forecast, would see this headroom reduce to £27.9m.

For Rafferty's Garden, sensitivity analysis on the headroom of £30.6m was performed and a revenue reduction of ~9% of plan would result in a reduction in the headroom to £20.0m. The revenue decrease was selected as being reasonably possible by looking at the revenue trends over the last five years. The sensitivity to changes in the risk free rate was also analysed by looking back at historic values over the past seven years. If the value were to increase to the highest seen over this period, the headroom would reduce to £13.6m. Management also considered the impact of both a revenue reduction and an increase in the risk free rate. This combination of reasonably possible downsides would reduce headroom to £6.4m.

For Original Source, the Directors do not consider that a reasonable possible change in the assumptions used to calculate the value in use of intangible assets could result in a significant reduction in headroom such that it would be indicative of impairment.

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11. Property, plant and equipment

	Land and buildings £m	Restated* Investment Property £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Assets in the course of construction £m	Total £m
Cost						
At 1 June 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	5.6	0.2	0.1	4.2	10.5
Disposals	(0.1)	(0.7)	–	(0.6)	(0.1)	(1.5)
Reclassified as held for sale	(6.7)	–	(17.6)	–	–	(24.3)
Reclassification	(4.5)	5.0	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	94.6	9.9	133.1	53.0	8.5	299.1
Currency retranslation	(9.6)	(1.5)	(15.3)	(2.6)	(0.9)	(29.9)
Additions	–	–	0.5	–	6.0	6.5
Disposals	(0.2)	–	(3.3)	(1.3)	–	(4.8)
Reclassified as held for sale	(1.0)	–	(7.7)	–	–	(8.7)
Reclassification	0.1	–	5.0	0.2	(5.3)	–
Reclassification to software within intangible assets	–	–	–	–	(1.3)	(1.3)
At 31 May 2021	83.9	8.4	112.3	49.3	7.0	260.9
Accumulated depreciation and impairment						
At 1 June 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	(0.8)	0.8	–	–	–	–
Disposal of subsidiary	(3.3)	–	(34.0)	(2.0)	–	(39.3)
Impairment loss	0.2	–	1.6	–	–	1.8
At 31 May 2020	34.1	0.8	104.2	47.7	–	186.8
Currency retranslation	(2.8)	(0.1)	(11.4)	(2.3)	–	(16.6)
Charge for the year	1.4	0.1	6.9	2.6	–	11.0
Disposals	(0.1)	–	(3.2)	(1.3)	–	(4.6)
Reclassified as held for sale	(0.3)	–	(7.4)	–	–	(7.7)
Impairment loss	0.3	–	–	0.2	–	0.5
At 31 May 2021	32.6	0.8	89.1	46.9	–	169.4
Net book values						
At 31 May 2021	51.3	7.6	23.2	2.4	7.0	91.5
At 31 May 2020	60.5	9.1	28.9	5.3	8.5	112.3

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustment. Further detail is available in note 1c.

Depreciation is charged to administrative expenses or cost of sales (for plant & machinery) in the Income Statement.
At 31 May 2021, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £0.7m (2020: £1.6m). At 31 May 2021, the Group's share in the capital commitments of the joint ventures was £nil (2020: £nil).

Transfers to software within intangible assets predominantly relate to the software costs of IT network and security improvements in the year, and predominantly relate to software costs of the Business Planning & Consolidation tool project in the previous year.

Impairment losses in land & buildings in the year were related to reassessment of the recoverable amounts of the relevant assets immediately before the assets were classified as held for sale.

Included in the brought forward Land & Buildings balance was £1.0m relating to land and buildings at Ellesmere Port in one of the Group's UK entities. This asset is in the process of being sold and as such was reclassified to 'Assets Held for Sale' at 31 May 2021. The fair value of the Ellesmere Port land and buildings was £0.7m, compared to the carrying value of £1.0m. As such, in accordance with IAS 36, an impairment loss of £0.3m has been recognised prior to reclassifying the assets to Assets Held for Sale.

Further details of the assets held for sale classification are available in note 12.

The impairment loss of £0.2m in fixtures, fittings and vehicles relates to IT Hardware held at Head Office. The value in use of the asset was £0.1m compared to the carrying value of £0.3m.

In the prior year, a number of properties in Ghana were acquired by the Group in exchange for development of land owned by the Group. These properties have been valued at their deemed cost on the basis that no monetary exchange was made in relation to the acquisition of the properties. In the prior year, one of these properties was sold.

In addition to the recognition of these investment properties in the prior year, £5.0m of other properties have been re-presented as investment property rather than land and buildings, along with £0.8m of associated depreciation, as this classification better reflects the nature and use of the underlying assets.

The fair value of the investment properties as at 31 May 2021 is £25.1m.

12. Assets Held For Sale

	2021 £m	2020 £m
Disposal group held for sale(a)		
Intangible assets (note 10)	6.0	9.2
Property, plant and equipment (note 11)	0.3	7.9
Inventory	0.6	3.4
Employee related accruals	(0.5)	–
Subtotal	6.4	20.5
Property, plant and equipment held for sale(b) (note 11)	0.7	–
Total	7.1	20.5
Current Assets:		
Assets held for sale	7.6	20.5
Current Liabilities:		
Liabilities directly associated with assets held for sale	(0.5)	–
Total	7.1	20.5

(a) The disposal group relates to the assets, specified liabilities and shares of five:am, the Group's yoghurt business in Australia. The assets and liabilities were held in PZ Cussons Australia Pty Ltd, whilst the shares in Five AM Life Pty Ltd were held by PZ Cussons Beauty Australia (Holdings) Pty Ltd at the point of disposal. The sale of five:am's trade, assets and shares to Barambah Organics was announced on 7 May 2021. The disposal is consistent with the Group's strategy of disposing of non-core brands and activities. The sale completed on 4 June 2021 and as such the associated assets and liabilities were classified as 'held for sale' at 31 May 2021 in accordance with IFRS 5. The results of five:am are shown as continuing operations on the basis that the disposal constituted neither a major line of business or an exit from a geographical area of operation.

The disposal group as at 31 May 2020 included certain assets of the Nutricima business. These assets were sold on 28 September 2020. Results of this business are presented within 'discontinued operations'. See note 28 for further information on discontinued operations.

(b) The property, plant and equipment held for sale relates to disused land held in the UK. Discussions regarding the sale of the land began in September 2020. As at 31 May 2021, the sale was nearing completion subject to local authority planning regulations and as such the land was classified as 'held for sale' at 31 May 2021 in accordance with IFRS 5. Prior to classifying as held for sale, the fair value of the land was assessed in accordance with IAS 16, and an impairment loss of £0.3m was recognised in the income statement, details of which can be found in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 / liabilities.

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 (liabilities) / assets of joint ventures	Net investments in joint ventures
Carrying value			
At 1 June 2019	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
Increased funding to joint ventures in year	0.1	–	0.1
Repayment of loans by joint ventures in year	(3.4)	–	(3.4)
Impairment of equity investment	–	(2.2)	(2.2)
Impact of change in JV ownership % during the period	–	(0.2)	(0.2)
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	(5.9)	(1.2)	(7.1)
Recycling of exchange differences on foreign currency loans due to repayments in period	–	0.3	0.3
Share of result for the year taken to the Income Statement	–	5.6	5.6
At 31 May 2021	35.2	(1.0)	34.2

At the start of the period, the Group held investments in three joint ventures as follows:

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, Lagos
Wilmar PZ International Pte Limited	Provision of services to joint venture companies	Singapore	50%	56 Neil Road, Singapore

During the period, in October 2020, Wilmar PZ International Pte Ltd ceased to trade. As a result of this, the Group has impaired its equity investment in this joint venture by £2.2m. This is part of the Nigeria simplification project within Adjusting Items (note 3).

