PZ Cussons Plc
Annual Report & Accounts 2009

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Delivering on our strategy

Selected markets | Leading brands | World class supply chain | Great team of people

Our 125 year history

History of innovation, future of opportunity

This year sees PZ Cussons celebrate its 125th anniversary. A landmark in what has been and continues to be a successful business story.

1884
Following George Paterson and George Zochonis setting up a trading post in Sierra Leone, Paterson Zochonis and Company Ltd is incorporated in England

1899
Paterson Zochonis (PZ) opens a branch office in Nigeria

1948
PZ acquires its first soap factory in Nigeria

1969
A manufacturing base is established in Ghana

1973
PZ enters the detergent and refrigerator markets simultaneously in Nigeria

1975
PZ acquires Cussons Group Ltd

1976
Soap manufacture starts up in Melbourne, Australia

1977
Minerva SA, a leading Greek edible oils and fats manufacturer, is acquired

1983
PZ purchases its first soap factory in Kenya

1986
Manufacture begins at the Pathum Thani site in Thailand

1988
PZ Cussons Indonesia is established

1993
PZ Cussons buys state owned Pollenu Wroclaw in Poland

2002
Paterson Zochonis Plc is renamed PZ Cussons Plc

Original Source brand acquired

2003
PZ Cussons Plc enter into a joint venture (Nutricima) with Glanbia Plc to supply evaporated milk and milk powder in Nigeria

2004
PZ Cussons Plc acquires the Charles Worthington haircare business

2008
PZ Cussons Plc acquires the Sanctuary Spa and Sanctuary products business

2009
125 years of PZ Cussons

Contents

Our strategy

PZ Cussons operates in Africa, Asia and Europe with its strategy built on four core principles:

1

Selected markets
We operate in selected markets that have the potential for future growth, both in mature and emerging markets in Africa, Asia and Europe.

2

Leading brands
We develop leading brands for the markets in which we operate. Whilst some have global reach, the majority of our brands are sold only in local and regional markets.

3

World class supply chain
We operate world class supply chain networks that enable us to deliver our brands quickly and efficiently to our local consumers.

4

Great team of people
We recruit, develop and retain a great team of people who are aligned to our values and who can drive our plans for growth.

Overview – Highlights

Revenue
£838.1m

Adjusted basic earnings per share
12.39p

Operating profit*
£90.6m

Net funds
£23.2m

Profit before tax*
£88.8m

Dividend per share
5.27p

* Before exceptional items

Financial Highlights

Results (before exceptional items)

	2009	2008	
Revenue	**£838.1m**	£660.9m	▲ 27%
Operating profit	**£90.6m**	£76.4m	▲ 19%
Profit before taxation	**£88.8m**	£76.5m	▲ 16%
Adjusted basic earnings per share	**12.39p**	10.78p	▲ 15%

Statutory results

	2009	2008	
Operating profit	**£86.2m**	£76.4m	▲ 13%
Profit before taxation	**£84.4m**	£76.5m	▲ 10%
Basic earnings per share	**11.64p**	11.04p	▲ 5%
Total dividend per share	**5.27p**	4.70p	▲ 12%
Net funds/(debt)	**£23.2m**	(£32.0m)	

Business Highlights

Group
- Good trading performance across the Group despite the difficult economic environment.
- Strong cash flow from operations and from significant reduction in working capital levels resulting in a return to a net funds position.
- Capital investment programme continued with £46 million expenditure in the year funded from cash flow.
- Total dividend increased 12% year-on-year.

Africa
- Continued political and economic stability with Nigeria less impacted by the global credit crunch.
- Continued growth in all categories of Personal Care, Home Care, Electricals and Nutrition.
- The £39 million investment project in manufacturing and distribution facilities in Nigeria well under way.
- Further electrical retail outlets opened taking the total to four in Nigeria and one in Ghana.

Asia
- Good performance in Australia and Indonesia despite adverse cost and exchange rate impacts.
- Number one position in babycare in Indonesia extended with the successful launch of the 'Cussons First Years' premium range.

Europe
- Robust performance in the UK with the number one position in the personal wash category maintained through a continued brand renovation programme.
- Profitable growth delivered by The Sanctuary in its first full year within the Group.
- The £26 million manufacturing facility and innovation centre in Manchester completed on schedule in February and now fully operational.
- Strong performance in Greece through new product launches and bolt on acquisitions.

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Overview – Chairman's statement

125 years of innovation

2009 is the year in which we celebrate the 125th Anniversary of the PZ Cussons Group.

Our diverse geographical spread has ensured that the Group's successful track record of profitable growth continues, with our strategy of 'local brands for local markets' enabling us to tailor our product offering appropriately in each territory to suit local economic conditions.

2009 is the year in which we have celebrated the 125th Anniversary of the PZ Cussons Group. As such it gives me special pleasure to advise shareholders that it has been another successful year with strong performance in all our territories despite the very challenging economic environment.

Our diverse geographical spread has ensured that the Group's successful track record of profitable growth continues, with our strategy of 'local brands for local markets' enabling us to tailor our product offering appropriately in each territory to suit the local economic conditions.

Our flexibility and speed to market in each territory has enabled us to react quickly to challenging trading conditions as well as significant cost and exchange rate volatility.

The focus on working capital this year has enabled us to significantly reduce our overall working capital levels resulting in a return to an overall net funds position. In addition, all capital expenditure has been funded from cash flows with our state of the art facility in Manchester now completed and our major investment in Nigeria well under way.

All our businesses are profitable and have significant organic growth potential for the future. Our balance sheet is strong and we are well placed to pursue further investment opportunities.

Our focus on a 'great team of people' continues to receive the highest priority to ensure that we have the talent through internal development and external recruitment to drive our future growth.

I would like to draw shareholders' attention to our Corporate Social Responsibility Committee which was established by the Board this year and is chaired by Mr S J N Heale. This Committee reflects the Board's recognition that the ways in which the Group monitors and manages the impact of its activities are evolving and confirms our commitment to continue to improve our procedure in this respect. CSR is an integral part of our strategy and the Committee will be working to ensure our social, environmental and economic activities continue to be aligned.

Finally I would like to thank all our staff for their continued hard work and dedication in a year when courage and agility have been necessary to steer the Group profitably through the world recession.

Anthony Green
Chairman
28 July 2009

Overview – Our markets

Regional overview

The PZ Cussons Group operates in Africa, Asia and Europe, in both mature and emerging markets.

Our Markets

Europe

Our desire to grow leading brands to category leading positions has been supported by continued brand renovation programmes which have seen a high number of new product launches. These have included the re-launch of the Imperial Leather range, a new range of men's Original Source products, and the introduction of the 'Time Defy' range of products for Charles Worthington. The UK business maintains its number one position in the personal wash category and number two position in professional haircare.

In Greece, the acquisition of the Burrino butter brand and cheese production facilities have further enhanced Minerva's growing portfolio of traditional Greek food products.

Categories and brands:

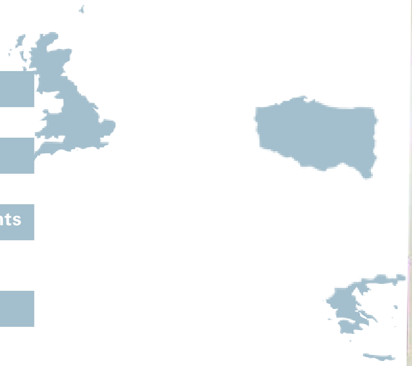
Personal wash and soap
Original Source
Imperial Leather
Carex
Luksja

Food
Minerva

Haircare
Charles Worthington

Household and detergents
Morning Fresh
'E'

Beauty and bodycare
The Sanctuary



Africa

Africa continues to provide the Group with new opportunities and the business, particularly in Nigeria, has grown throughout the year with; brand renovation programmes strengthening the category leading positions in soaps, detergents, skincare, haircare, babycare and medicaments; growth in both the range of electrical products offered by Haier-Thermocool and further expansion of the HT Cool World retail outlets; and new business under the TEC brand which is currently focussed on fuel powered generators.

Capital investment in the business has seen the relocation and upgrade of personal care production and the construction of a new world class national distribution centre, the first of its kind in Nigeria.

Categories and brands:

Home care
Elephant
Zip
Jet

Personal care
Venus
Super Robb
Joy
Premier

Electrical goods
Haier-Thermocool

Food and nutrition
Nunu
Coast
Yo!
Olympic

Generators
TEC

Our strategy is built on four core principles

1 Selected markets

2 Leading brands

3 World class supply chain

4 Great team of people

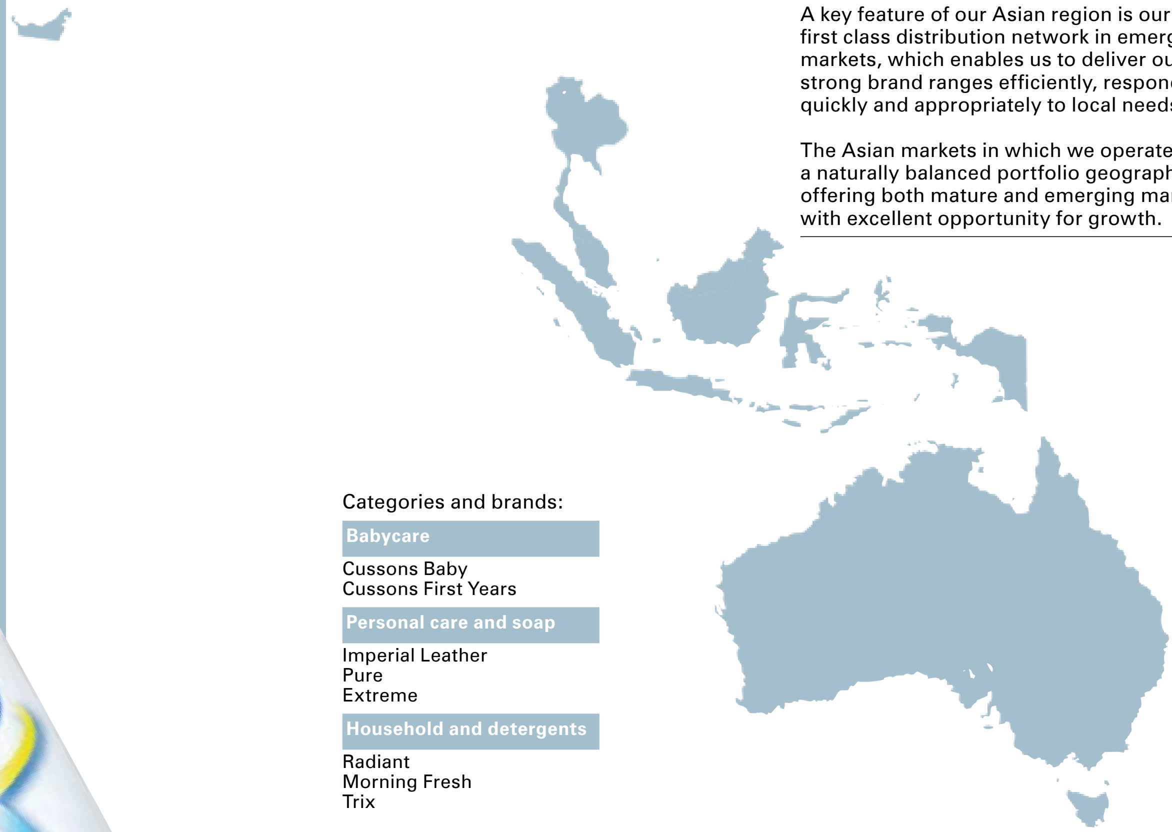
Operating in
12 countries

Number of people employed
8,596

Asia

A key feature of our Asian region is our first class distribution network in emerging markets, which enables us to deliver our strong brand ranges efficiently, responding quickly and appropriately to local needs.

The Asian markets in which we operate offer a naturally balanced portfolio geographically, offering both mature and emerging markets with excellent opportunity for growth.



Categories and brands:

Babycare
Cussons Baby
Cussons First Years

Personal care and soap
Imperial Leather
Pure
Extreme

Household and detergents
Radiant
Morning Fresh
Trix

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Overview – Our strategy explained

Selected markets

1

We operate in selected markets that have the potential for future growth, both in mature and emerging markets. Our presence across Africa, Asia and Europe ensures a naturally balanced portfolio of global markets, which we continually review to ensure they provide the Group with the best opportunities for profitable growth. We take pride in our knowledge of local markets which enables us to respond quickly and appropriately to local needs.

Africa

Revenue
£415.0m

Operating profit*
£39.5m

Our African businesses continue to be well placed to react to any economic environment with products in the economy, mid and premium segments offering consumers a choice of 'PZ' quality product across the price range. The Group is involved in a wide range of products from personal care, fabric care and medicaments, through to white and brown electrical goods.

Asia

Revenue
£135.0m

Operating profit*
£10.2m

The Group has a wide variety of markets in Asia with operations in the Australian fabric care and dish wash market, the Thailand bar soap and personal care market and in the developing Indonesian market where it has a strong position in baby care.

Europe

Revenue
£288.1m

Operating profit*
£40.9m

The markets in Europe are diverse in both geography and product offering. The UK business has leading positions in the mature personal care market and the professional hair care market and also operates the UK's largest day spa at The Sanctuary. The Greek business is a leader in the olive oil and associated products category whilst operations in Poland serve the personal wash and fabric care markets.

* Before exceptional items

Leading brands

2

We develop leading brands for the markets in which we operate. Whilst some have global reach, the majority of our brands are sold only in local and regional markets as we create products that are particularly suited to local needs and tastes. Our strategy is to grow these brands so they achieve category leading positions in their markets and we continually review and expand the categories in which we operate to ensure profitable growth. We are proud of our portfolio of category leading brands which are developed to satisfy the particular needs of local consumers.

Africa

Brand renovation programmes have strengthened the category leading positions in soaps, detergents, skincare, hair care, baby care and medicaments. The Haier-Thermocool brand has continued to perform well, it is priced at the premium end and has been supported by the unique after sales package and the addition of two further HT Cool World retail outlets.

Asia

In Indonesia, Cussons Baby extended its number one position in the babycare category through the launch of 'Cussons First Years' which is a premium range, offering products for pre-natal, baby and toddler needs. In Australia the category leading positions of the fabric care and dish wash brands were maintained through the continued brand renovation programme.

Europe

In the UK, the Imperial Leather range was completely re-launched with a fresh look and exciting new fragrances. Charles Worthington maintained its number two position in professional hair care and saw the launch of 'Time Defy' range. In Greece, the Minerva brand has been expanded with further launches of margarines and spreads to complement the core range of oils. The Burrino butter brand was also acquired.

Overview – Our strategy explained

World class supply chain 3

We operate world class supply chain networks that enable us to deliver our brands quickly and efficiently to our local consumers. Our distribution systems vary by market type, from traditional supply chain models in mature markets to extensive nationwide depot networks in emerging markets. We continually adapt our methods of distribution to suit our local markets and to changing market needs. We take pride in our flexible distribution capability which is tailored specifically for the local market.

Africa

In Nigeria the supply chain and distribution operations continue to be a major strength. A new national distribution centre, the first of its kind in Nigeria, is almost complete. This will enable finished goods stocks to be held centrally, lowering overall finished goods levels and allowing more efficient replenishment of the 26 depots.

Asia

The supply chain and distribution operation in Indonesia enables the business to distribute its wide range of products to the widespread depots to satisfy the needs of the customers. In Thailand, the Group's world class bar soap manufacturing facility supplies Europe and the rest of Asia with Imperial Leather and other bar soaps.

Europe

The new Personal Wash Centre of Excellence in Manchester became fully operational in February 2009. This state-of-the-art factory will enable the business to respond more quickly and efficiently to additional demand from the market. The co-location of the liquids manufacture, research and development and perfumery businesses on one site is already benefiting the UK business.

Great team of people 4

We recruit, develop and retain a great team of people who are aligned to our values and who can drive our plans for growth. Our aim is to create a high performance culture offering career experiences and development. We work together as a true meritocracy where leadership is determined by talent.

Africa

Asia

Europe

CAN DO Values

As part of our long-term people development plan, we have identified the core values that we believe are embedded in our culture. These values can be found across the Group in every operation.

These values provide a framework for staff and ultimately for the Group to develop and succeed.

Courage
We challenge convention, ourselves and each other.

We have the strength, willingness and determination to initiate, make things happen and to carry them through.

Accountability
We are all champions of our company.

We take personal responsibility for achieving our objectives. We do what we say we shall do. We do what is right, not merely what is expected.

We act with openness, integrity and trust. We ask for help, admit to our mistakes and put things right.

Networking
We are one company across all functions and geographies. We work towards a common goal through co-operation and teamwork.

Drive
We are relentless in our pursuit of success. Together we approach each day with the energy, passion and persistence to exceed expectations.

Oneness
We are all PZ Cussons people. We treat each other with respect regardless of status. We act professionally and together we celebrate our success with understated pride. We are quiet achievers.

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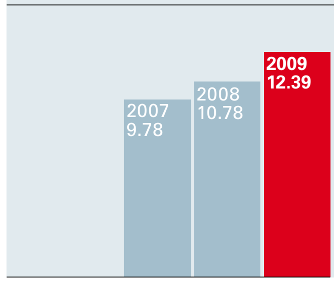
Report of the Directors – Financial review

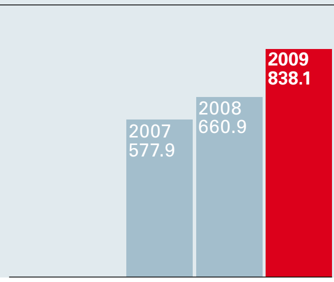
Continued strong performance

The Directors submit their report and the audited financial statements of the Group for the year ended 31 May 2009.

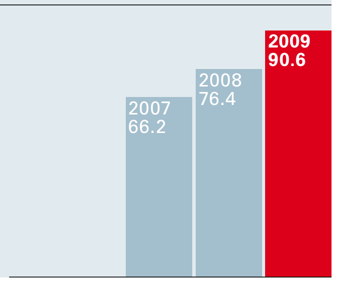
Adjusted basic EPS (pence)



Revenue (£m)



Operating profit before exceptional items (£m)



This year's highlights at a glance:

- Revenue increased by 27% to £838.1 million from £660.9 million
- Operating profit* increased by 19% to £90.6 million from £76.4 million
- Profit before tax before exceptional items increased by 16% to £88.8 million from £76.5 million
- Profit before tax after exceptional items increased by 10% to £84.4 million from £76.5 million.
- Adjusted basic EPS* increased by 15% to 12.39p from 10.78p
- A net operating charge of £4.4 million (2008: nil) for exceptional items
- Net funds at 31 May 2009 of £23.2 million, compared to net debt of £32.0 million at 31 May 2008
- Proposed dividend increase for the year of 12% to 5.27p from 4.70p.

* Before exceptional items

Since its acquisition Original Source has evolved significantly. The brand's image is based upon its natural fragrances with its target consumers being those who are looking for a 'cool and funky' experience. The range was extended with a new range of men's products.

Financial performance – overview

Operating profit before exceptional items rose by 19% to £90.6 million (2008: £76.4 million) on revenue up 27% to £838.1 million (2008: £660.9 million). Three main movements versus the prior year are as follows:

- In its first full year within the Group, The Sanctuary contributed £7.0 million to operating profits (2008: £1.0 million) and £29.2 million to revenue (2008: £5.3 million)
- Exchange rate impact overall was positive for the Group with profitability and revenue benefiting by £2.0 million and £65.4 million respectively
- The Group's nutrition joint venture in Nigeria, whilst now profitable, was particularly hit by adverse milk costs early in the financial year resulting in a loss to the Group of £4.1 million (2008: £0.2 million).

Excluding the year-on-year effect of these movements, operating profit rose 13% versus the prior year.

Financial position – overview

The highlight of the year was the significant progress achieved in reducing the Group's working capital levels which closed the year at 15% of revenue versus the prior year closing position of 26% of revenue. This was principally achieved through:

- a major inventory project in Nigeria focused on reducing overall levels, buffer stocks and lead times
- a group wide initiative to realign supplier payment terms
- the benefit of the new UK manufacturing facility which has enabled a move to a much lower inventory holding.

The Group also continued with its capital investment programmes with the completion of the new UK facility at a cost of £26 million and further progress on the £39 million project in Nigeria. The latter is the last major project required to upgrade the Group's manufacturing capability to a high standard of efficiency and to provide for medium to long-term capacity. A total of £46 million was invested in capital expenditure in the year.

Further investment in the year saw £5.2 million invested in the purchase of additional shares in the Nigerian subsidiary and £3.6 million for the acquisition of the Burrino butter brand in Greece.

Cash generated from operations, as a result of strong profitability and the significant reduction in working capital, was £145.2 million (2008: £53.0 million) and has therefore enabled a return to a net funds position of £23.2 million at the year end (2008: net debt of £32.0 million) despite the significant capital investment programme.

Net funds/(debt) (£m)

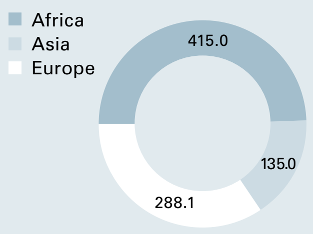
	2009	2008
Cash at bank and in hand	**38.9**	20.4
Short-term deposits	**45.3**	23.6
Current asset investments	**0.3**	0.3
Overdrafts	**(1.4)**	(5.9)
Loans due within one year	**(15.0)**	(10.5)
Loans due after one year	**(44.9)**	(59.9)
Net funds/(debt)	**23.2**	(32.0)

The Cussons First Years range has been expanded to include a range of products suitable for children aged 24 months and older.

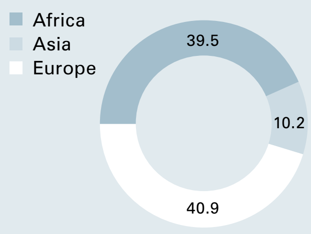
Report of the Directors – Financial review

Continued strong performance continued

Revenue
(£m)



Operating profit before exceptional items
(£m)



Interior of the Innovation Centre, the Group's research and development facility in the UK.

Key performance indicators

In terms of performance, the Group targets its regions on delivery of operating profit in absolute terms as well as delivering ongoing improvement in operating margins. Margin improvement initiatives continue in all markets to counter further cost increases and the impact of exchange rate fluctuations.

In terms of cash flow, the Group targets its operating units on delivery of cash flows in absolute terms as well as improvements in working capital measures. This is to offset ongoing pressure on working capital due to growth across all businesses.

Major projects

Updates on major projects are as follows: The new Personal Wash Centre of Excellence was completed on schedule in February. The site encompasses a state of the art liquids manufacturing facility with capacity for over 100 million bottles per annum, a world class perfumery and an integrated research and development centre. The benefits of having the three elements co-located on one site are already being experienced.

In Nigeria, 'Project Unity' is well under way with phase one almost complete. This has seen the relocation and upgrade of personal care production facilities and the construction of a world-class national distribution centre, the first of its kind in Nigeria. Phase two will see investment in soaps and detergents manufacturing capability to upgrade these to modern standards and provide additional capacity for the future. The majority of expenditure for phase two is likely to be incurred by the end of the 2010 financial year with physical completion in the subsequent year.

Exceptional items**

Exceptional items in the year totalled a £4.4 million net charge to operating profit in the consolidated income statement in relation to a restructuring of the UK business associated with the relocation of manufacturing from the existing site, made up of redundancy and other associated restructuring costs.

** These items have been disclosed separately in the Group's consolidated income statement, while a definition of exceptional items is given in note 3 to the financial statements.

Taxation

The effective tax rate before exceptional items was 28.4% (2008: 28.0%).

Dividend

The Board is recommending a dividend increase of 12% for the year with a proposed final dividend of 4.085p (2008: 3.625p) per share giving a total dividend for the year of 5.27p (2008: 4.70p).

Outlook

The year just finished has demonstrated that the Group's strategy of:

- selected markets;
- leading brands;
- a world class supply chain; and
- a great team of people

has ensured continued growth in a very difficult economic climate.

The number of markets in which the Group operates provides a naturally balanced portfolio across both developed and emerging markets, with all businesses having the potential for significant organic growth.

The brand strategy of tailoring brand offerings to suit local conditions has proved particularly valuable in these difficult economic times, with our local teams being able to adapt quickly and appropriately in each market.

The supply-chain investments, particularly in the UK and Nigeria, provide a very strong platform for the future with additional capacity provided for medium to long-term growth.

With continued focus on ensuring we have a great team of people, we face the future with optimism, albeit always aware that economic conditions remain fragile.

Overall performance since the year-end has been in line with expectations and the Group remains well placed to pursue further investment opportunities.

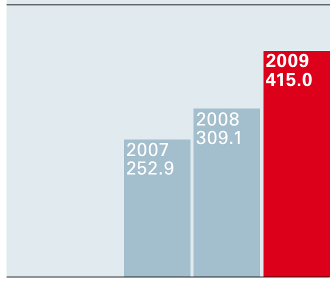
The Nunu brand has continued to grow strongly during the year.

Report of the Directors – Business review

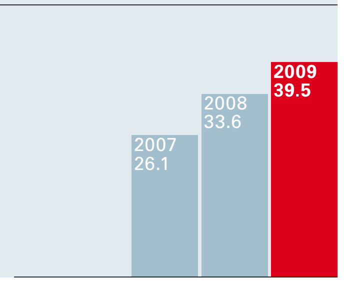
Africa

Both the personal care and home care divisions experienced strong revenue and profitability growth in the year with brand renovation programmes strengthening the category leading positions in soaps, detergents, skincare, haircare, babycare and medicaments.

Revenue
(£m)



Operating profit before exceptional items
(£m)



Regional highlights

- Continued political and economic stability with Nigeria less impacted by the global credit crunch
- Continued growth in all categories of Personal Care, Home Care, Electricals and Nutrition
- The £39 million investment project in manufacturing and distribution facilities in Nigeria well under way
- Further electrical retail outlets opened taking the total to four in Nigeria and one in Ghana

Africa
In Nigeria, the political environment has remained stable with the country now having experienced over a decade of democratic government. Economically, whilst not totally immune from the global credit crunch, Nigeria has proved robust with continued positive macroeconomic growth. Whilst the oil price has now fallen from record highs, it remains at a level that provides the country with adequate income to fund its slow but steady investment programme.

The impact on the Group's Nigerian business of the oil price drop is one of underlying falls in oil related raw material costs offset by a managed depreciation of the Naira. The timing of raw material purchases together with levels of inventory holdings and wider supply chain management have been particularly challenging in the year.

PZ Cussons Nigeria Plc
Within the Nigerian listed company, the Group operates its personal care and home care divisions as well as its supply chain and distribution operations. During the year, the Group increased its holding in the subsidiary from 61% to 64% at a cost of £5.2 million.

Both the personal care and home care divisions experienced strong revenue and profitability growth in the year with brand renovation programmes strengthening the category leading positions in soaps, detergents, skincare, haircare, babycare and medicaments. The Nigerian business continues to be well placed to react to any economic environment with product offerings in the economy, mid and premium segments and thus giving the Nigerian consumer a choice of 'PZ' quality product across the price range.

One of the Group's key strengths in Nigeria continues to be its supply chain and distribution operations. In terms of inward supply chain, despite disruption to the port operations midway through the year, further reductions in clearance times have been achieved thus enabling more efficient transfer of raw materials from port through to the factories. The new national distribution centre is almost complete and will enable more finished goods to be held centrally

Report of the Directors – Business review

Africa continued

with lower stocks held at the 26 depots nationwide. Overall, this will reduce total finished goods levels and enable a quicker and more efficient replenishment of the depots. PZ Cussons Nigeria Plc continues to act as distributor for all of the following businesses:

HPZ Ltd
The electrical goods joint venture with Haier of China, 74% owned by PZ Cussons Nigeria Plc, has continued to experience strong revenue and profitability growth in the year. The brand, Haier-Thermocool, continues to be priced at the premium end and is synonymous with quality for the Nigerian consumer. In a market which is becoming more competitive, the category leading positions are being protected by offering a unique after sales package including nationwide service centres and a national customer call centre. The brand equity is also enhanced by the presence of world-class electrical retail outlets. Branded as 'HT Cool World', two further outlets have opened in Nigeria during the year taking the total to four.