In March 2021, the assets, liabilities and undertakings of PZ Wilmar Food Ltd were merged with PZ Wilmar Ltd in consideration for which new PZ Wilmar Ltd shares were issued to increase the Group's interest in PZ Wilmar Ltd to 50%.

At the end of the period, following these changes, the Group's investments in joint ventures are as follows:

Joint venture companies	Operation	Incorporated in:	Parent Company's interest	Registered Office address
PZ Wilmar Limited	Manufacturing	Nigeria	50%	45/47 Town Planning Way, Ilupeju, Lagos
Wilmar PZ International Pte Limited	Provision of services to joint venture companies	Singapore	50%	56 Neil Road, Singapore

Set out below is the summarised financial information for the Group's material joint venture, PZ Wilmar Ltd. The summarised financial information below represents amounts in the joint venture's financial statements prepared in accordance with IFRS. The values incorporate the results of PZ Wilmar Food Ltd, which operated as a separate legal entity prior to the merger into PZ Wilmar Ltd.

PZ Wilmar Ltd	2021 £m	2020 £m
Assets		
Non-current assets		
Tangible Fixed Assets	46.5	57.7
Current assets		
Cash and cash equivalents	35.1	19.4
Other current assets	50.5	38.2
	85.6	57.6
Total assets	132.1	115.3
Liabilities		
Non-current liabilities	(71.7)	(96.5)
Current liabilities	(59.1)	(27.0)
Total liabilities	(130.8)	(123.5)
Net assets/(liabilities)	1.3	(8.2)

PZ Wilmar Ltd	2021 £m	2020 £m
Revenues	214.4	168.6
Profit before tax for the year	10.8	7.2
Profit after tax	8.9	2.4
Total comprehensive income	8.9	2.4

Group's share of profit after tax for year was £5.6m (2020: £2.8m). This excludes exchange differences on loans from the Group which are recognised in other comprehensive income within the Group's financial statements.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

PZ Wilmar Ltd	2021 £m	2020 £m
Net assets / (liabilities) of joint venture	1.3	(8.2)
Proportion of Group's ownership interest in the joint venture	50%	49% / 51%
Carrying amount of the Group's interest in the joint venture	0.7	(4.1)

Information of joint ventures that are not individually material:

Wilmar PZ International Pte Ltd	2021 £m	2020 £m
The Group's share of profit after tax from continuing operations	–	(0.1)
The Group's share of total comprehensive income / (expense)	–	(0.1)
Carrying amount of the Group's interest in the joint venture	(1.7)	0.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Net investments in joint ventures continued

The long-term loans issued to joint ventures (PZ Wilmar Ltd) have been assessed for impairment in accordance with IFRS 9 'Financial Instruments'. These loans are considered to be in Stage 1 as the credit risk has not increased significantly since initial recognition. The loss allowance has been measured using lifetime ECL by assessing the value in use of PZ Wilmar Ltd, and on this basis, management have concluded that no impairment of these loans is required.

The joint venture has used these funds to invest in assets and establish a business that is now generating profits and cash inflows. This cash generation has enabled the joint venture to repay some of these loans during the period.

14. Inventories

	2021 £m	2020 £m
Raw materials and consumables	22.6	17.7
Work in progress	5.1	18.6
Finished goods and goods for resale	63.4	68.3
	91.1	104.6

During the year the cost of inventories recognised as an expense, and included in cost of sales, amounted to £343.3m (2020: £381.4m). This included £6.6m (2020: £7.3m) which was charged to the Income Statement to write down slow moving and obsolete inventories. Inventories are stated after provisions for impairment of £5.5m (2020: £5.4m).

15. Trade and other receivables

Receivables due within one year	2021 £m	2020 £m
Trade receivables	90.1	100.1
Less: provision for impairment of trade receivables	(4.1)	(7.9)
Net trade receivables	86.0	92.2
Amounts owed by joint ventures	9.5	1.6
Other receivables	10.6	5.6
Prepayments and accrued income	4.6	4.7
	110.7	104.1

The Directors consider the carrying amount of trade and other receivables approximates to their fair value due to their short-term nature.

Provisions are estimated by management based on the expected credit loss model. The creation and release of provisions for receivables is charged / credited 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 local market environment, 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 (2020: 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 following table shows the age of net trade receivables at the reporting date:

	2021 £m	2020 £m
Not past due	71.3	73.3
Past due 0–90 days	13.9	19.4
Past due 90–180 days	0.5	0.4
Past due >180 days	0.3	(0.9)
	86.0	92.2

The following table details the risk profile of trade receivables based on the Group's provision matrix as at 31 May 2021:

	Expected credit loss rate	Gross Trade receivables £m	Lifetime ECL £m	Specific Provisions £m	Total provision for impairment of trade receivables £m
Not past due	0.41%	73.1	0.3	1.5	1.8
Past due 0–30 days	0.0%	12.0	–	–	–
Past due 31–60 days	16.7%	1.2	0.2	–	0.2
Past due 61–90 days	10.0%	1.0	0.1	–	0.1
Past due 90–180 days	16.7%	0.6	0.1	–	0.1
Past due >180 days	47.1%	1.7	0.8	0.6	1.4
Legal proceedings	100.0%	0.5	0.5	–	0.5
		90.1	2.0	2.1	4.1

Movements in the Group provision for impairment of trade receivables are as follows:

	2021 £m	2020 £m
At 1 June	(7.9)	(8.4)
Sale of subsidiary	–	0.4
Increase in provision for receivables impairment	(0.2)	(3.4)
Provision utilised during the year	0.3	1.5
Provision released during the year	2.9	1.8
Currency translation	0.8	0.2
At 31 May	(4.1)	(7.9)

The Group's net trade receivables are denominated in the following currencies:

	2021 £m	2020 £m
Sterling	32.1	29.1
US Dollar	11.0	8.8
Nigerian Naira	10.4	16.1
Euro	0.7	2.2
Australian Dollar	16.3	13.5
Indonesian Rupiah	11.5	15.5
Ghana Cedi	1.2	1.0
Polish Zloty	–	1.5
Other currencies	2.8	4.5
	86.0	92.2

16. Current asset investments

	2021 £m	2020 £m
Unlisted	0.3	0.3
	0.3	0.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Cash and cash equivalents

	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)
Current asset investments	0.3	–	–	0.3
Net debt excluding lease liabilities	(153.8)	104.6	–	(49.2)
Lease liabilities*				(13.7)
Net debt				(62.9)

* IFRS 16 was adopted during the period ending 31 May 2020 and the prior period at the time was not restated for the impact, therefore comparative figures for this period are not included in the table above.

	1 June 2020 £m	Net cash flow £m	Foreign exchange movements £m	31 May 2021 £m
Cash at bank and in hand	77.8	6.1	(4.5)	79.4
Short-term deposits	0.9	7.3	(0.6)	7.6
Cash and short-term deposits	78.7	13.4	(5.1)	87.0
Overdrafts	(1.2)	1.2	–	–
Cash and cash equivalents	77.5	14.6	(5.1)	87.0
Loans due within one year	–	–	–	–
Loans due in greater than one year	(127.0)	9.0	–	(118.0)
Current asset investments	0.3	–	–	0.3
Net debt excluding lease liabilities	(49.2)	23.6	(5.1)	(30.7)
Lease liabilities	(13.7)	1.9	–	(11.8)
Net debt	(62.9)	25.5	(5.1)	(42.5)

The effective interest rate on cash and cash equivalents during the year ended 31 May 2021 was 0.7% (2020: 0.9%).