Harefield Industrial Nigeria Ltd
This is a relatively newly incorporated subsidiary, 100% owned by the Group. It has been established to service the needs of consumers in categories adjacent to those in which the Group currently operates. The main products currently being sourced by this business are fuel powered generators, which service the needs of consumers in an environment where state power supply is infrequent and unreliable, and these are sold under the 'TEC' brand name. Revenue and profitability growth of this new business area was strong in the financial year and opportunities to expand the product portfolio are currently being explored.

Nutricima Ltd
The joint venture with Glanbia Plc, 50% owned by the Group, has seen brand growth and manufacturing investment progress well during the year. However, the very significant spike in milk costs early in the financial year resulted in those high cost stocks remaining in the supply chain throughout the majority of the year. These costs were unable to be passed on to the consumer and resulted in a £4.1 million loss to the Group in the year. The business is now trading profitably. Sales of products from the first factory, namely powdered and evaporated milk sold under the Nunu, Olympic and Coast brands are progressing well. In addition, the portfolio has been enhanced with the launch of a new powdered yoghurt drink under the brand name Yo!. Total revenue for the joint venture has now grown to £60.2 million. A second factory has now been completed which is a state of the art UHT facility, the first of its kind for Nigeria, and will manufacture UHT milk and other long life drinks under the current brand names. This second factory has now begun production and will gradually increase volumes over the coming months.

Ghana has successfully expanded its product portfolio to include nutritional and electrical products and has opened its first HT Cool World store during the year. Performance in **Kenya** is in line with the previous year in a market that is relatively flat.

Venus is one of the first health and beauty brands to be relaunched and aligned as a regional African brand. Venus comprises a range of haircare, bodycare and toiletries products.

Two new HT Cool World stores in Nigeria and one in Ghana have opened during the year.

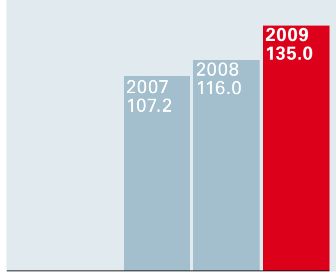
The new UHT facility will manufacture UHT milk and other long-life drinks including Nunu.

Report of the Directors – Business review

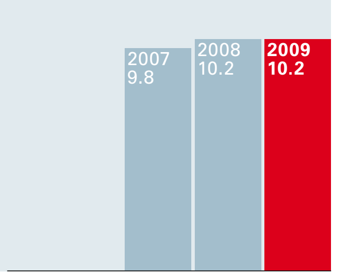
Asia

In Indonesia, Cussons Baby extended its number one position in the babycare category through the launch of 'Cussons First Years' which is a premium range offering products for pre-natal, baby and toddler needs.

Revenue
(£m)



Operating profit before exceptional items
(£m)



Regional highlights

- Good performance in Australia and Indonesia despite adverse cost and exchange rate impacts
- Number one position in babycare in Indonesia extended with the successful launch of the 'Cussons First Years' premium range

Revenue in **Australia** grew versus the prior year, however profitability was impacted by high raw material costs, particularly in the first half of the year, and by the depreciation of the Australian Dollar versus the US Dollar. Despite this, the category leading positions of the fabric care and dish wash brands were maintained through a continued brand renovation programme. This included the relaunch of all fabric care products in super-concentrated format as part of an industry wide move in the second half of the financial year.

In **Indonesia**, Cussons Baby extended its number one position in the babycare category through the launch of 'Cussons First Years' which is a premium range, offering products for pre-natal, baby and toddler needs. Sales of Imperial Leather, Morning Fresh and Cussons Extreme have also continued to progress well. Revenue was ahead of the prior year although profitability was also impacted by adverse cost and exchange rate movements, together with the launch costs of the new range of products.

Sales and profitability of the other Asian units, **Thailand** and the **Middle East**, were ahead of the prior year. The Group's sales operation in Malaysia was closed at the end of the financial year with all products to be sold directly from Indonesia.

In Asia, the Morning Fresh brand has been adapted to suit local consumer needs.

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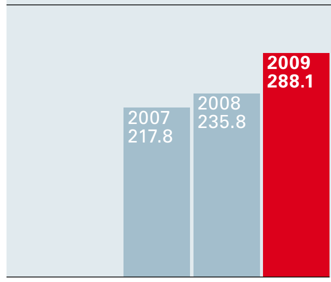
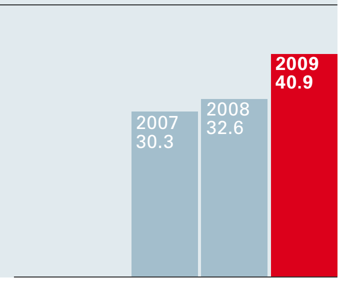
Europe

The new Personal Wash Centre of Excellence at Agecroft, Manchester, opened on schedule in February and the UK business is now benefiting from having the manufacturing, perfumery and research and development facilities co-located on one site.

Revenue (£m)



Operating profit before exceptional items (£m)



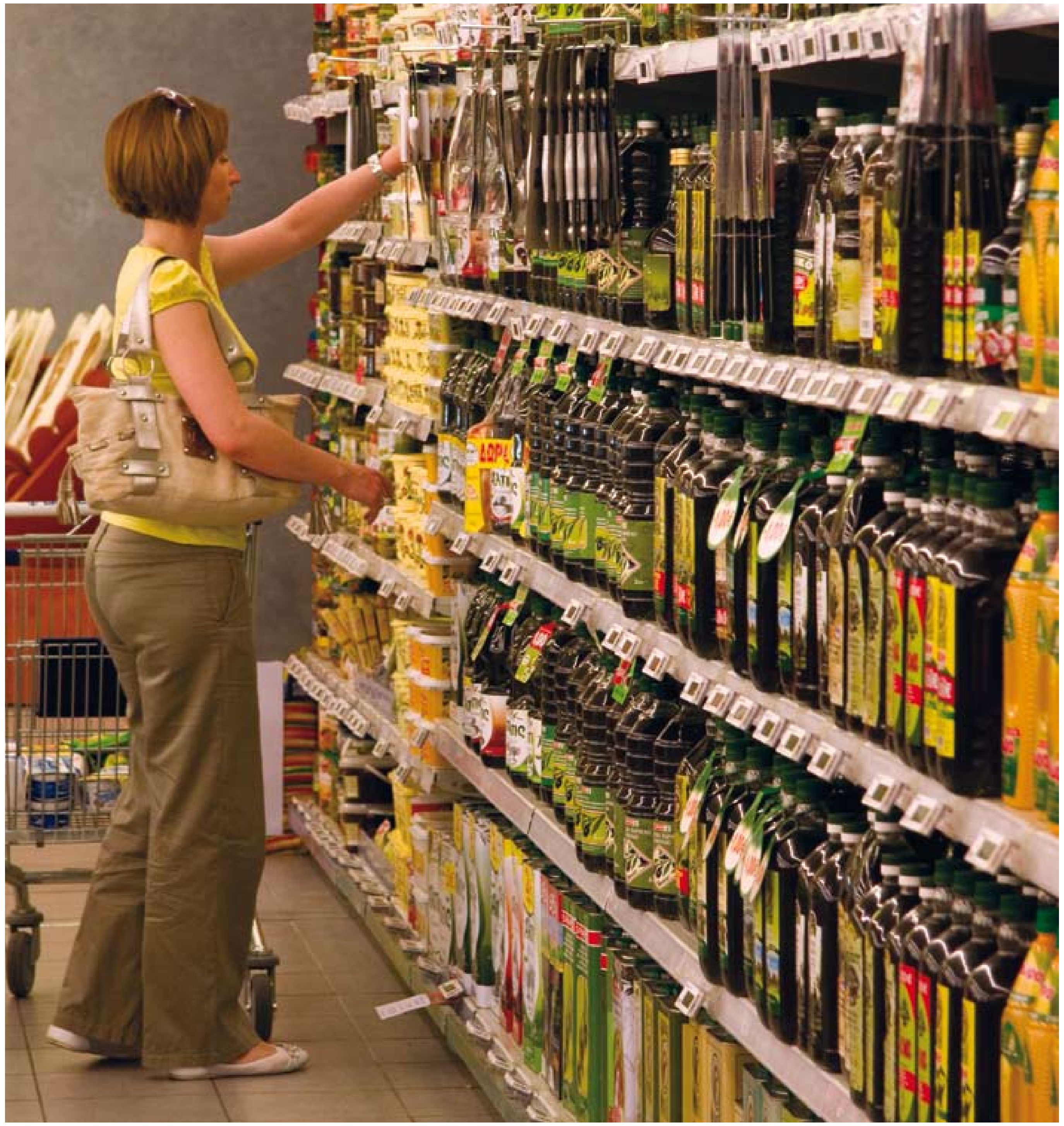
Regional highlights

- → Robust performance in the UK with the number one position in the personal wash category maintained through a continued brand renovation programme
- → Profitable growth delivered by The Sanctuary in its first full year within the Group
- → The £26 million manufacturing facility and innovation centre in Manchester completed on schedule in February and now fully operational
- → Strong performance in Greece through new product launches and bolt on acquisitions

In the **UK**, trading has been strong with like-for-like sales (excluding The Sanctuary) up 7.5% versus the prior year and profitability also ahead. This has been achieved despite the difficult economic environment which saw negotiations with retailers becoming tougher and consumers focusing much more on the price in store.

With a strategy of 'local brands for local markets', the UK business has been able to tailor both the price and the product to suit the economic conditions in the UK market. This has been supported by a brand renovation programme which continues to see the launch of a higher number of new products compared to the competition. The Imperial Leather range was completely relaunched with a refreshed look and exciting new fragrances. The Original Source brand continued to perform well and the range was extended with a new men's range of products. The Charles Worthington haircare brand maintained its number two position in the professional haircare market and saw the launch of a 'Time Defy' range of products. Carex has continued to maintain its number one position as the UK's leading antibacterial handwash with the range of waterless hand gels performing particularly well in a climate where there is additional consumer focus on hand hygiene. Overall, the UK business has maintained its number one position in the UK's personal wash category.

The new Personal Wash Centre of Excellence at Agecroft, Manchester, opened on schedule in February and the UK business is now benefiting from having the manufacturing, perfumery and research and development facilities co-located on one site. The additional capacity provided by the factory will enable the business to respond quickly and efficiently to additional demand from the market. A further manufacturing line will be installed in September enabling some products which are currently out-sourced to third parties to be brought in-house. The vacant sites in Nottingham and Ellesmere Port continue to be marketed and are expected to be sold when the property market recovers.



Minerva is a brand with a great deal of history and heritage in Greece.

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Europe continued

The Sanctuary, purchased in January 2008, has continued to perform strongly in its first full year within the Group. Product sales have been well ahead of the prior year with loyal consumers continuing to purchase a range which offers quality products at excellent value in the current climate. The Christmas gift range, which is renovated with a completely new set of products each year, performed particularly strongly with over 1.3 million gifts sold over the festive period. A significant number of new product launches have also taken place during the second half of the financial year. The spa in Covent Garden continues to perform well with utilisation close to the capacity of 64,000 visitors per year. Consideration continues to be given to the opening of other spa locations in the UK to extend the reach of the spa experience to consumers outside London.

Finally, the Group's new Head Office at Manchester Business Park, adjacent to Manchester Airport, and which will be occupied on a lease basis, is on schedule for completion in Spring 2010.

In **Poland**, focus this year has been on the core brands 'E' (clothes detergent, fabric conditioner and household cleaning products) and Luksja (bar soaps and shower gels) following the sale last year of the non-core skincare brands. In personal wash, progress has been achieved through the adoption of the UK concepts of limited editions and other UK pack formats. Export sales have also continued to progress well.

In **Greece**, excellent progress has been made with revenue and profitability ahead of the prior year. This has been achieved through the organic expansion of the Minerva brand with further launches of margarines and spreads to add to the core range of olive and seed oils. In addition, two small bolt on businesses were acquired during the year enabling butter and cheese products to be added to the Minerva portfolio, which is now becoming one of the leading ranges of traditional Greek products for both the local and export markets.

Carex, the UK's leading antibacterial hand wash.

Report of the Directors – Business review

Future plans

The supply chain investments, particularly in the UK and Nigeria, provide a strong platform for the future with additional capacity provided for medium to long-term growth. With continued focus on ensuring we have a great team of people, we face the future with optimism, albeit always aware that economic conditions remain challenging.

Top: New Group Head Office.

Bottom: Personal Wash Centre of Excellence.

New Group Head Office
PZ Cussons has selected Manchester Business Park as the location for its new 40,000 sq ft Headquarters building and will relocate in early 2010. The new purpose built office will provide a modern and stimulating work environment better suited to the future needs of the Group as it continues to expand its international business.

Personal Wash Centre of Excellence
The Personal Wash Centre of Excellence based in Manchester was completed in February 2009. The new site houses the UK liquids factory, fragrance production unit and world wide research and development facility. This centre will be at the forefront in innovation and research and development in the personal wash sector in the future.

Investment in Nigeria
'Project Unity', the £39 million investment programme in Nigeria to upgrade the Nigerian manufacturing and broader supply chain facilities is well under way. The world class national distribution centre is now complete and the personal care production facilities have been upgraded and relocated. Phase two of the investment will see the upgrade of the soap and detergent manufacturing facilities to modern standards and provide additional capacity for the future.

The second factory to produce nutritional products as part of the joint venture with Glanbia, has now started production of UHT milk and other long-life drinks. This will enable us to increase our supply to the growing nutritional markets in Nigeria.

Nigerian National Distribution Centre.

Report of the Directors – Business review

Principal risks and uncertainties

The Group Risk Committee is responsible for identifying, assessing and prioritising all material risks facing the Group and ensuring, where possible, that appropriate action is taken to manage and mitigate those risks. The table below highlights the major risks that may affect the Group's ability to deliver its strategy and the measures taken to address them.

Risks	Description of risks	Measures to reduce the risks
Market risks		
Political and economic stability	The Group conducts a substantial proportion of its operations outside the UK in developing markets which have significant capacity for profitable growth but which also have an increased risk of political and economic instability.	The Group has a diverse geographic portfolio, however, in developing its corporate strategy and in order to help mitigate the risk that could arise in any one particular territory, the Board seeks to maintain an appropriate balance both between developed and developing markets and, within the developing world, between its operations in different territories. In addition, the Group has extensive and long established experience in all key markets and the Board continually monitors those markets to ensure that any specific risks (or opportunities) may be identified and addressed as they arise.
Demand risks	Demand for the Group's products may be adversely impacted by changes in consumer preferences. The increasingly competitive environment and continued growth of discounters could adversely impact the rate of sales growth and profit margins.	Extensive knowledge of the Group's selected markets is a core strategic pillar and the Group actively monitors the needs and aspirations of consumers on a regular and ongoing basis and is continuously developing new products to satisfy them. The Group will continue to invest in selected brands and selected markets in order to drive profitable sales growth and the Board believes that competition is healthy as it encourages and motivates the Group's operations across the world to do their best to serve the interests of consumers and our brands.
Raw materials	In common with other companies within its sector, the Group's profitability is affected by price and supply fluctuations in raw materials used in the manufacture of its products. Key items, such as oils and fats, packaging materials and energy are subject to fluctuations in price and availability.	The Group takes measures to protect against the short-term impact of these fluctuations and shortfalls; however, failure to recover higher costs or shortfalls in availability could have a negative impact on profits. The Group continually monitors the price and availability of materials against forecast demand to ensure that there are adequate resources to continue in production throughout the world and during the year the Group has further strengthened its raw material forecasting and procurement capabilities.

Risks	Description of risks	Measures to reduce the risks
Financial risks		
Foreign currency and treasury risk	The international nature of the Group's activities gives rise to both transactional exchange rate risk (with the main exposure relating to US Dollar trade balances) and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling.	The Group requires its operating units to hedge their material transaction exposures on sales and purchases conducted in currencies other than their functional currencies. The Group does not actively hedge its translation exposures as these are of an accounting rather than a cash nature; however, the international spread of the Group's operations itself reduces dependence on individual currencies. The Group maintains a centralised treasury function which operates on a non-speculative basis in accordance with policies and procedures approved by the Board of Directors and reviewed during the year by the Board and the Audit Committee. The aim of this function is to mitigate the effects of any adverse movements in exchange rates and interest rates on the Group's financial results.
Operational risks		
Staff retention and recruitment	The Group recognises that in order to deliver sustained strong results it requires the right calibre of people at all levels of the business. In particular, the Group must compete to recruit and retain capable individuals within the business including training them in the skills and competencies which are required to deliver profitable growth.	The Board believes that there is in place an attractive employment proposition across the Group which will continue to attract capable recruits and that key management and personnel are sufficiently well incentivised and challenged in order to retain them as far as possible.
Reputation risks	Should the Group fail to meet high product safety, social, environmental and ethical standards in all operations and activities, there is the risk that its corporate reputation could be damaged, leading to the rejection of our products by consumers, damage to brands and diversion of management time into rebuilding our reputation.	Product safety, social, environmental and ethical standards continue to be the cornerstones on which our business is based and during the year the Board has established the Corporate Social Responsibility Committee as a standing sub-committee of the Board with responsibility for the development of policies in respect of each of these focus areas. Should any issues arise in these areas, the Group has processes in place to enable a quick response.

Report of the Directors – Business review

Corporate social responsibility report

At PZ Cussons, we are committed to conducting our business with integrity and with care insofar as the social and environmental impact of our activities is concerned.

Introduction
Corporate social responsibility (CSR) comprises:
- the recognition by a business of how its activities affect its stakeholders including its shareholders, customers, suppliers and employees, the wider community and the environment; and
- the regulation of those activities to ensure that, consistent with sustainable business and development, they have a positive impact on society.

At PZ Cussons, we are committed to conducting our business with integrity and with care insofar as the social and environmental impact of our activities is concerned. We aim to make a positive impact on society through the products which we produce and sell, through the way in which such products are manufactured and packaged and through the contributions which we make to the communities in which we operate.

We consider the principles of CSR to be integral to how the Group conducts its operations and key to the results which the Group has delivered in the past and to its continued success and development in the future. In particular, we believe that the principles of CSR are closely aligned with our own Group values and culture, as embodied in CANDO: Courage – Accountability – Networking – Drive – Oneness. Our policies and principles apply to every director, manager and employee in all our businesses across our global operations.

Our commitment to the principles of CSR reflects our view that it is incumbent on leading companies to make a positive contribution to society through their activities. We also believe, however, that socially responsible conduct is value enhancing for shareholders and other stakeholders. In particular, PZ Cussons recognises the potential benefits which may be derived where CSR activities are aligned to the concerns and demands of customers and we listen to and take account of those concerns in shaping our business strategies and practices. We also recognise that companies are subject to increasing regulation, particularly in respect of environmental issues, and that the pursuit of a proactive and positive CSR policy reduces the risk of adverse regulatory action.

The PZ Cussons Plc Corporate Social Responsibility Committee
The Board is responsible for overseeing CSR within the Company, supported by a Corporate Social Responsibility Committee (CSR Committee) which was established by the Board during the year.

The constitution of the CSR Committee reflects the Board's recognition that the ways in which the Group monitors and manages the impact of its activities are evolving and is indicative of its commitment to continuing to improve the Group's procedures in this respect. In particular, the CSR Committee was established to ensure that the principles of CSR remain at the core of the Group's business activities. Its principal responsibilities include:
- review of the Company's corporate strategy to ensure that CSR is and remains an integral part of the strategy and its implementation in practice and that the Group's social, environmental and economic activities are aligned;
- development of policies on all key areas of CSR including the environment, health and safety, product testing and customer safety, standards of business conduct, ethics, employees and employee development, charitable activities and community initiatives;
- development and support of a Group programme of CSR activities and focus for each financial year, supported by appropriate targets and key performance indicators;
- in conjunction with management and other committees of the Board, the identification of material environmental, social and health and safety risk areas and the implementation of appropriate measures to mitigate any such risks;
- ongoing evaluation and development of the content and integrity of any reporting to external stakeholders concerning CSR matters including this CSR report; and
- development of effective two-way communication concerning CSR issues within the Group.

The CSR Committee members are Mr S J N Heale (Chairman), Mr A J Green, Mr G A Kanellis, Mr C G Davis, Mr B H Leigh and Mr J Pantelireis. The Chairman of the CSR Committee reports to the Board on the Committee's proceedings after each meeting on all matters within the scope of its duties and responsibilities.

The terms of reference of the CSR Committee and further details regarding its members are available on the Company's website (www.pzcussons.com).

Corporate social responsibility during 2009
This report sets out how PZ Cussons has demonstrated CSR in 2009 in the following areas:
- the environment
- health and safety
- the development of staff and employment practices
- local community and charitable activities
- product safety and design.

The report also addresses our future aspirations in respect of CSR, including the further development of CSR reporting, and includes a review of the wider CSR benefits of the Group's activities and its financial performance during the year.

Environment
We take due account of the potential environmental impact of the Group's operations across the world and we are committed to protecting the environment, for the benefit of our employees and the wider community.

We believe that the identification, effective control and reduction of the environmental impact of business activities are integral elements of well-managed operations and we are committed to continuous measurement and improvement of environmental performance, through appropriate product design, the minimisation of waste, efficient use of resources, the prevention of pollution and the protection of the environment.

All PZ Cussons manufacturing facilities have ongoing energy reduction initiatives which reduce carbon dioxide output and limit the potentially damaging effects of climate change. The Group also continues to benefit from previous initiatives such as gas powered self-generation of electricity in Nigeria which significantly reduces greenhouse gas emissions. The carbon footprint of each operation is now routinely monitored and reported using internationally recognised protocols. The Group is also a participant in the Carbon Disclosure Project (the CDP is an independent not-for-profit organisation which holds one of the largest databases of corporate climate change information in the world and is considered the gold standard for carbon disclosure methodology and process).

We will:
- develop, implement and maintain effective procedures in order to set and review environmental objectives and targets;
- continue to review innovative approaches to reducing environmental impact from our products and processes;
- continue to minimise the consumption of energy and water, as well as minimising the production of trade waste and waste to landfill, through efficient practices in the office, factory and warehouse environments;
- continue to ensure, as a minimum standard, compliance with all environmental laws and regulations; and
- communicate environmental policy to employees, contractors and interested parties in order to establish an environmentally responsible attitude within our organisation.

An example of chemical and packaging reduction in Australia.

Report of the Directors – Business review

Corporate social responsibility report continued

Throughout the year, we have undertaken a number of projects and initiatives in order to reduce the impact of the Group's operations on the environment. For example:

- in the UK, the Group's £26 million Personal Wash Centre of Excellence (locating liquids manufacturing, research and development and perfumery capability on one site) was completed in February and is a flagship for the Group in respect of environmentally sensitive manufacturing processes
- in February, PZ Cussons Australia successfully launched to the market new super-concentrate laundry powders resulting in significant reductions in the use of chemicals, plastics and packaging with total estimated savings over a twelve month period of:
  - over 12,000 tonnes of chemicals
  - approximately 850,000kg of cardboard
  - approximately 18,400kg of plastics (through reduction in scoop size)
- in Thailand we have implemented modifications to our soap manufacturing process which have significantly reduced steam consumption. Together with a series of other energy improvements, this has reduced energy consumption per tonne of soap manufactured by over 40%. This initiative is now being shared with other Group soap manufacturing units
- our business in Kenya continued its successful implementation of energy efficiency measures and for the third year running has gained an award from the Kenya Association of Manufacturers in recognition of its attainment of savings through optimisation of energy use within its manufacturing processes
- in Poland, we implemented a pallet utilisation project resulting in a 14% reduction in the number of vehicles required to transport products between the production facility and distribution centres with consequential reductions in the number of journeys, mileage and thus carbon emissions
- in the UK we have continued our packaging minimisation programme. In our Original Source range we have changed from plastic bottles to a pouch format for some shower products delivering a reduction of over 75% in packaging materials. For other products, we continue to substitute traditional plastics, such as polyethylene, with PET which is highly recyclable. PZ Cussons UK also became a member of Business in the Community, an organisation which works with all companies which make a commitment to social issues and responsible business practice. As part of this, the UK business participates in the Prince's May Day Network which is the UK's largest group of businesses committed to taking action on climate change
- in Nigeria, Project Unity, a £39 million investment in manufacturing and supply chain, is well under way and involves significant investment in plant and machinery to enable power generation from gas rather than oil resulting in a reduction in energy usage and the move to a greener fossil fuel.

The Group Risk Committee, which was established as a standing committee of the Board during the course of the year (and in respect of which further details are provided at page 49), ensures that any environmental risks which the Group may face are properly identified, assessed and prioritised and that appropriate arrangements are in place to manage and mitigate those risks effectively.

Health and Safety

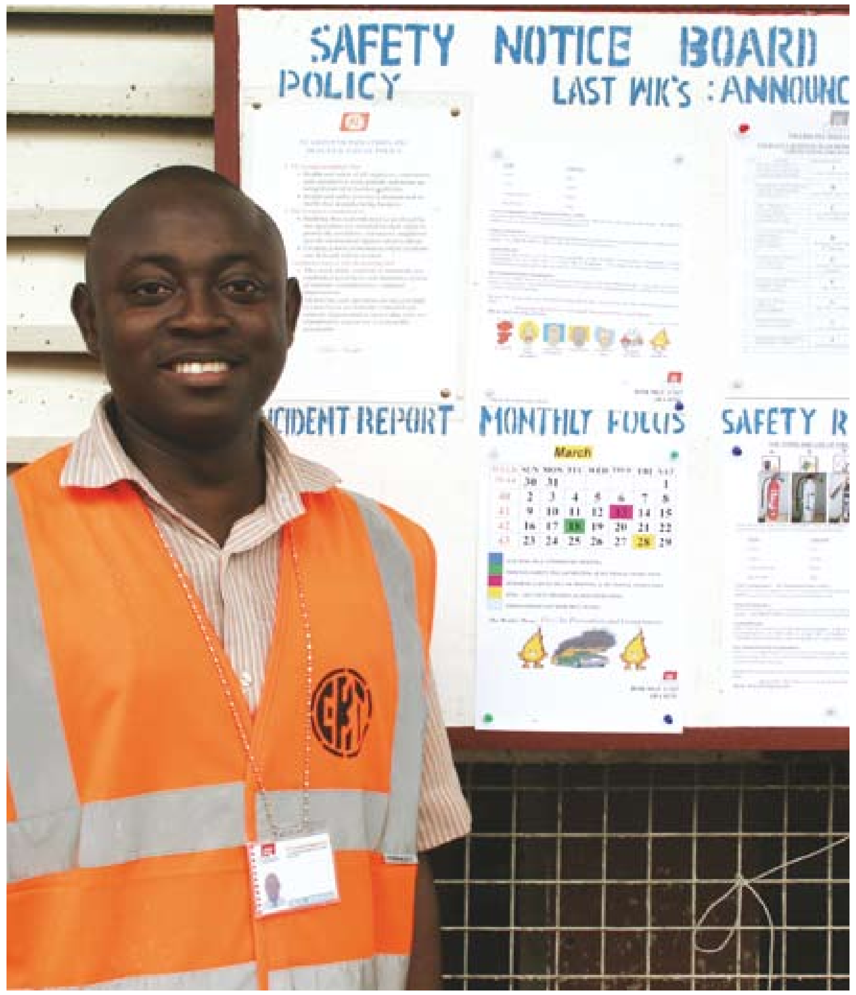
PZ Cussons is committed to maintaining a safe and healthy working environment at all of our operations for employees, visitors and the public and to ensuring the safety and health of our employees and all others who may be affected by our activities. As such, health and safety is an integral part of the business and is given equal priority with all other aspects of business management.