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 and interest rate risk), 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	2021	2020
Total financial assets at fair value		
Derivatives designated as hedging instruments	1.0	0.7
Current asset investments	0.3	0.3
Debt instruments at amortised cost		
Trade and other receivables	96.6	97.8
Trade receivables from joint ventures	1.0	1.5
Current loans to Joint Venture	8.5	–
Long-term loans to Joint Venture	35.2	44.4
Total current	107.4	100.3
Total non-current	35.2	44.4
Total	142.6	144.7

Financial liabilities

£m	Interest rate (%)	Maturity	2021	2020
Current interest-bearing loans and borrowings				
Unsecured borrowings / overdrafts	1.35	2020	–	1.2
Non-current interest-bearing loans and borrowings at amortised cost				
Senior Revolving Credit Facility	1.28	2023	118.0	127.0
Other financial liabilities Fair Valued through Profit or Loss				
Derivatives designated as hedging instruments			0.7	0.9
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings				
Trade and other payables			150.9	161.8
Total current			151.6	163.9
Total non-current			118.0	127.0
Total			269.6	290.9

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. The Group does not currently make an adjustment to inventories in relation to the basis adjustment as it is not material. This is reviewed each reporting period and would be adjusted should it become material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial Instruments and Risk Management continued

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 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. 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 tables detail the foreign currency forward contracts outstanding at the end of the reporting year.

£m	Gross Notional amount	Gross Carrying amount	Fair Value	Change in fair value used for measuring ineffectiveness for the year
As at 31 May 2021				
Assets	52.6	53.2	1.0	0.3
Liabilities	(17.7)	(18.0)	(0.7)	0.2
As at 31 May 2020				
Assets	43.2	42.6	0.7	0.8
Liabilities	(13.4)	(13.1)	(0.9)	0.1

As at 31 May 2021, 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 0.4m (2020: loss of £0.2m). It is anticipated that the purchases will take place during 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.

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 2019	0.6	(0.3)
Changes in fair value of hedging instruments net of taxation	(0.4)	0.1
As at 31 May 2020	0.2	(0.2)
Changes in fair value of hedging instruments net of taxation	(0.6)	0.2
As at 31 May 2021	(0.4)	–

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 main terms of this financial option are £75m notional on 3 month LIBOR floating to fixed, maturing 21 December 2021.

As at 31 May 2021, 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:

	2021		2020	
£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	(118.0)	(123.4)	(127.0)	(132.9)
Total	(118.0)	(123.4)	(127.0)	(132.9)

Management have assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables, bank overdrafts 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 option. Then, fair value is split between intrinsic value and time value in order to properly allocate the changes in fair value.
- 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 investments.
- Interest-bearing loans and borrowings: measured at amortised cost using the effective interest rate method.

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 2021			
£m	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Non-listed equity investments	0.3	–	–	0.3
Derivatives designated as hedging instruments	1.0	–	1.0	–
Total	1.3	–	1.0	0.3
Financial liabilities				
Derivatives designated as hedging instruments	(0.7)	–	(0.7)	–
Total	0.6	–	0.3	0.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial Instruments and Risk Management continued

	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

There were no transfers between Level 1, 2 and 3 during the current or prior year.

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 key management personnel 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; 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 in 2021 and 2020.

The sensitivity analyses have been prepared on the basis that the amount of net debt (excluding lease liabilities), 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 2021.

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:

£m	2021 Assets	2021 Liabilities	2021 Income Statement	2020 Assets	2020 Liabilities	2020 Income Statement
Nigerian Naira	–	–	(61.4)	–	–	(12.6)
US Dollar	18.8	1.5	1.5	26.5	6.5	3.8
Euro	0.9	2.6	–	3.1	4.0	–
Indonesian Rupiah	–	–	8.5	–	–	9.0
Australian Dollar	–	–	6.6	–	0.2	3.4

(a)(ii) Foreign currency sensitivity

This table details the Group's sensitivity to a 5% increase and decrease in currency units against the relevant foreign currencies. 5% 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% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where currency units strengthen 5% against the relevant currency. For a 5% 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.

£m	Change	2021 Effect on profit before tax	2021 Effect on Assets	2021 Effect on Liabilities	2020 Effect on profit before tax	2020 Effect on Assets	2020 Effect on Liabilities
Nigerian Naira	+5%	(3.1)	–	–	(0.6)	–	–
	-5%	3.1	–	–	0.6	–	–
US Dollar	+5%	0.1	0.9	0.1	0.2	1.3	0.3
	-5%	(0.1)	(0.9)	(0.1)	(0.2)	(1.3)	(0.3)
Euro	+5%	–	0.1	–	–	0.2	0.2
	-5%	–	(0.1)	–	–	(0.2)	(0.2)
Indonesian Rupiah	+5%	0.4	–	–	0.5	–	–
	-5%	(0.4)	–	–	(0.5)	–	–
Australian Dollar	+5%	0.3	–	–	0.2	–	–
	-5%	(0.3)	–	–	(0.2)	–	–

(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.

(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 reporting date was outstanding for the whole year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial Instruments and Risk Management continued

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
2021			
Sterling	+10	(0.1)	–
	–10	0.1	–
Total		–	–
2020			
Sterling	+10	(0.1)	–
	–10	0.1	–
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:

£m	31 May 2021 Cash and cash equivalents and financial derivatives	31 May 2020 Cash and cash equivalents and financial derivatives
AA-	26.1	19.7
A+ to A-	87.8	71.1
BBB+ to BBB-	1.4	4.9
BB+ to BB-	2.9	–
B+ to B-	31.0	33.5
CCC+	–	–
Not rated	8.2	5.1
Total	157.4	134.3

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.

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-terms 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 2021				
£m	< 3 months	3 to 12 months	1–2 years	2–5 years	Total
Floating interest rate instruments	–	–	–	122.5	122.5
Trade and other payables	153.2	–	–	–	153.2
Derivatives	16.0	10.8	0.8	–	27.6
Lease liabilities	1.0	2.9	3.7	5.4	13.0

	31 May 2020				
£m	< 3 months	3 to 12 months	1–2 years	2–5 years	Total
Floating interest rate instruments	1.1	–	–	133.5	134.6
Trade and other payables	161.8	–	–	–	161.8
Derivatives	0.4	0.5	–	–	0.9
Lease liabilities	1.0	2.5	2.9	6.5	12.9

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 2021	31 May 2020
Unsecured bank overdraft facilities & short-term loans, reviewed annually and payable at call:		
– Amount used	–	(1.1)
– Amount unused	99.0	133.7
Unsecured bill acceptance facilities, bank guarantees & other facilities, reviewed annually:		
– Amount used	(33.1)	(50.2)
– Amount unused	150.6	154.6
Unsecured bank loan facilities with maturity dates listed on page 171:		
– Amount used	(118.0)	(127.0)
– Amount unused	207.0	198.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial Instruments and Risk Management continued

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 2020. 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 considers Net debt (excluding lease liabilities) to be an important alternative performance measure, on the basis that this measure forms the basis of the Net debt to EBITDA covenant in relation to the Group's Revolving Credit Facility (RCF). The Group had net debt (excluding lease liabilities) positions as at 31 May 2021 and 31 May 2020 respectively, as shown below:

£m	31 May 2021	31 May 2020
Cash at bank and in hand (see note 17)	79.4	77.8
Short-term deposits (see note 17)	7.6	0.9
Bank overdrafts	–	(1.2)
Cash and cash equivalents (see note 17)	87.0	77.5
Current asset investments	0.3	0.3
Non-current interest-bearing loans and borrowings	(118.0)	(127.0)
Net debt (excluding lease liabilities)	(30.7)	(49.2)

IFRS 16 liabilities of £11.8m (2020: £13.7m) have been excluded from this metric.

19. Trade and other payables

	2021 £m	2020 £m
Trade payables	58.2	77.2
of which trade payables under vendor financing arrangements	*2.7*	*4.8*
Other taxation and social security	3.3	5.6
Other payables	6.3	5.3
Accruals	83.1	73.7
	150.9	161.8

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.

20. Deferred tax

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Unremitted Earnings £m	Other timing differences £m	Business combinations £m	Accruals and provisions £m	Tax losses £m	Total £m
At 1 June 2019	(11.5)	(3.5)	(5.7)	–	(9.5)	(42.6)	5.0	6.1	(61.7)
Charge / (Credit) to income	2.5	(1.5)	(1.2)	–	1.3	5.4	0.6	0.4	7.5
Charge / (Credit) to equity	1.9	(0.5)	–	–	1.8	–	0.3	–	3.6
Currency translation	0.1	(0.1)	–	–	–	0.4	–	–	0.4
At 31 May 2020 (restated)*	(7.0)	(5.5)	(6.9)	–	(6.4)	(36.8)	5.9	6.5	(50.2)
(Credit) / charge to income	(3.4)	(2.4)	(0.3)	(1.9)	(3.0)	(7.2)	(0.6)	(4.3)	(23.1)
Charge to equity	–	2.4	–	–	1.4	–	–	–	3.8
Currency translation	1.0	(0.2)	1.3	–	0.7	(0.2)	(1.5)	(0.9)	0.2
At 31 May 2021	(9.4)	(5.7)	(5.9)	(1.9)	(7.3)	(44.2)	3.8	1.3	(69.3)

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

As at 31 May 2021, the deferred tax liability of £7.3m categorised as 'Other timing differences' predominantly relates to brands and goodwill of £6.4m (2020: £4.7m), and unrealised foreign exchange movements of £1.0m (2020: £1.5m). The current year credit of £3.0m predominantly relates to the revaluation of deferred tax liabilities of £2.1m as a result of the enactment of the UK corporation tax rate increase and foreign exchange movements of £0.5m.

Unremitted earnings may be liable to overseas withholding taxes if distributed as dividends. A deferred tax liability has been recognised in respect of unremitted earnings in Indonesia of £1.9m (2020: £0m). No deferred tax liability has been provided for unremitted earnings of any other Group companies overseas as these are considered indefinitely reinvested outside the UK. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately £12.7m as at 31 May 2021 (2020: £14.2m).

The deferred tax liability of £44.2m categorised as 'Business Combinations' relates to intangible assets recognised on consolidation.

Certain deferred tax assets and liabilities have been offset where we are able to do so in accordance with IAS 12 'Income taxes'. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £m	(Restated)* 2020 £m
Deferred tax assets	5.9	15.4
Deferred tax liabilities	(75.2)	(65.6)
	(69.3)	(50.2)

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

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 25% being used to measure all deferred tax balances as at 31 May 2021 (2020: 19.0%).

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 £1.3m of recognised unused tax losses (2020: £6.2m) and £6.1m of unrecognised tax losses (2020: £4.5m) which are not expected to expire or be disposed of.

21. Provisions

	Warranty provisions £m
At 1 June 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
Reclassification to retirement benefits & other long-term employee obligations (note 22)	(1.1)
Released to the Income Statement	(0.2)
Currency retranslation	(0.2)
Used during year	(1.0)
At 31 May 2021	0.7

Provisions as at 31 May 2021 relate to warranty costs in the Africa Electricals division (2020: £0.7m). The majority of provisions are expected to be utilised in the next 12 months. Previously, long-term employee provisions were also included in this note. These have been reclassified to note 22 'Retirement benefits and other long-term employee obligations' as these provisions fall under IAS 19, rather than IAS 37.

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22. Retirement benefits and other long-term employee obligations

The Group operates retirement benefit schemes for most of its UK and overseas subsidiaries. Defined benefit schemes are in place in the UK and Indonesia, and 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 £188,388 (2020: £183,636).

Overseas retirement benefits and other long-term employee obligations

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 is predominantly the unfunded retirement benefit obligations relating to PZ Cussons Indonesia. Other overseas obligations benefits include specific employee related provisions in accordance with employment law in Indonesia and Thailand. Note that previously, these other obligations were presented within note 21 'Provisions' but have been reclassified into this note as it is considered the more appropriate place to classify these balances, as they fall within the scope of IAS 19, rather than IAS 37.

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 provides 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 are 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 and similar obligations (as recorded on the balance sheet)

	2021			2020		
	Surplus £m	Deficit £m	Total £m	Surplus £m	Deficit £m	Total £m
Expatriate plan	53.6	–	53.6	61.4	–	61.4
Directors' plan	6.7	–	6.7	8.0	–	8.0
Main staff plan	26.9	–	26.9	34.9	–	34.9
Unfunded plan	–	(4.5)	(4.5)	–	(4.5)	(4.5)
Other overseas units	–	(8.4)	(8.4)	–	(7.7)	(7.7)
	87.2	(12.9)	74.3	104.3	(12.2)	92.1
Restriction due to asset ceiling	(53.6)	–	(53.6)	(61.4)	–	(61.4)
Defined benefit asset / (liability) per Group accounts	33.6	(12.9)	20.7	42.9	(12.2)	30.7

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 Plans will fall.	As part of the financing of the funded 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 funded 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 funded 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 funded 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 funded 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 £m	Total £m
At 1 June 2019	(6.8)	31.8	25.0
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
Reclassification of balance from current provisions	(1.1)	–	(1.1)
Currency retranslation	1.0	–	1.0
Interest (expense) / income and administrative expenses	(1.7)	0.1	(1.6)
Contributions paid	–	0.2	0.2
Utilised in the year	1.2	–	1.2
Past service cost	–	(0.2)	(0.2)
Re-measurement losses	(0.1)	(9.4)	(9.5)
At 31 May 2021	(8.4)	29.1	20.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

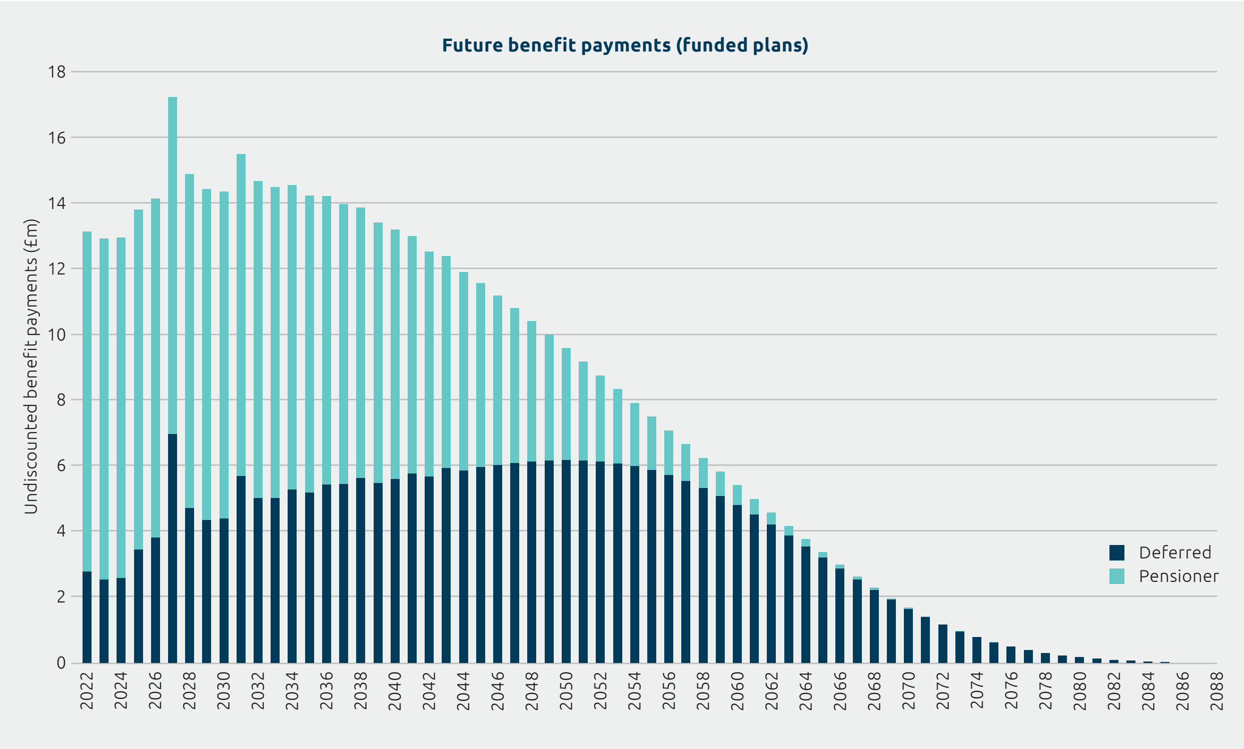
22. Retirement benefits and other long-term employee obligations continued