The Board has endorsed and established a Group Health & Safety Policy which sets out detailed guidelines for all operations across the Group. Its principles support the PZ Cussons Group World Class Manufacturing system which seeks over time to bring all operations across the Group in line with ISO9001 and OHSAS 18001. All operations are audited against these standards, any shortfall is identified and assessed and, where appropriate, continuous improvement actions are agreed and implemented. Specifically and to achieve a safe and healthy working environment in which accidents and ill health can be avoided, our Group Health & Safety Policy has established arrangements to ensure we:

- comply with all local laws and regulations relating to health and safety as well as our internal standards in all areas of our activities
- promote the participation of our employees in developing, promoting, maintaining and improving health and safety so that they:
  - acquire the necessary skills and behaviours
  - understand their responsibility to themselves and their colleagues for health and safety
  - are empowered and encouraged to report accidents, incidents and lapses in best practice and to participate in improvement activities
- measure and monitor our health and safety performance and target continuous improvement
- conduct risk assessments to identify significant health and safety related risks which arise from all activities undertaken including periodic reviews to ensure new activities and processes are covered.

At operating unit level, Group Health & Safety Policy is implemented to be consistent with the business operating conditions and any specific local legal requirements. Regular audits are conducted, by internal and external specialist auditors, at business unit and departmental level to ensure compliance with Group standards and continuous improvement. There is a strong focus within the Group on using key performance indicators and achieving external health and safety accreditation. The Group employs health and safety specialists in all of our operating units and health and safety committees with cross functional and cross hierarchical representation exist at all sites. Where appropriate, PZ Cussons provides on-site medical facilities and health monitoring programmes for employees. Training is provided to all employees to ensure compliance with PZ Cussons standards and we continue to build on our traditional programmes, which focus on workplace behaviours, coupled with helping employees understand any personal health risks. During the year, we have also pursued a significant health and safety capital investment programme throughout the Group with major focus on reduction in manual handling requirements and exposure to chemicals.

The Board regards health and safety as a fundamental business responsibility and reviews health and safety matters on a regular basis. Health and safety is a standing item for review by the Group Risk Committee which ensures that any related risks are properly identified, assessed and prioritised and that appropriate action is taken to manage and mitigate those risks effectively. The Chief Executive Officer



Report of the Directors – Business review

Corporate social responsibility report continued

has ultimate responsibility on the Board for health and safety across the Group and is a member of the Group Risk Committee.

The development of staff and employment practices
As an international group with a presence in a number of developing countries, we focus significant resource on the employment and development of local employees both to improve our operations in those countries and to bring benefit to the wider local community. In doing so, we recognise that the success of our business is dependent upon the quality, commitment and behaviour of our employees. Accordingly, we provide clear policies and direction to our managers and strive for the highest standards in management practices, delivering training and development programmes and reward arrangements which are tailored to meet the needs of our business and the local markets in which we operate.

We continue to develop a performance-driven culture which supports motivated people who are passionate about our future. We believe that to achieve our business objectives we should encourage our employees to embrace our CANDO values and reflect those values in everything which they do. We aim to retain and develop our employees and to help them to fulfil their career potential. The employment policies of the Group embody the principles of equal opportunity irrespective of race, colour, religion, age, sex or marital status and these are fundamental to the way in which we conduct our business. We operate procedures to support the Group's policy that disabled persons shall be fairly considered for appropriate employment and subsequent training and career development.

We expect employees to operate to high ethical standards in all their business dealings and this is reflected in the Group's own stance on business ethics. PZ Cussons has no involvement whatsoever in the use of child labour or forced labour in any of its businesses and audits suppliers to ensure that they comply with the Group's standards on this issue. We also take steps to ensure full compliance with applicable national laws and industry standards on working hours and all other employment regulations.

As part of the ongoing review of staff welfare and benefits, the Group continues to make available to all UK employees an Employee Assistance Programme (EAP). The EAP is a 24 hour phone helpline which is available to employees should they wish to discuss any issues, personal or work related, in confidence with a trained professional. The objective of the EAP is to assist in the identification and resolution of the various problems, strains and issues which everyone faces from time to time and which can affect work performance. Surveys are undertaken to measure and monitor employee satisfaction within the Group. The results of these surveys are used to improve communication, motivation and engagement across the business.

During the year, we have also completed the roll-out of the 'Speak Up' policy which was first implemented in the UK and Asia during 2008. 'Speak Up' has been established to encourage employees to voice any concerns which they might have in respect of business practices throughout the Group and is designed to ensure that employees may report any such issues, confidentially and without fear of recrimination, through a telephone hotline and online facility provided by a third party expert. 'Speak Up' is particularly focused on any allegation or concern of malpractice (including concerns over breaches of health and safety, criminal activity or fraud and breaches of local laws or environmental regulations) and incorporates procedures which ensure that any such issues can be brought promptly to the attention of the Board and addressed at the earliest opportunity.

In addition, during 2009:
- the Group continued to evolve graduate development schemes in developing world territories. These schemes include extensive formal and informal training
- we ran training programmes in manufacturing environments to ensure that we meet international standards throughout our manufacturing processes in terms of quality, environment and health and safety
- we continued to offer a wide range of development opportunities which support continuous professional and personal development to all people in our organisation
- the Group invested significantly in its premises in a number of developing countries to ensure that local employees have a good working environment which is conducive to productive work. In particular, PZ Cussons Nigeria Plc (a company listed on the Lagos Stock Exchange in which the Group holds a majority share) is one of the largest companies in Nigeria with a high reputation as an employer of choice
- as part of our commitment to our employees, we continued to expand our work/life balance programmes to encourage people to balance their work life with their personal life through flexible hours of working, job sharing and opportunities to work from home
- we continued the roll-out of a Group-wide incentive programme from senior management to factory level
- we developed our Employee Involvement Groups and continued to provide regular business performance updates and presentations to staff at all levels of the business.

Report of the Directors – Business review

Corporate social responsibility report continued

Local community and charitable activities
PZ Cussons has operations in over 12 countries and employs around 9,000 people worldwide. We seek to support the local communities in which our employees live and work by making donations to, and working with, local charities and investing the time and skills of our employees. We are committed to establishing and maintaining strong relationships with community groups, building goodwill and a reputation as a good employer. The Group also ensures that decisions in respect of its operations take due account of their potential effects on the wider community.

In particular, throughout our long involvement in Nigeria the Group has always taken very seriously its responsibilities as one of the country's leading companies and employers and we have supported a wide range of initiatives and projects over the years to assist the country's development and to improve the quality of life of its citizens. The PZ Cussons Nigeria Foundation was founded in November 2007 to bring greater focus to those activities.

The Foundation was mandated to support projects in Nigeria in respect of transport and roads and other infrastructural improvements relating to the provision of fresh water, sanitation, health and education. The Foundation funds and implements projects which:
- focus on people and community development in locations where the Group operates
- promote the well being of local people
- are sustainable
- produce innovative solutions which can be easily replicated throughout the country.

Recent projects have included the commissioning of fresh water boreholes and storage tanks in Ikorodu and Obudu, the building of new classroom blocks in Ikorodu and Obudu, the repair of the Minna market road and the creation and ongoing maintenance of a recreational park in Illupeju. Future plans include the erection of classrooms in six other locations in Nigeria and the commissioning of water boreholes in five locations. During the year PZ Cussons Nigeria Plc donated approximately £285,000 to the Foundation and PZ Cussons Plc donated a further £125,000.

The PZ Cussons Nigeria Foundation working with children in the community.

Outside Nigeria, community and charitable activities included:
- over the last 12 months we have worked with the Seashell Trust, a registered charity which provides education and residential care for people with communication difficulties from across the UK. The complex needs of their students may arise from a combination of multi-sensory impairments and PZ Cussons has provided expertise by working with students to devise a range of smells and fragrances to help develop their communication skills. On a practical basis, PZ Cussons also provides a range of personal care products for those students who live on site as well as providing financial support for the Trust
- PZ Cussons Australia introduced a volunteering policy which provides for one additional day of annual leave for all employees to work on a PZ Cussons sponsored community project
- PZ Cussons Plc and our Australian business supported the Victorian Bushfire Appeal through donations and staff time
- our business in Kenya made donations to the victims of the fires in Nakumatt and Molo and to the Kenyan community at large following the elections crisis in 2008
- PZ Cussons UK has increased its involvement in local educational institutions through its membership of Business in the Community
- the Group continues to be involved in a wide range of local community activities including providing work experience placements, factory visits and the support of local charities.

The 'Family Day', held as part of PZ Cussons' 125 year celebration.

PZ Cussons has worked with the Seashell Trust to develop a range of smells and fragrances to help students with their communication skills.

Report of the Directors – Business review

Corporate social responsibility report continued

Product safety and design
As an ethical and responsible supplier of consumer products, it is imperative for the Group that our products are safe – for use by our customers, for our employees and for the environment.

In the design of its products, by qualified and experienced chemists, microbiologists and packaging experts, we ensure that the materials which we use meet or exceed all applicable legal requirements (including EU and ASEAN cosmetics directives and other local regulatory requirements specified by bodies such as NAFDAC in Nigeria). We also conform to guidelines and good practice recommendations from various cosmetic industry trade associations such as the UK Cosmetics Toiletries and Perfumery Association (CTPA). In addition, the Group applies internal and self-imposed restrictions on the use of certain materials above and beyond legislative requirements as an additional measure to ensure product safety.

Product safety and risk assessments are conducted by appropriately qualified external toxicologists and, when considered necessary (and with the appropriate safeguards such as ethical committee approval), human safety testing is conducted. Human toxicological and safety aspects of raw materials are taken into consideration in the design process.

In all cases, the potential environmental impact of products, raw materials and packaging is considered in the design process. Where practical, products are designed to reduce the use of energy and water and to utilise materials which have feed stocks from natural renewable sources. Use of packaging which is recyclable or which has reduced environmental impact is also encouraged.

In particular, PZ Cussons has worked with a world leading provider of Project Lifecycle Management (PLM) software to develop an integrated solution which manages product development from initial concept, through product launch in the marketplace and to the end of its lifecycle. This structured approach ensures timely completion of projects, minimises costs and, importantly, ensures that all legal, regulatory and environmental requirements are understood and met. PLM has been implemented across most of the Group and it is envisaged that it will be established in all operations by 2010.

The PZ Cussons World Class Manufacturing programme is applied to our own production facilities and this sets specified targets for good manufacturing practices to internationally recognised levels such as ISO 22716. Comprehensive quality assurance and quality control programmes are in place in our manufacturing operations to ensure compliance with set and safe standards as specified within the PLM process. We also audit our suppliers to ensure that their production facilities, procedures and products are of a consistent and appropriate quality and meet our Group standards.

In the highly unlikely event of a quality problem being identified externally to our supply chain, we have established material traceability and Group specified product recall procedures to ensure that any issue can be promptly and safely addressed.

PZ Cussons monitors the world regulatory environment to ensure that we take appropriate action at the correct time to maintain product and process compliance. We have assigned considerable resource to ensuring that we fully comply with the requirements of EU regulations such as REACh (the Registration, Evaluation, Authorisation and Restriction of Chemicals) which seeks to provide an improved level of protection of human health and the environment through the responsible use of chemicals.

In addition to the initiatives set out above, during 2009:
- PZ Cussons UK developed and launched Morning Fresh Optima which has been reformulated to remove petroleum based detergents and use materials which are derived from renewable resources. Additionally and without adversely affecting performance, the levels of active substances have been significantly reduced resulting in reductions in chemical usage by over 1,600 tonnes

- our business in Nigeria has reformulated premium detergent laundry powders to reduce phosphate levels and thereby reduce consumption of chemicals and emissions into the environment without compromising product performance
- in Poland, the entire washing powder portfolio was re-engineered to remove phosphates completely and replace them with zeolite, a more environmentally-friendly alternative. In this region, the Helcom Baltic Sea action plan and the EU Baltic Sea strategy both have a long-term aim to phase out phosphate use in detergents to combat eutrophication (artificial enrichment of the sea's nutrients which may lead to algal blooms). PZ Cussons proactively implemented this initiative to fulfil its environmental commitments well in advance of any potential regulation
- the Minerva business in Greece has redesigned its plastic bottles for edible oil products, reducing the amount of PET material used by up to 15% depending on bottle size. This has reduced environmental impact at the same time as delivering substantial cost savings to the business.

Animal testing
The Group does not conduct any animal testing or commission others to conduct any animal testing. We continue to support the development and acceptance of alternative methods which reduce or replace the use of animals in product safety evaluation and we work with our suppliers to ensure that our values on this subject are shared and, where feasible, that they work to similar standards.

Everyday, good quality, affordable products
One of the Group's core strategic principles is to develop leading brands which are particularly suited to local needs and tastes. The introduction of everyday, good quality, affordable products enhances the quality of the lives of consumers, particularly in developing countries.

The provision of soaps and cleaning products in countries such as Nigeria, Kenya, Ghana and Indonesia has significant benefits in terms of the hygiene and health of the local population.

In addition, PZ Cussons is proud to provide a range of nutritional milk products in Africa, through its Nutricima joint venture with Glanbia plc. The first products were launched three years ago since when the product range has been significantly expanded. With a view to the World Health Organisation findings on the nutritional well being of most Nigerians, Nutricima continues to expand its offerings into affordable nutritional solutions, particularly in the area of body and immune development, helping to provide the essential daily nutritional requirement of the local population which is key to the fight against child and other mortality rates within the country.

Financial performance – benefiting shareholders, employees and the wider community
The financial performance of PZ Cussons has a positive impact in all territories in which it operates, particularly in the developing World. During 2009 revenue, operating profit before exceptional items and adjusted basic earnings per share for PZ Cussons rose by 27%, 19% and 15% respectively, generating benefits for our shareholders, employees and wider stakeholders.

Specifically, in 2009 we:
- paid our employees £85.7 million in salaries plus £4.7 million to provide post-employment benefits, all of which supports the local communities in which they live and in which we operate
- distributed £21.5 million as dividends, of which a significant proportion was then gifted to charity from the Zochonis Charitable Trust
- supported local economies with £24.2 million paid to governments in taxes and social security, excluding sales and value added taxes generated on our products
- provided worldwide income of more than £462.8 million to suppliers of raw materials (an increasing proportion of which were local suppliers) helping to sustain their businesses.

Report of the Directors

Board of Directors

Executive Directors:

Anthony Green – *Chairman (age 58)*
Mr Green was appointed an Executive Director of PZ Cussons Plc in 1990 and became Chairman of the company in 1993. He has worked in a number of senior positions for the company in Africa, Asia and the UK and prior to his appointment to the Board was Regional Director for Asia. Mr Green is Chairman of the Nomination Committee and a member of the CSR Committee.