Funding and contributions by the Group

The Directors' and Expatriate plans are fully funded. During the year the employer paid £nil (2020: £4.5m) 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 2021:



Overseas retirement benefits and similar obligations measurement and assumptions used

The obligations in the Indonesian post-retirement benefit scheme have been measured in accordance with IAS 19 (revised) and a discount rate of 7.25% (2020: 8.0%) and salary inflation rate of 8.0% (2020: 8.0%) have been used. The scheme is unfunded and provision for future obligations included in the above table is £7.5m (2020: £7.6m).

UK retirement benefits 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 2021. 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:

	2021	2020
Rate of increase in retirement benefits in payment	3.05%	2.70%
Discount rate	1.95%	1.65%
Inflation assumption	3.20%	2.75%

The mortality assumptions used were as follows:

	2021 Years	2020 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

Movements in the fair value of plan assets were as follows:

	Assets 2021 £m	Assets 2020 £m
1 June	439.6	410.0
Interest income	7.1	9.5
Return of plan assets (excluding interest income)	(12.8)	29.5
Employer contribution and direct benefit payment	0.2	4.7
Administrative expenses	(0.6)	(0.7)
Benefits paid	(16.7)	(13.4)
31 May	416.8	439.6

The assets in the schemes were:

	2021 £m	2020 £m
Equities	26.7	27.3
Bonds	356.6	387.1
Property	6.8	5.9
Cash and cash equivalents	26.7	19.3
Total fair value of scheme assets	416.8	439.6
Present value of scheme liabilities	(334.1)	(339.8)
Funded status	82.7	99.8
Restriction due to asset ceiling	(53.6)	(61.4)
Retirement benefit surplus	29.1	38.4
Related deferred tax liability	(5.7)	(7.3)
Net retirement benefit surplus	23.4	31.1

Equities and bond assets are quoted in active markets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Retirement benefits and other long-term employee obligations continued

Reconciliation of asset ceiling

	2021 £m	2020 £m
Restriction due to asset ceiling at beginning of year	61.4	55.9
Interest on asset restriction	1.0	1.3
Other changes in asset restriction	(8.8)	4.2
Restriction due to asset ceiling at end of year	53.6	61.4

The movements documented above in relation to the restriction on the asset ceiling for the Expatriate scheme have been included when reconciling the total assets and obligations of the schemes; however they have been excluded when reconciling the opening to closing Group balance sheet position, as the surplus on the Expatriate scheme has been derecognised in the balance sheet.

Movements in the present value of the defined benefit obligations were as follows:

	Obligations 2021 £m	Obligations 2020 £m
1 June	(339.8)	(322.2)
Interest expense	(5.5)	(7.4)
Past service cost	(0.2)	–
Re-measurement (loss) / gain due to changes in demographic assumptions	(1.1)	0.9
Re-measurement loss due to changes in financial assumptions	(4.3)	(24.5)
Benefits paid	16.8	13.4
31 May	(334.1)	(339.8)
Plans that are wholly or partly funded	(329.6)	(335.3)
Plans that are wholly unfunded	(4.5)	(4.5)
	(334.1)	(339.8)

The net retirement benefit income before taxation recognised in the Income Statement in respect of the defined benefit schemes is summarised as follows:

	2021 £m	2020 £m
Net interest on net defined benefit schemes	0.6	0.8
Past service cost	(0.2)	–
Administration expenses paid by the scheme	(0.5)	(0.7)
Net retirement benefit income before taxation	(0.1)	0.1

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:

	2021 £m	2020 £m
Retirement benefit surplus at beginning of year	38.4	31.8
Net pension interest income	0.6	0.8
Administration expenses paid by the scheme	(0.5)	(0.7)
Past service cost	(0.2)	–
Contributions and direct benefits paid	0.2	4.7
Re-measurement (loss) / gain due to changes in demographic assumptions	(1.1)	0.9
Re-measurement loss due to changes in financial assumptions	(4.3)	(24.4)
Changes in asset ceiling / onerous liability (excluding interest income)	8.8	(4.2)
(Loss) / return on scheme assets (excluding interest income)	(12.8)	29.5
Net surplus at end of year	29.1	38.4
Analysed between:		
Retirement benefit surplus	33.6	42.9
Retirement benefit obligation	(4.5)	(4.5)
	29.1	38.4

Re-measurement gains and losses are recognised directly in the Statement of Comprehensive Income.

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 4.1%
Rate of inflation	Increase of 0.25%	Increase of 3.1%
Rate of mortality	Increase in life expectancy of 1 year	Decrease of 4.1%

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 10.0%
Salary rate	Increase of 1.0%	Increase of 9.6%

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 2022 the Group expects to make cash contributions of £nil (2021: £nil) to funded defined benefit plans.

The amount recognised as an expense in the Consolidated Income Statement in relation to defined contribution schemes is £2.4m (2020: £2.7m). The amount recognised as an expense in the Consolidated Income Statement in relation to the Nigerian Gratuity Scheme is £0.4m (2020: £0.7m).

23. Share capital

	2021		2020	
	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

The Company has one class of ordinary shares which carry no right to fixed income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Share Based Payments

As at 31 May 2021, the Group has two long-term incentive schemes in place – the 2014 Performance Share Plan ('PSP') and the PZ Cussons plc Long-Term Incentive Plan 2020 (the 'LTIP 2020') for main Board Executive Directors and certain key senior members of staff. The LTIP 2020 Plan was agreed at the Annual General Meeting on 26 November 2020. All awards made in the year ended 31 May 2021 were made from the LTIP 2020 plan. No further awards from the 2014 PSP will be made, and the final options granted from this scheme have a vesting date ending in the year to 31 May 2023.

The long-term incentive awards are structured so as to align the incentives of relevant Executives with the long-term performance of the business and to motivate and retain key members of staff. The extent to which the performance shares awards vest will depend upon the Group's performance over the three year period following the award date. The fair value of the award is taken as the share price at the date of grant.

Prior to 31 May 2021, the Group also operated an Executive Share Option Scheme. The final award outstanding in the scheme vested in the previous financial year, on 13 June 2019, and the scheme ceased to exist after this award.

The Employee Share Option Trust (ESOT) purchases shares to fund the Schemes. As at 31 May 2021, the ESOT held 10,291,149 shares in PZ Cussons plc at a book value of £40.0m (2020: £40.0m). The market value of these shares as at 31 May 2021 was £26.2m (2020: £18.3m).

During the year, the ESOT purchased nil shares (2020: nil). The Trust has waived any entitlement to dividends in respect of all the shares it holds. The Trust remains in place to act as a vehicle for the issuance of new shares under the PSP scheme.

Performance Shares

Executive Directors and certain senior members of staff are generally eligible to participate in the LTIP 2020 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. Details of these schemes can be found in the Remuneration Committee Report on page 103.

In the current year, 1,088,829 performance shares awards were granted under the LTIP 2020 scheme. Participants' awards will vest if certain targets are met, as detailed in the Remuneration Committee Report. The following table illustrates the movement in options outstanding:

	2021 Number
Options outstanding at 1 June 2020	3,084,167
Options issued during the year	1,088,829
Options exercised during the year	–
Options lapsed during the year	(857,681)
Options outstanding at 31 May 2021	3,315,315

The performance share options outstanding as at 31 May 2021 have vesting periods ending in the financial years as follows:

	2021 Number
31 May 2022	1,172,525
31 May 2023	1,068,448
31 May 2024	985,200
31 May 2025	89,142

Restricted Stock

The PZ Cussons plc Long-Term Incentive Plan 2020 (the 'LTIP 2020') approved at the Annual General Meeting on 26 November 2020 permits a portion of the awards for senior employees, but not Executive Directors, to function like restricted stock. These share awards will vest in full subject only to continued employment with no performance conditions.

In the current year, 378,039 restricted stock shares awards were granted under the LTIP 2020 scheme.

	2021 Number
Options outstanding at 1 June 2020	–
Options issued during the year	378,039
Options exercised during the year	–
Options lapsed during the year	(7,243)
Options outstanding at 31 May 2021	370,796

The restricted stock options outstanding as at 31 May 2021 have vesting periods ending in the financial years as follows:

	2021 Number
31 May 2022	28,311
31 May 2023	28,311
31 May 2024	314,174

Fair value

The fair value of the newly issued equity settled options granted during the year was estimated as at the date of the grant using the Black-Scholes Model, taking into account the terms and conditions upon which awards were granted.

The fair value of the awards granted in 2020 was £3.4m based on the market price at the date the units were granted. This cost is allocated over the vesting period.

The total cost allocation for all outstanding units in the period was a charge of £0.8m (2020: £nil).

There were no shares options exercised during the year.

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

	2021 £m	(Restated)* 2020 £m
Profit before tax from continuing operations	63.2	18.3
(Loss) / profit before tax from discontinued operations	(46.9)	11.9
Profit before tax	16.3	30.2
Adjustment for net finance costs	2.4	4.1
Operating profit	18.7	34.3
Depreciation (note 11 & 26)	14.3	18.7
Amortisation (note 10)	6.3	6.8
Impairment of tangible and intangible assets (notes 10 & 11)	0.5	42.9
Impairment reversal on intangible fixed assets reclassified as held for sale (note 10)	(1.5)	–
Impairment of equity investment in joint venture (note 13)	2.2	–
Loss on sale of assets	0.4	0.3
Non-monetary acquisition of investment property (note 11)	–	(5.6)
Loss / (profit) on disposal of companies & businesses (note 28)	40.7	(22.2)
Other recycling of foreign exchange losses	0.6	–
Difference between pension charge and cash contributions	0.5	(3.9)
Share of results from joint ventures	(5.6)	(2.8)
Operating cash flows before movements in working capital	77.1	68.5
Movements in working capital:		
Inventories	2.2	10.8
Trade and other receivables	(5.9)	39.1
Trade and other payables	1.3	10.4
Provisions	(1.3)	(0.3)
Cash generated from operations	73.4	128.5

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. 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
Additions	1.8	0.5	–	2.3
Depreciation	(2.4)	(0.9)	–	(3.3)
Reclassified as Held for Sale	(0.2)	–	–	(0.2)
Currency translation	(0.4)	(0.4)	–	(0.8)
As at 31 May 2021	10.3	1.2	0.2	11.7

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
Additions	1.8
Accretion of interest	1.0
Payments	(4.0)
Reclassified as Held for Sale	(0.2)
Currency translation	(0.5)
As at 31 May 2021	11.8
Current liabilities	3.1
Non-current liabilities	8.7
Total lease liabilities	11.8

The following are the amounts recognised in profit or loss:

	2021 £m	2020 £m
Depreciation expense of right-of-use assets	3.3	3.5
Interest expense on lease liabilities	1.0	0.5
Expense relating to short-term or low-value assets	0.2	0.2
Total amount recognised in profit or loss	4.5	4.2

A maturity analysis of the future lease payments in respect of the Group's lease liabilities is presented in the table below.

Payments due	2021 £m	2020 £m
Less than one year	3.1	3.3
Between one and five years	7.1	8.5
Later than five years	1.6	1.9
	11.8	13.7

27. 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. As per note 13, the assets, liabilities and undertakings of PZ Wilmar Food Limited were merged into PZ Wilmar Limited in March 2021 and therefore this has been reflected in the values given below:

- At 31 May 2021 the outstanding long-term loan balance receivable from PZ Wilmar Limited was £35.2m (2020: £36.1m PZ Wilmar Limited and £8.3m PZ Wilmar Food Limited). These receivables relate to long-term loan investments that have been made by both joint venture partners and are presented as part of the Group's net investment in its joint venture. These loans are non-interest bearing, repayable following a notice period of 12 months and are not secured.
- At 31 May 2021 the outstanding current loan balance receivable from PZ Wilmar Limited was £8.5m (2020: £nil). These loans are interest bearing, repayable on demand and not secured. The interest received on this loan in the year was £0.2m (2020: £nil).
- The value of goods purchased by the Group from PZ Wilmar Limited was £7.1m (2020: £5.9m).
- The value of certain services the Group sourced and then sold to PZ Wilmar Limited was £0.3m (2020: £0.6m). At 31 May 2021 the outstanding trade receivable balance from PZ Wilmar Limited was £1.0m (2020: £1.1m PZ Wilmar Limited and £nil PZ Wilmar Food Limited).

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 31 May 2021 (2020: £nil) and no charge to the Income Statement in respect of doubtful related party receivables (2020: £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 2021 the outstanding other receivable balance from Wilmar PZ International Pte Limited was £nil (2020: £0.4m). These receivables related 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 (2020: £nil). As at 31 May 2021 there was no outstanding balances with PZ Foundation (2020: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Discontinued Operations

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. The sale completed on 28 September 2020, on which date control of the assets passed to the acquirer. The assets included in the sale were land & buildings and plant & machinery of the Nutricima factory, intellectual property relating to the brands of Nutricima and the inventory holding of Nutricima on the date of disposal.

Following completion of the sale, Nutricima Ltd ceased to make commercial sales, but final business activities, such as collection of remaining debtors and settlement of liabilities continued until May 2021.

As at 31 May 2021, the only material balance remaining on the balance sheet of Nutricima Ltd relates to long-term quasi-equity loans from its parent company, Milk Ventures (UK) Ltd. These loans are predominantly denominated in USD. As the activities of this foreign operation have now ceased, such that there has been a disposal per the definition in IAS 21.48, all foreign exchange differences arising in connection with this foreign operation have now been reclassified to the income statement. This includes the foreign exchange differences arising on translation of these long-term quasi-equity loans, which for consolidation purposes were historically recorded in other comprehensive income and accumulated in equity in accordance with IAS 21.32. The accumulated losses in this regard which have now been reclassified to the income statement within adjusting items totalled £37.5m. In addition, the functional currency of Nutricima Ltd was changed to USD as the predominant balance remaining in this entity relates to these USD denominated quasi-equity loans. This led to a further recycling of foreign exchange accumulated gains in Nutricima Ltd of £5.1m, which is also shown as part of the loss on disposal in adjusting items. The total amount of recycling foreign exchange related to the quasi-equity loans in Nutricima is therefore £32.4m.