Graham Calder – *Deputy Chairman (age 62)*
Having qualified as a chartered accountant in 1970, Mr Calder worked for Spicer and Pegler in Manchester, becoming Managing Partner for the North West Regional offices in 1987 and remaining with the company through the merger with Touche Ross and subsequent change to Deloitte & Touche where he was partner in charge of the Manchester office. He joined PZ Cussons in 1996 and was appointed to the Board in 1998 as Finance Director, becoming Deputy Chairman in 2006.

Alex Kanellis – *Group Chief Executive (age 44)*
Mr Kanellis has a PhD in mechanical engineering. He joined PZ Cussons in 1993. He was appointed Managing Director of the Group's business in Thailand in 1998 before becoming Managing Director of Indonesia in 2001. He was appointed to the Board in 2003 as Regional Director of Asia becoming Chief Executive in June 2006. Mr Kanellis is a member of the Nomination, Group Risk and CSR Committees.

Chris Davis – *Commercial Director (age 47)*
After working in senior Sales & Marketing roles for various Consumer Goods companies, Mr Davis joined PZ Cussons from the BTR Nylex Group in 1993 and became Managing Director of the Group's business in Australia in 2001. He was appointed to the Board in 2006 as Regional Director of Africa and became Group Commercial Director in 2008. Mr Davis is a member of the Group Risk and CSR Committees.

Brandon Leigh – *Group Finance Director (age 38)*
Mr Leigh qualified as a chartered accountant with Deloitte & Touche in 1996. He joined PZ Cussons in 1997 and was appointed to the Board as Group Finance Director in 2006. Mr Leigh is a member of the Group Risk and CSR Committees.

John Pantelireis – *Supply Chain Director (age 55)*
Mr Pantelireis was appointed an Executive Director of PZ Cussons Plc in 2005 and is a member of the Group Risk and CSR Committees. He has worked in a variety of senior positions for PZ Cussons both in Nigeria and the UK and spent three years as Supply Chain Development Director prior to his appointment to the Board.

Independent Non-executive Directors:

Derek Lewis (age 64)
Mr Lewis has been a Non-executive Director of PZ Cussons Plc since June 2004. A retired solicitor and former partner of Addleshaw Goddard LLP, Mr Lewis specialised throughout his professional career in advising on corporate and commercial matters. Mr Lewis is the Senior Non-executive Director and a member of the Nomination, Remuneration and Audit Committees.

Professor John Arnold (age 65)
John Arnold is Emeritus Professor of Accounting and Financial Management at Manchester Business School and has been a Non-executive Director of PZ Cussons Plc since January 2007. A chartered accountant and Chairman of Manchester Business School Incubator Limited, his previous experience includes spending 12 years as Director and Dean of Manchester Business School. Professor Arnold is currently Chairman of the Co-operative Performance Committee of Co-operatives UK, a Director of the Greater Manchester Chamber, Chairman of Feelgood Theatre Productions and an academic adviser to Ashridge and to IBS-ISCTE Business School in Lisbon. Professor Arnold is Chairman of the Audit Committee and the Group Risk Committee and a member of the Nomination and Remuneration Committees.

Simon Heale (age 56)
Mr Heale was appointed a Non-executive Director of PZ Cussons Plc in January 2008 and is Chairman of the CSR Committee and a member of the Nomination, Remuneration and Audit Committees. A chartered accountant, Mr Heale has worked in a variety of senior positions for multi-national companies in America and the Far East and spent five years as Chief Executive of the London Metal Exchange. Mr Heale is now a Non-executive Director of The Morgan Crucible Company Ltd, Kazakhmys plc, Marex Financial and Panmure Gordon & Co Ltd.

James Steel (age 49)
Mr Steel has been a Non-executive Director of PZ Cussons Plc since October 2005. Mr Steel is currently Managing Director of Corporate Finance at Arbuthnot Securities Ltd. He was previously a Managing Director of European investment banking at Citigroup and a Director in the corporate finance division of Schroders which he joined in 1986 after qualifying as a chartered accountant. Mr Steel is Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees.

Report of the Directors & Accounts

In this section

Report of the Directors

Principal activities
The principal activities of the Group are the manufacture and distribution of soaps, detergents, toiletries, pharmaceuticals, electrical goods, edible oils, fats and spreads and nutritional products. The subsidiary undertakings and joint ventures principally affecting the profits, liabilities or assets of the Group are listed in note 32 of the consolidated financial statements.

Results and dividends
A summary of the Group's results for the year is set out in the Financial review on pages 10 to 13 of the annual report and accounts.

The Directors recommend a final dividend of 4.085p (2008: 3.625p) per ordinary share to be paid on 7 October 2009 to ordinary shareholders on the register at the close of business on 21 August 2009 which, together with the interim dividend of 1.185p (2008: 1.075p) paid on 6 April 2009, makes a total of 5.27p for the year (2008: 4.70p).

Directors
Executive Directors
Mr A J Green – Chairman
Mr A G Calder – Deputy Chairman
Mr G A Kanellis – Group Chief Executive
Mr C G Davis – Group Commercial Director
Mr B H Leigh – Group Finance Director
Mr J Pantelireis – Group Supply Chain Director

Independent Non-executive Directors
Mr D W Lewis
Prof J A Arnold
Mr S J N Heale
Mr J T J Steel

As Non-executive Directors, Prof J A Arnold and Messrs D W Lewis, S J N Heale and J T J Steel do not have service contracts. Details of the letter of engagement relating to each are set out under the heading 'Service Contracts' within the Report on Directors' remuneration.

Under the Company's Articles of Association, all Directors are subject to retirement by rotation and to re-election by shareholders at intervals of no more than three years and any Director who is appointed during the year is required to retire and seek re-election at the next Annual General Meeting. The Directors retiring by rotation prior to the 2009 Annual General Meeting are Mr A J Green, Mr C G Davis and Mr B H Leigh, each of whom, being eligible, offers himself for re-election.

The evaluation of the Board, as reported within the report on Corporate governance, concluded that each of the Directors offering himself for re-election continues to demonstrate effectiveness and commitment to his particular role and the re-election of each is accordingly recommended by the Board.

Directors' interests
The Directors' interests in the share capital of the Company at 31 May 2009 together with their interests at 1 June 2008 are detailed below:

	Ordinary shares 2009 Number	Ordinary shares 2008 Number
Beneficial		
Mr A J Green	**62,403,690**	62,403,690
Mr G A Kanellis	**101,767**	101,767
Prof J A Arnold	**13,450**	7,850
Mr A G Calder	**452,560**	452,560
Mr C G Davis	**157,380**	157,380
Mr S J N Heale	**8,000**	8,000
Mr B H Leigh	**45,999**	45,999
Mr D W Lewis	**40,000**	40,000
Mr J Pantelireis	**77,000**	77,000
Mr J T J Steel	**37,500**	24,750
Total	**63,337,346**	63,318,996
Non-beneficial		
Mr A J Green	**6,926,080**	6,926,080
Mr A G Calder	**69,592,170**	69,442,170
Total	**76,518,250**	76,368,250

Notes:
1 The figures in the tables do not include 1,837,727 (2008: 2,130,236) ordinary shares held by the Employee Share Option Trust (ESOT) at 31 May 2009. The ESOT is a discretionary trust under which the class of beneficiaries 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 (excluding the Chairman) under the PZ Cussons Plc Deferred Annual Share Bonus Scheme, the PZ Cussons Plc Executive Share Option Scheme and/or the PZ Cussons Plc Performance Share Plan, details of each 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 table do not include options granted over ordinary shares under the PZ Cussons Plc Executive Share Option Scheme, conditional shares granted under the PZ Cussons Plc Performance Share Plan or deferred shares granted (but not yet transferred to participants) under the PZ Cussons Plc Deferred Annual Share Bonus Scheme as at 31 May 2009.

There have been no changes in the interests of any of the Directors between 31 May 2009 and the date of this report. The register recording the Directors' interests will be open for inspection at the 2009 Annual General Meeting. No Director had any beneficial interest during the year in shares or debentures of any subsidiary company. Save for their service contracts or letters of appointment, there were no contracts of significance subsisting during or at the end of the financial year with the Company or any of its subsidiaries in which a Director of the Company was materially interested.

During the year, the Company maintained liability insurance for its Directors and officers and pension fund trustee liability insurance for Mr A J Green, Mr A G Calder, Mr G A Kanellis, Mr C G Davis and Mr B H Leigh in their capacity as trustees of certain of the Group's pension funds.

Other substantial interests
The register maintained by the Company under section 808 of the Companies Act 2006 disclosed the following interests in the shares of the Company held at 28 July 2009:

	Number of shares	%
J B Zochonis	60,619,580	14.14
Zochonis Charitable Trust	49,665,040	11.58
M&G	30,888,537	7.20
Mrs C M Green Settlement	20,328,280	4.74
J B Zochonis Settlement	19,927,130	4.65

No shares were issued during the year. Further information about the Company's share capital is given in note 24 of the consolidated financial statements.

Political and charitable contributions
Charitable contributions in the United Kingdom during the year amounted to £343,000 (2008: £50,000). No political contributions were made (2008: nil).

Report of the Directors continued

Research and development
The Group maintains in-house facilities for research and development in the United Kingdom, Poland, Indonesia, West Africa and Australia; in addition, research and development is sub-contracted 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'.

Payment of suppliers
The Group does not follow any code or statement on payment practice. It is the responsibility of the management of each operating unit within the Group to agree appropriate terms of business with suppliers upon entering into binding contracts and to adhere to these payment terms provided the relevant goods or services have been supplied in accordance with contractual obligations. The creditor days are disclosed in note 19 of the consolidated financial statements.

Employment of disabled persons
During the year the Group has maintained its policy of providing equal opportunities for the appropriate employment, training and development of disabled persons. Further information regarding the Company's policies in this respect are set out within the report on page 96.

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 which suit their particular needs and environment, with the active encouragement of the parent organisation.

Auditor
PricewaterhouseCoopers LLP has signified its willingness to continue in office as Auditor to the Company and, in accordance with section 485 of the Companies Act 2006, a resolution for its appointment will be proposed at the forthcoming Annual General Meeting.

Enhanced business review
A review of the functional performance of the Group is provided on pages 10 to 22.

Principal risks and uncertainties facing the Group
The Group's business activities, financial condition, 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 24 to 25.

Annual General Meeting
The Company's 2009 Annual General Meeting will be held at the Lowry Hotel, 50 Dearmans Place, Chapel Wharf, Manchester M3 5LH at 12 noon on 5 October 2009. The resolutions which will be proposed at the 2009 Annual General Meeting are set out in the separate Notice of Annual General Meeting which accompanies this Annual Report and Accounts.

Purchase of own shares
No shares were purchased during the period from 1 June 2008 to 28 July 2009 (other than the acquisitions undertaken by the ESOT (see note 26)).

Directors' Statement as to disclosure of information to the 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 Auditor is unaware
- each of the Directors has taken all the steps that he ought to have taken as Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This information is given and should be interpreted in accordance with the provision of section 418(2) of Companies Act 2006.

By order of the Board of Directors

Mr S P Plant
Company Secretary
28 July 2009

Report on Directors' remuneration

This report on Directors' remuneration has been prepared in accordance with the Large and Medium-sized Companies and Groups Regulations 2008 and satisfies the requirements of the Listing Rules of the Financial Services Authority. A resolution to approve the report will be proposed at the 2009 Annual General Meeting.

The table on Directors' remuneration and sections on the PZ Cussons Plc Deferred Annual Share Bonus Scheme, the PZ Cussons Plc Executive Share Option Scheme, the PZ Cussons Plc Performance Share Plan and Directors' pension benefits constitute audited information.

Remuneration Committee
The Remuneration Committee of the Board (the 'Committee') is responsible for determining and agreeing with the Board the remuneration policy for Executive Directors. The Committee is also responsible for determining within such policy the remuneration packages of individual Executive Directors (including the Chairman of the Company) and the Company Secretary and for approving the design and operation of all share-based incentive schemes for the Executive Directors and senior management. The Committee meets at least twice a year and during 2008/09 met on five occasions. The Committee's terms of reference are available on the Company's website (www.pzcussons.com).

The members of the Committee during the year were Mr J T J Steel (Committee Chairman), Prof J A Arnold, Mr S J N Heale and Mr D W Lewis. Each is a Non-executive Director of the Company and all are independent of management and have no conflicts of interest or any day-to-day involvement in running the business. The remuneration of the Non-executive Directors is determined by the Board of Directors. No Director is involved in any decisions on the level and composition of his own remuneration.

The Committee was advised during the year in relation to the PZ Cussons Plc Deferred Annual Share Bonus Scheme, the PZ Cussons Plc Executive Share Option Scheme and the PZ Cussons Plc Performance Share Plan initially by Hewitt New Bridge Street Associates and, from December 2008 onwards, by Deloitte LLP which also advised the Committee in respect of salary levels and Directors' pension benefits. Details of the PZ Cussons Plc Deferred Annual Share Bonus Scheme, the PZ Cussons Plc Executive Share Option Scheme and the PZ Cussons Plc Performance Share Plan are set out on pages 42 to 43. Neither Deloitte LLP nor Hewitt New Bridge Street Associates provide or have during the year provided any other material services to the Group.

During the year, the Committee has consulted the Chairman on issues where his experience and knowledge have been of benefit to its deliberations and he attends meetings by invitation. The Chief Executive has also been consulted on proposals relating to the remuneration of members of the Group's senior management team and he too attends meetings by invitation. Neither the Chairman nor the Chief Executive attend when the matters under consideration concern their own personal remuneration. The Company Secretary acts as Secretary to the Committee and attends Committee meetings (save where his own remuneration is under consideration).

Policy on Executive Directors' remuneration
The Group's policy is that the remuneration arrangements for Executive Directors should:
- provide a competitive level of remuneration against companies of similar size and complexity;
- be sufficient to recruit, motivate and retain executives of the calibre required;
- be aligned with the enhancement of sustainable shareholder value;
- be structured such that an appropriate proportion of the remuneration package links reward to corporate and individual performance over the short, medium and long-term; and
- recognise the long-term ambitions of the Company.

The principal elements of each Executive Director's remuneration package comprise:
- basic salary and benefits;
- pension benefits;
- participation in the PZ Cussons Plc Deferred Annual Share Bonus Scheme ('the Deferred Annual Share Bonus Scheme'); and
- participation in the PZ Cussons Plc Performance Share Plan ('the Performance Share Plan').

In designing an appropriate incentive structure for the Executive Directors and other senior management, the Committee seeks to set challenging performance criteria which are aligned with the Group's business strategy and the enhancement of sustained shareholder value. The Committee is also mindful of the need to avoid inadvertently encouraging risky or irresponsible behaviour including behaviour which could raise environmental, social or governance issues.

Basic salary and benefits
Following a change in policy in 2008/09 Executive Directors' salaries are normally reviewed annually with effect from 1 June each year. Reviews take account of various factors including individual performance and remuneration levels in companies of similar size and complexity.

No generalised changes to Executive Directors' salaries were made during the year, the last review having taken effect on 1 January 2008. However, Mr C G Davis' basic salary was increased from £245,000 to £265,000 per annum on his promotion to Group Commercial Director with effect from 1 December 2008. In addition, Mr A G Calder's salary was reduced to £172,500 per annum with effect from the same date reflecting his move to a part-time role.

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Report on Directors' remuneration continued

In view of the time that had elapsed since the last review on 1 January 2008, the Committee commissioned Deloitte LLP during the year to review the remuneration packages of the Executive Directors to ensure that they remained competitive, in line with best practice and appropriately structured to incentivise management to continue the Company's recent strong performance. That review indicated that, benchmarked against other companies of similar size, complexity and internationality, total remuneration levels for Executive Directors were towards the lower end of or below the market competitive range. Accordingly, following consultation with the Company's leading shareholders, the Committee increased the basic salaries of certain of the Executive Directors with effect from 1 June 2009 taking into account individual and Company performance.

The Committee recognises the current sensitivities over executive remuneration and is very mindful of the need to show restraint. It is also mindful of its obligations. Notwithstanding the current environment, the Committee concluded that the revised salaries were fair, appropriate and responsible in the circumstances. The revised salaries are still positioned below the mid-point of market competitive ranges and the overall packages remain around the lower end of market practice. Details of the revised salaries are set out in the notes to the table on Directors' remuneration on page 45.

No changes have been made to any other elements of the Executive Directors' remuneration packages.

Taxable benefits, which are subject to periodic review, include life assurance, health insurance and car benefits.

Pension benefits
Since 1 June 2008 Executive Directors have participated in a defined contribution pension scheme under which the Group pays a contribution of 20% of salary into the scheme on their behalf subject to a minimum employee contribution of 5% of salary. Executive Directors whose pension benefits have exceeded or are forecast to exceed the life time allowance are eligible, at the discretion of the Committee, to receive a cash payment in lieu of employer pension contributions.

Up to 31 May 2008, Executive Directors participated in a defined benefit pension scheme which provided benefits of up to two thirds of final salary subject to a scheme-specific earnings cap. With effect from 1 June 2008 no further benefits accrue under the defined benefit scheme although the benefits payable will remain linked to salary until 31 May 2013. Further detail on Executive Directors' benefits under the defined benefit scheme are set out in the table on page 46.

Deferred Annual Share Bonus Scheme
Executive Directors (excluding the Chairman) and certain key senior executives are eligible to participate in the Deferred Annual Share Bonus Scheme, pursuant to which they may earn an annual bonus linked to performance targets established by the Committee. For 2008/09, Executive Directors (excluding the Chairman) could receive a bonus of up to 80%* of basic salary (with 60%* of salary payable at target) dependent upon the achievement of profit before taxation and net working capital targets and payable as to 50% in cash and 50% in deferred shares based on the share price on 31 May 2008.

Deferred shares will normally be received by participants following, and conditional only upon, three years of continuing employment from the date of the grant of the award. During the deferral period and subject to continued employment individuals who have been awarded deferred shares under the scheme receive cash payments equal to the dividends that would have been payable on such shares at the same time as shareholders in the Company receive dividends. Sufficient shares to satisfy such deferred awards are generally purchased in the market and retained in an employee benefit trust pending their transfer to participants. Further details regarding the employee benefit trust are given in note 26 of the consolidated financial statements.

Mr A G Calder, the Deputy Chairman, participated in the scheme on a pro rata basis until his move to part-time status on 30 November 2008 when he became subject to separate arrangements providing for a maximum bonus of 70% of annual basic salary, calculated on a pro rata basis and payable in cash, against the achievement of similar profit before tax and net working capital targets to other Executive Directors.

Bonuses vesting in respect of the achievement of targets for 2008/09 are included in the table on Directors' remuneration on page 45.

The eligibility of the Executive Directors (other than the Chairman and Deputy Chairman) in respect of their participation in the Deferred Annual Share Bonus Scheme for the year ending 31 May 2010 has been set at similar percentages of salary to those in 2008/09 dependent upon the achievement of certain profit before taxation, net working capital and operating contribution margin targets for the Group.

* These percentages may be exceeded in exceptional cases at the discretion of the Committee and were exceeded during 2008/09 in respect of Mr A G Calder to reflect his non-participation in the Performance Share Plan.

Performance Share Plan
Executive Directors (other than the Chairman and the Deputy Chairman on account of his move to part-time status) and certain key executives are also eligible for participation in the Company's Performance Share Plan which provides for the grant of conditional rights to receive shares subject to continued employment over a three year vesting period and the satisfaction of certain performance criteria established by the Committee.

Annual awards to any participant are limited to rights over shares with a market value at the time of grant equal to 100% of basic salary save in exceptional circumstances where the limit is 150% of salary. Following approval of the Performance Share Plan by shareholders at the 2008 Annual General Meeting, awards were made during 2008/09 to the Executive Directors (other than the Chairman and Deputy Chairman) over shares with a value equal to 100% of basic salary. These awards are subject to adjusted earnings per share growth targets measured over the single three year performance period commencing on 1 June 2008. The Committee considers adjusted earnings per share to be an important indicator of the Company's underlying financial performance providing a clear line of sight for executives between their performance and potential reward. Further details of these performance conditions are set out in the notes to the table setting out Director's interests in shares under incentive arrangements on page 44.

It is the Committee's intention to make further awards to Executive Directors (excluding the Chairman and Deputy Chairman) on the same basis in 2009. Such awards are expected to be subject to similar performance targets measured over a three year performance period commencing on 1 June 2009.

Executive Share Option Scheme
Prior to the adoption by the Company of the Performance Share Plan, Executive Directors (excluding the Chairman) and certain other senior executives were eligible for the grant of options under the PZ Cussons Plc Executive Share Option Scheme. It is not expected that any further awards will be made under this scheme; any future share-based incentive awards are expected to be made instead under the Performance Share Plan.

Options to acquire shares in the Company were previously granted under the Executive Share Option Scheme at an exercise price not less than the market value of the shares when the options were granted and subject to the attainment of pre-determined performance targets. The value of shares under option granted to an executive in any financial year was limited to a maximum of 1.5 times basic salary. The exercise of options is subject to the attainment of performance conditions based upon the Company's adjusted earnings per share growth relative to inflation over three financial years. Options are normally exercisable between three and ten years from the date of grant.

There have been no grants of options during 2008/09 and no variations to the terms and conditions or performance criteria attaching to subsisting options. Further details of the performance conditions for subsisting awards are set out in the notes to the table setting out Director's interests in shares under incentive arrangements on page 44.

The Company's share incentive plans may operate over new issued ordinary shares, treasury shares or ordinary shares purchased in the market. In relation to all the Company's share incentive plans, the Company may not, in any ten year period, issue (or grant rights to issue) 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.

Shareholding guidelines for Executive Directors
The Committee has adopted a formal shareholding guideline for Executive Directors. Executive Directors are expected to build up a shareholding in the Company with a value (calculated as the higher of the market value at acquisition and market value from time to time) of at least 100% of basic salary from time to time. Executive Directors are also expected to retain at least 50% of any share awards which vest (net of tax) until the threshold shareholding is met.

It is also the Board's expectation that, wherever practicable and subject in all respects to the UK Listing Authority's Model Code, any disposal of shares by Directors will be transacted in the period of two weeks immediately following the announcement by the Company of each of its interim and preliminary results.

Non-executive Directors
Fees payable to Non-executive Directors are reviewed every two years on 1 June, the next such review scheduled to be undertaken with effect from 1 June 2010.

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Report on Directors' remuneration continued

Director's interests in shares under incentive arrangements

Details of awards at 1 June 2008 and 31 May 2009 to Executive Directors are as follows:

Director	Date of award	Number of options/ awards at 1 June 2008	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2009	Option exercise price (£)	Market price at date of award (£)	Earliest date of exercise	Expiry date	Vesting/ transfer date
Mr G A Kanellis											
	12 Jun 2003 (1)	214,010	–	–	–	214,010	0.747	–	12 Jun 2006	12 Jun 2013	–
	22 Sep 2004 (1)	99,789	–	–	–	99,789	1.104	–	22 Sep 2007	22 Sep 2014	–
	8 Sep 2005 (1)	184,900	–	–	–	184,900	1.298	–	8 Sep 2008	8 Sep 2015	–
	31 Aug 2006 (1)	213,210	–	–	–	213,210	1.407	–	31 Aug 2009	31 Aug 2016	–
	6 Aug 2007 (1)	197,309	–	–	–	197,309	1.6725	–	6 Aug 2010	6 Aug 2017	–
	1 Oct 2008 (2)	–	225,750	–	–	225,750	–	1.7275	–	–	30 Sep 2011
	1 Sep 2006 (3)	44,460	–	–	–	44,460	–	1.50	–	–	1 Sep 2009
	20 Aug 2007 (3)	41,370	–	–	–	41,370	–	1.685	–	–	20 Aug 2010
	21 Aug 2008 (3)	–	38,480	–	–	38,480	–	1.725	–	–	21 Aug 2011
Mr A G Calder											
	12 Jun 2003 (1)	321,010	–	–	–	321,010	0.747	–	12 Jun 2006	12 Jun 2013	–
	22 Sep 2004 (1)	136,550	–	–	–	136,550	1.104	–	22 Sep 2007	22 Sep 2014	–
	8 Sep 2005 (1)	215,720	–	–	–	215,720	1.298	–	8 Sep 2008	8 Sep 2015	–
	31 Aug 2006 (1)	211,080	–	–	–	211,080	1.407	–	31 Aug 2009	31 Aug 2016	–
	1 Sep 2006 (3)	51,860	–	–	–	51,860	–	1.50	–	–	1 Sep 2009
	20 Aug 2007 (3)	43,520	–	–	–	43,520	–	1.685	–	–	20 Aug 2010
	21 Aug 2008 (3)	–	75,030	–	–	75,030	–	1.725	–	–	21 Aug 2011
Mr C G Davis											
	12 Jun 2003 (1)	76,900	–	–	–	76,900	0.747	–	12 Jun 2006	12 Jun 2013	–
	22 Sep 2004 (1)	31,170	–	–	–	31,170	1.104	–	22 Sep 2007	22 Sep 2014	–
	8 Sep 2005 (1)	62,900	–	–	–	62,900	1.298	–	8 Sep 2008	8 Sep 2015	–
	31 Aug 2006 (1)	142,140	–	–	–	142,140	1.407	–	31 Aug 2009	31 Aug 2016	–
	6 Aug 2007 (1)	131,539	–	–	–	131,539	1.6725	–	6 Aug 2010	6 Aug 2017	–
	1 Oct 2008 (2)	–	141,820	–	–	141,820	–	1.7275	–	–	30 Sep 2011
	1 Sep 2006 (3)	22,680	–	–	–	22,680	–	1.50	–	–	1 Sep 2009
	20 Aug 2007 (3)	20,690	–	–	–	20,690	–	1.685	–	–	20 Aug 2010
	21 Aug 2008 (3)	–	19,880	–	–	19,880	–	1.725	–	–	21 Aug 2011
Mr B H Leigh											
	12 Jun 2003 (1)	57,500	–	–	–	57,500	0.747	–	12 Jun 2006	12 Jun 2013	–
	22 Sep 2004 (1)	23,960	–	–	–	23,960	1.104	–	22 Sep 2007	22 Sep 2014	–
	8 Sep 2005 (1)	58,740	–	–	–	58,740	1.298	–	8 Sep 2008	8 Sep 2015	–
	31 Aug 2006 (1)	127,930	–	–	–	127,930	1.407	–	31 Aug 2009	31 Aug 2016	–
	6 Aug 2007 (1)	119,581	–	–	–	119,581	1.6725	–	6 Aug 2010	6 Aug 2017	–
	1 Oct 2008 (2)	–	138,920	–	–	138,920	–	1.7275	–	–	30 Sep 2011
	1 Sep 2006 (3)	28,250	–	–	–	28,250	–	1.50	–	–	1 Sep 2009
	20 Aug 2007 (3)	24,820	–	–	–	24,820	–	1.685	–	–	20 Aug 2010
	21 Aug 2008 (3)	–	23,320	–	–	23,320	–	1.725	–	–	21 Aug 2011
Mr J Pantelireis											
	8 Sep 2005 (1)	138,670	–	–	–	138,670	1.298	–	8 Sep 2008	8 Sep 2015	–
	31 Aug 2006 (1)	132,190	–	–	–	132,190	1.407	–	31 Aug 2009	31 Aug 2016	–
	6 Aug 2007 (1)	117,189	–	–	–	117,189	1.6725	–	6 Aug 2010	6 Aug 2017	–
	1 Oct 2008 (2)	–	127,350	–	–	127,350	–	1.7275	–	–	30 Sep 2011
	1 Sep 2006 (3)	33,350	–	–	–	33,350	–	1.50	–	–	1 Sep 2009
	20 Aug 2007 (3)	25,650	–	–	–	25,650	–	1.685	–	–	20 Aug 2010
	21 Aug 2008 (3)	–	22,850	–	–	22,850	–	1.725	–	–	21 Aug 2011

(1) Awarded under the PZ Cussons Executive Share Option Scheme. Awards made in 2003, 2004 and 2005 have vested and are presently capable of exercise. The number of options held by Directors as at 1 June 2008 reflects the partial lapsing during 2007/08 of options granted on 22 September 2004. The adjusted earnings per share performance conditions have been met in respect of awards made in 2006 and such awards are expected to vest on 31 August 2009. The extent to which awards made in 2007 will vest remains subject to the Company's average annual growth in adjusted earnings per share over the three years to 31 May 2010, as follows:

Proportion of option grant exercisable	Average annual growth in excess of inflation in adjusted earnings per share
33%	RPI +3% pa
33%-66% (pro rata)	RPI + 3% to 5% pa
66%-100% (pro rata)	RPI + 5% to 7% pa

(2) Awarded under the Performance Share Plan. The vesting of awards is dependent upon the extent to which adjusted earnings per share growth targets are achieved over a single three year performance period comprising the 2008/09, 2009/10 and 2010/11 financial years of the Company, using the 2007/08 financial year as the base year. No portion of such awards may vest unless the Company's adjusted earnings per share grows on average by at least RPI + 4% per annum compounded over the performance period. 25% of the award will vest where adjusted earnings per share grows on average by RPI + 4% per annum rising on a straight line pro rata basis to 100% vesting where adjusted earnings per share grows on average by RPI + 10% per annum or better compounded over the performance period. Where awards vest, participants will also receive a payment (in cash and/or shares as determined by the Remuneration Committee) on or shortly following vesting of an amount equivalent to the dividends which would have been paid on those shares between the time when the awards were granted and the time when they vest.