In the prior period, 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.

Additionally in the prior period, 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.

Minerva S.A. was disposed of during the financial year to 31 May 2020 and as such there are no results relating to Minerva S.A. in the PZ Cussons Group accounts for the year to 31 May 2021. The discontinued operations in the year to 31 May 2021 relate solely to Nutricima and Luksja.

The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows:

	Luksja £m	Nutricima £m	31 May 2021 £m	(Restated)* 31 May 2020 £m
Revenue	0.3	2.1	2.4	45.5
Expenses	(0.3)	(7.9)	(8.2)	(48.4)
Loss before tax	–	(5.8)	(5.8)	(2.9)
Taxation	(0.5)	1.0	0.5	0.5
Loss after tax incurred to date of disposal	(0.5)	(4.8)	(5.3)	(2.4)
Adjusting items (note 3)				
Costs of liquidation following disposal of Luksja	(0.4)	–	(0.4)	–
(Loss) / profit on disposal of discontinued operations (see below)	–	(40.7)	(40.7)	14.7
Attributable tax expenses	–	(5.2)	(5.2)	(1.4)
	(0.4)	(45.9)	(46.3)	13.3
Net (loss) / profit attributable to discontinued operations (attributable to owners of the Company)	(0.9)	(50.7)	(51.6)	10.9

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Further to the reclassification between continuing and discontinued operations detailed in note 1c, £1.6m of costs relating to redundancy and liquidation have been reclassified from expenses to profit on disposal of discontinued operations within the table above.

The breakdown of the loss before tax on disposal of Nutricima is as follows:

	£m
Total proceeds (cash)	16.2
Assets disposed of:	
Property, plant and equipment	(7.1)
Intangible assets	(9.2)
Inventories	(1.8)
Costs of disposal (including £7.5m loss on recycling of historic foreign exchange reserves in relation to assets sold)	(6.4)
Loss on recycling of historical net foreign exchange losses on quasi-equity loans	(32.4)
Loss on disposal, before taxation	(40.7)

Total losses on recycling foreign exchange differences related to Nutricima are £39.9m including an amount related to intercompany quasi-equity loans of £32.4m, and an amount of £7.5m related to historical exchange reserves in relation to assets disposed of, which is included in the costs of disposal.

The cash flows that are attributable to the activities of the discontinued operations are as follows:

	Luksja £m	Nutricima £m	31 May 2021 £m	(Restated)* 31 May 2020 £m
Net cash (used in) / generated from operating activities	0.1	(7.6)	(7.5)	7.2
Net cash generated from investing activities	0.1	15.9	16.0	51.1
Net cash (used in) financing activities	–	–	–	–
Net (decrease) / increase in cash and cash equivalents	0.2	8.3	8.5	58.3

* The results for the year ended 31 May 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

During the year, cash flows associated with Nutricima contributed a net amount of £8.3m of cash to the Group. Nutricima Ltd used £(7.6)m of cash in operating activities. £15.9m of cash was generated from investing activities, of which £11.9m was generated by Nutricima Ltd predominantly in relation to the sale of assets, and a further £4.0m was generated by PZ Cussons Nigeria in relation to the sale of the land at the Nutricima factory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Subsidiaries, joint ventures and non-current asset investments

Details of the Company's subsidiaries at 31 May 2021 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	USA	†100%	†100%	1209 Orange Street, Wilmington, New Castle County, Delaware, 19801
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%	Building A, Level 1, 13–15 Compark Circuit, Mulgrave, Victoria, 3170
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%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
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	†100%	†100%	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

Company	Operation	Incorporated in:	Parent Company's interest	Proportion of voting interest	Registered Office address
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
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%	Baba Dogo Road, Ruaraka, Nairobi
Food For Life International Limited	Dormant	Nigeria	[†]100%	[†]100%	45/47 Town Planning Way, Ilupeju, Lagos
Harefield Industrial Nigeria Limited	Distribution	Nigeria	[†]99.8%	[†]99.8%	45/47 Town Planning Way, Ilupeju, Lagos
HPZ Limited[1]	Manufacturing	Nigeria	[†]74.98%	[†]55%	45/47 Town Planning Way, Ilupeju, Lagos
Nutricima Limited	Inactive	Nigeria	[†]100%	[†]100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Coolworld Limited	Retail	Nigeria	[†]99.9%	[†]99.9%	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 w likwidacji	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[2]	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.
2 PZ Cussons Holdings consolidates this entity based on de facto control.
* 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 Limited	Manufacturing	Nigeria	[†]50%	45/47 Town Planning Way, Ilupeju, Lagos
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Events after the reporting period

On 4 June 2021, PZ Cussons plc completed the sale of the assets associated with five:am, which was the Group's yoghurt business in Australia. On this date, the control of the assets passed to the acquirer, Barambah Organics. Proceeds for the sale were £7.3m and the profit recognised on disposal was £0.9m.

In addition, in the post year end period, foreign exchange reserves of £0.4m charge associated with the brand have been recycled to the profit and loss account and the related deferred tax liability has been released (£1.8m with associated foreign exchange reserve of £0.6m).

The results of five:am have not been reported within discontinued operations in the FY21 results as five:am does not represent a disposal of a major line of business or an exit from a geographic area of operation as per IFRS 5.

COMPANY BALANCE SHEET

	Notes	31 May 2021 £m	(Restated)* 31 May 2020 £m
Non-current assets			
Investments	4	88.7	88.7
Debtors – amounts owed by subsidiary companies	5	89.9	124.9
		178.6	213.6
Current assets			
Debtors	5	69.1	70.4
Investments		0.3	0.3
Cash at bank and in hand		0.5	0.5
		69.9	71.2
Current liabilities	6	(6.0)	(4.5)
Net current assets		63.9	66.7
Total assets less current liabilities		242.5	280.3
Non-current liabilities		(118.0)	(127.0)
Net assets		124.5	153.3
Capital and reserves			
Called up share capital	7	4.3	4.3
Capital redemption reserve		0.7	0.7
Hedging reserve		(0.1)	(0.3)
Other reserve		(40.0)	(40.0)
Profit and loss account		159.6	188.6
Total shareholders' funds		124.5	153.3

* Non-current amounts owed by subsidiary companies of £124.9m were previously presented within current receivables in 2020. As explained in note 5, these have been reclassified as non-current receivables as the full loan balances are not expected to be repaid within 12 months.

PZ Cussons plc reported a loss for the financial year ended 31 May 2021 of £4.7m (2020: £21.3m profit).

The Financial Statements from pages 130 to 204 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

C Silver **J Myers**
30 September 2021

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 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
At 1 June 2020		4.3	0.7	(0.3)	(40.0)	188.6	153.3
Loss for the year		–	–	–	–	(4.7)	(4.7)
Cost of hedging reserve		–	–	0.2	–	–	0.2
Ordinary dividends	3	–	–	–	–	(24.3)	(24.3)
At 31 May 2021		4.3	0.7	(0.1)	(40.0)	159.6	124.5

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 preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the Group financial statements of PZ Cussons plc.

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

There are no 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

(c) 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.

(d) 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 judgments 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.

(e) 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.

(f) 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 2021 and 31 May 2020, 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 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.

(g) 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.

(h) 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.

(i) Intercompany creditors

Intercompany creditors are not interest bearing, repayable on demand and are initially stated at fair value and subsequently measured at amortised cost.

(j) 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.

(k) 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.

(l) 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 investment 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.

(m) Borrowing costs

Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

(n) 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.

(o) 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

(p) 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.

(q) Critical accounting policies and key sources of estimation uncertainty

Estimates and accounting judgments 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 judgment 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

	2021 £m	2020 £m
Aggregate amount of Directors' emoluments	1.5	1.7
Emoluments of the highest paid Director	0.7	0.5

For the year ended 31 May 2021 the highest paid Director received Company pension contributions of £0.1m (2020: £nil).

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 103 to 105.

The Directors are employed by the Company.

3. Dividends

	2021 £m	2020 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2020 of 3.13p (2019: 5.61p) per ordinary share	13.1	23.5
Interim dividend for the year ended 31 May 2021 of 2.67p (2020: 2.67p) per ordinary share	11.2	11.1
	24.3	34.6
Proposed final dividend for the year ended 31 May 2021 of 3.42p (2020: 3.13p) per ordinary share	14.3	13.1

The proposed final dividends for the years ended 31 May 2020 and 31 May 2021 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 2020 and 31 May 2021 respectively.

4. Investments in subsidiaries

	Shares £m	Loans £m	Total £m
Cost at 1 June 2019	103.3	–	103.3
Disposals in the year to 31 May 2020	(14.6)	–	(14.6)
Cost and net book value at 31 May 2020	88.7	–	88.7
Cost and net book value at 31 May 2021	88.7	–	88.7

Details of the Company's direct subsidiaries at 31 May 2021 are shown below. For a full listing of all company subsidiaries see note 29 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

	2021 £m	(Restated)* 2020 £m
Non-current – debtors		
Amounts owed by Group companies	89.9	124.9
Current – debtors		
Amounts owed by Group companies	65.2	67.3
Other receivables	3.9	3.1
	159.0	195.3

* Non-current amounts owed by subsidiary companies of £124.9m were previously presented within current receivables in 2020. As explained below in this note, these have been reclassified as non-current receivables as the full loan balances are not expected to be repaid within 12 months.

£155.1m (2020: £192.2m) of amounts owed by Group companies are interest bearing and are based on market rates of interest. £nil (2020: £nil) of amounts owed by Group companies are non-interest bearing. All of the balances are unsecured and are repayable on demand.

Following review, it was identified that amounts owed by Group companies of £89.9m (2020: £124.9m) had previously been presented within current assets in error, but should have been presented in non-current assets. Although amounts were repayable on demand, there was no expectation that they would be repaid within 12 months and therefore did not meet the criteria to be classified as current assets. The prior period Company financial statements have been restated to show these balances within non-current assets.

6. Creditors

	2021 £m	2020 £m
Due within one year		
Amounts owed to Group companies	5.8	4.1
Accruals	0.2	0.4
	6.0	4.5
Due in greater than one year		
Bank loans	118.0	127.0
	118.0	127.0

£nil (2020: £nil) 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

7. Called up share capital

	2021		2020	
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

8. Share Based Payments

As at 31 May 2021, the Group has two long-term incentive schemes in place - the 2014 Performance Share Plan ('PSP') and the PZ Cussons plc Long-Term Incentive Plan 2020 (the 'LTIP 2020') for main Board Executive Directors and certain key senior members of staff. The LTIP 2020 was agreed at the Annual General Meeting on 26 November 2020. All awards made in the year ended 31 May 2021 were made from the LTIP 2020. No further awards from the 2014 PSP will be made, and the final options granted from this scheme have a vesting date ending in the year to 31 May 2023.

The long-term incentive awards are structured so as to align the incentives of relevant Executives with the long-term performance of the business and to motivate and retain key members of staff. The extent to which the performance shares awards vest will depend upon the Group's performance over the three-year period following the award date. The fair value of the award is taken as the share price at the date of grant.

Prior to 31 May 2021, the Group also operated an Executive Share Option Scheme. The final award outstanding in the scheme vested in the previous financial year, on 13 June 2019, and the scheme ceased to exist after this award.

The Employee Share Option Trust ('ESOT') purchases shares to fund the Schemes. As at 31 May 2021, the ESOT held 10,291,149 shares in PZ Cussons plc at a book value of £40.0m (2020: £40.0m). The market value of these shares as at 31 May 2021 was £26.2m (2020: £18.3m).

During the year, the ESOT purchased nil shares (2020: nil). The Trust has waived any entitlement to dividends in respect of all the shares it holds. The Trust remains in place to act as a vehicle for the issuance of new shares under the PSP and LTIP 2020.

Performance Shares

Executive Directors and certain senior members of staff are generally eligible to participate in the LTIP 2020, 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. Details of these schemes can be found in the Remuneration Committee Report on page 103.

In the current year, 1,088,829 performance shares awards were granted under the LTIP 2020 scheme. Participants' awards will vest if certain targets are met, as detailed in the Remuneration Committee Report. The following table illustrates the movement in options outstanding:

	2021 Number
Options outstanding at 1 June 2020	3,084,167
Options issued during the year	1,088,829
Options exercised during the year	–
Options lapsed during the year	(857,681)
Options outstanding at 31 May 2021	3,315,315

The performance share options outstanding as at 31 May 2021 have vesting periods ending in the financial years as follows:

	2021 Number
31 May 2022	1,172,525
31 May 2023	1,068,448
31 May 2024	985,200
31 May 2025	89,142

Restricted Stock

The PZ Cussons plc Long-Term Incentive Plan 2020 (the 'LTIP 2020') approved at the Annual General Meeting on 26 November 2020 permits a portion of the awards for senior employees, but not Executive Directors, to function like restricted stock. These share awards will vest in full subject only to continued employment with no performance conditions.

In the current year, 378,039 restricted stock shares awards were granted under the LTIP 2020 scheme.

	2021 Number
Options outstanding at 1 June 2020	–
Options issued during the year	378,039
Options exercised during the year	–
Options lapsed during the year	(7,243)
Options outstanding at 31 May 2021	370,796

The restricted stock options outstanding as at 31 May 2021 have vesting periods ending in the financial years as follows:

	2021 Number
31 May 2022	28,311
31 May 2023	28,311
31 May 2024	314,174

Fair value

The fair value of the newly issued equity settled options granted during the year was estimated as at the date of the grant using the Black-Scholes Model, taking into account the terms and conditions upon which awards were granted.

The fair value of the awards granted in 2020 was £3.4m based on the market price at the date the units were granted. This cost is allocated over the vesting period.

The total cost allocation for all outstanding units in the period was a charge of £0.8m (2020: £nil).

There were no share options exercised during the year.

9. Contingent liabilities and guarantees

The Company is one of a group of guarantors, including other group companies, to a borrowing facility relating to loans provided to certain Group UK entities. The amount borrowed under this agreement at 31 May 2021 was £118.0m (2020: £127.0m).

10. Events after the reporting period

In late September 2021, the Company was notified of an intention to initiate arbitration in respect of a breach of warranty relating to a previous divestment. Based on the information received to date the Company believes that the claim is unlikely to succeed but that there is not sufficient information available as yet to conclude that any outflow is remote. The Company does not believe that the potential amount of any award can be reasonably estimated at present, given the early stage of the claim.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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 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, protective screens, testing equipment and the provision of vaccines where appropriate.

Employment and staff development

As a multi-local 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 including Town Halls. 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 2021 comprises this page and the information contained in the Report of the Directors on pages 110 to 115.

FURTHER STATUTORY AND OTHER INFORMATION

Shareholder information and contacts

Annual General Meeting

The Annual General Meeting will be held at 10.30am Tuesday 23 November 2021 at: Radisson Blu Hotel Manchester Airport Chicago Ave, Manchester M90 3RA

Financial calendar

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

Registered office

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Registered number

Company registration number – 00019457

Registrars

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Company Secretary

Kevin Massie

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.

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