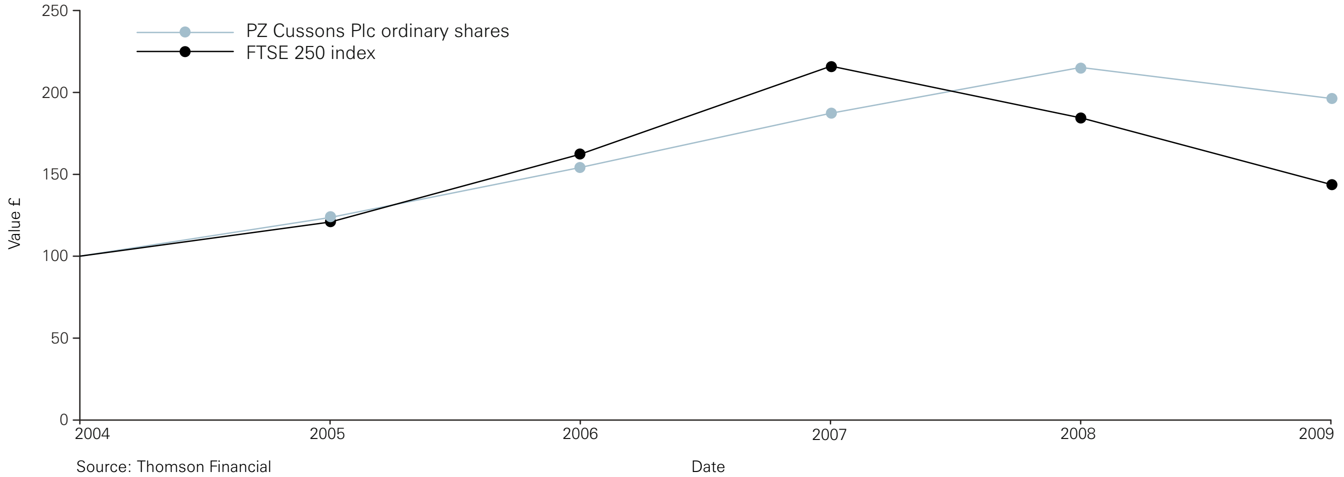
(3) Awarded under the Deferred Annual Share Bonus Scheme following the attainment of pre-determined financial targets. Awards of deferred shares in respect of the attainment of the financial targets for 2008/09 have been approved by the Remuneration Committee and will be granted at the earliest practicable opportunity permitted by the rules of the Scheme. Deferred shares will normally be received by participants following, and conditional only upon, three years of continuing employment from the date of the grant of the award.

The market value of the Company's shares at 31 May 2009 was £1.705 per share. The range during the year was £0.975 to £1.92.

Performance graph

The graph below illustrates the performance of PZ Cussons Plc measured by Total Shareholder Return (TSR) over the five year period to 31 May 2009 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



Source: Thomson Financial

Remuneration during the 2008/09 year

The following table shows remuneration of individual Directors for the year ended 31 May 2009:

	Salary/fees[1] £	Bonus[2] £	Pension contributions[3] £	Taxable benefits £	**2009 Total[5] £**	2008 Total £
Executive Directors						
Mr A J Green (Chairman)	330,000	–	66,000	35,076	**431,076**	346,950
Mr G A Kanellis	390,000	220,700	78,000	36,230	**724,930**	526,603
Mr A G Calder	258,750	196,627	51,750	22,364	**529,491**	620,897
Mr C G Davis	255,000	138,700	51,000	19,790	**464,490**	335,674
Mr B H Leigh	240,000	135,800	48,000	15,601	**439,401**	317,847
Mr J Pantelireis	220,000	124,500	44,000	20,143	**408,643**	314,579
Non-executive Directors						
Prof J A Arnold	44,167	–	–	–	**44,167**	35,000
Mr S J N Heale	39,167	–	–	–	**39,167**	12,500[4]
Mr D W Lewis	43,750	–	–	–	**43,750**	30,000
Mr J T J Steel	43,750	–	–	–	**43,750**	35,000
Mr J D M Smith	–	–	–	–	**–**	30,000
	1,864,584	**816,327**	**338,750**	**149,204**	**3,168,865**	2,605,050

(1) As reported on pages 41 to 42 above, the annual salaries of certain of the Executive Directors were reviewed and revised effective from 1 June 2009 following advice from Deloitte LLP and consultation with leading shareholders. With effect from 1 June 2009, the following annual salaries apply: Mr A J Green: £340,000; Mr G A Kanellis: £430,000; Mr A G Calder £172,500; Mr C G Davis: £275,000; Mr B H Leigh: £270,000; and Mr J Pantelireis: £235,000. Mr A G Calder's salary reflects his move to part-time status on 1 December 2008.

(2) Bonus awards made under the Deferred Annual Share Bonus Scheme are payable as 50% in cash and 50% in deferred shares (based on the Company's share price at the beginning of the financial year). The amounts included in this column include both the cash and deferred shares element, the value of the latter being based on the market value of the Company's shares at 31 May 2009 of £1.705 per share. At the start of 2008/09, the Committee established the following bonus levels and performance targets: (i) a bonus of 45% of salary accrued on achieving target adjusted profit before tax (PBT) of which 4.5% of salary accrued on achieving 90% of target PBT rising pro rata to 45% of salary for achieving 100% of target PBT and (ii), subject to achieving target PBT, a bonus of 15% of salary for achieving a monthly average net working capital to sales ratio target. Each of the targets was met and participants therefore qualified in total for bonuses of 60% of salary. Mr A G Calder participated in the scheme on an enhanced basis until his move to part time status on 1 December 2008 and thereafter became subject to separate arrangements based on similar financial targets; during the year he qualified for a bonus of 80% of salary.

(3) With effect from 1 June 2008, Messrs A J Green, G A Kanellis, C G Davis and B H Leigh became members of the Company's new defined contribution pension arrangement. As indicated above, prior to that date the Executive Directors participated in a defined benefit pension arrangement and, accordingly, pension contributions are not included in the prior year's figures. Contributions to the defined contribution pension arrangement paid by the Directors are not included in the amounts shown above. As Messrs A G Calder and J Pantelireis chose not to participate in the defined contribution pension arrangement, they each receive a salary supplement equivalent to 20% of base salary in lieu of pension provision which amounts are also included in the column headed 'Pension Contributions'.

(4) The fees payable to Mr S J N Heale in the prior year reflect his appointment part way through the year on 1 January 2008.

(5) In addition to the above, Executive Directors received the following cash payments during the year in lieu of dividends on past awards of deferred shares which have not yet vested: Mr G A Kanellis: £4,584; Mr A G Calder: £5,476; Mr C G Davis: £2,321; Mr B H Leigh: £2,829; and Mr J Pantelireis: £3,108.

Report on Directors' remuneration continued

Directors' pension benefits

The following Executive Directors were members of the defined benefit pension arrangements provided by the Company. All of these defined benefit plans were closed to future accrual on 31 May 2008 and replaced by defined contribution arrangements. Benefits built up in the defined benefit plans will continue to be based on final salary until 31 May 2013 or, if sooner, the date upon which the Director leaves employment with the Company. The pension entitlements and corresponding transfer values below relate solely to the defined benefit arrangements.

	Gross increase in accrued pension £ pa	Increase in accrued pension net of inflation (a) £ pa	Total accrued pension at 31 May 2009 £ pa	Value of net increase in pension over period (b) £	Value of accrued pension at 31 May 2008 £	Value of accrued pension at 31 May 2009 £	Total change in value during period (c) £
Mr A J Green	10,719	10,719	202,125	228,000	2,944,000	4,296,000	1,352,000
Mr A G Calder	11,390	11,390	204,125	279,000	3,457,000	4,995,000	1,538,000
Mr G A Kanellis	22,458	22,458	250,250	255,000	1,937,000	2,843,000	906,000
Mr C G Davis	1,175	1,175	19,736	16,000	179,000	261,000	82,000
Mr B H Leigh	8,361	8,361	86,000	76,000	515,000	777,000	262,000
Mr J Pantelireis	7,455	7,455	117,149	136,000	1,470,000	2,141,000	671,000

Notes:

(1) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the plan closure date (31 May 2008) and pensionable salaries at 31 May 2009.

(2) Transfer values have been calculated in accordance with the method and basis determined by the Trustee of each plan, on the advice of the Actuary, to be consistent with current legislation and the rules of the plans. This basis was changed during the year to reflect current investment strategy and improvements in life expectancy.

(3) No reduction has been applied to the increase in accrued pension (a) to allow for inflation, as the actual change in the Retail Price Index over the year was negative.

(4) The value of net increase (b) represents the incremental value to the Director of his increase in pension over the year, calculated on the assumption that he left employment with the Company at the year-end. It is based on the accrued pension increase (a).

(5) The change in the transfer value (c) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as gilt yield movements. The change in the transfer value basis explained in Note 2 above also contributed to the increase in the value of benefits (c) quoted above.

(6) The total accrued pension as at 31 May 2009 and the value of accrued pension at 31 May 2008 and 31 May 2009 shown for Mr A G Calder include benefits resulting from a transfer into the plan.

(7) The Company provides unfunded, unapproved pension benefits for Messrs A G Calder, B H Leigh and C G Davis as their benefits would have been subject to the Inland Revenue earnings cap, introduced by the Finance Act 1989 had the earnings cap not been abolished by the Finance Act 2004. The funded benefits payable to these Directors remain subject to a scheme specific earnings cap, which increases each year and is calculated in a similar manner to the abolished statutory earnings cap. The above figures include both the funded and unfunded pension benefits.

(8) Messrs G A Kanellis and J Pantelireis are former members of the expatriate pension scheme operated by the Company and additional benefits are provided through that scheme, as their benefits would have been subject to the Inland Revenue earnings cap, introduced by the Finance Act 1989 had the earnings cap not been abolished by the Finance Act 2004. The above figures are inclusive of the expatriate pension scheme benefits.

(9) Voluntary contributions paid by Directors and resulting benefits are not shown.

Service contracts

Executive Directors have one year rolling service contracts. No Executive Director, including those proposed for re-election, has a service contract with a notice period in excess of one year or containing any provision for pre-determined compensation on termination exceeding one year's salary and benefits in kind.

Non-executive Directors do not have service contracts but are appointed for initial periods of three years, normally renewable on a similar basis. The present letters of appointment for Mr D W Lewis, Mr J T J Steel, Prof J A Arnold and Mr S J N Heale will expire on 31 May 2010, 30 September 2011, 31 December 2009 and 31 December 2010 respectively.

By order of the Board of Directors

Mr J T J Steel
Chairman of the Remuneration Committee
28 July 2009

Corporate governance

The Board is committed to meeting the standards of good Corporate Governance set out in the Combined Code on Corporate Governance ('the Code') published by the Financial Reporting Council in June 2006 (this being the edition of the Code which presently applies to the Company). This report, together with the Report on Directors' remuneration in respect of remuneration matters, describes how the Board applied the Code during the year under review.

Board composition and independence

The Board of Directors has ten members comprising the Chairman, the Chief Executive, four other Executive Directors and four Non-executive Directors. The names of the Directors together with their biographical details are set out on page 36. The size of the Board allows individuals to communicate openly and to make a personal contribution through the exercise of their individual skills and experience.

The Non-executive Directors have been appointed for their specific experience and expertise and are all considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr D W Lewis is a former partner of Addleshaw Goddard, which acts as legal advisor to the Company. Mr D W Lewis does not and has not participated in any way in the provision of services by Addleshaw Goddard to the Company. In addition, in order that his independence is not compromised, if at any time the Board or a Committee of the Board is considering any matter concerning Addleshaw Goddard, it has been agreed that Mr D W Lewis will withdraw from that meeting until such matters have been dealt with.

Mr D W Lewis is the Senior Independent Non-executive Director and in this capacity he is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Group Finance Director has failed to resolve or for which such contact is inappropriate.

Non-executive Directors may serve on the boards of other companies provided that this does not involve a conflict of interest and that the appointment does not restrict their ability to discharge their duties to the Company in any way. In line with the Code and the Company's Articles of Association, all Directors are required to submit themselves for election at the Annual General Meeting following their appointment and thereafter by rotation. The Executive Directors' service contracts and the letters setting out the terms of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Operation of the Board

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

Four formal meetings of the Board were scheduled during the year and the Directors met on a number of further occasions as necessary to consider specific matters arising and to review and develop the Company's corporate strategy.

The differing roles of the Chairman and Chief Executive are acknowledged and set out in terms of reference which have been adopted by the Board. The Chairman is primarily responsible for the running of the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The Chief Executive is responsible for coordinating the running of the business and implementing Group strategy.

All Directors communicate with each other on a regular basis and have regular and ready access to members of the Group's management team. Senior executives are invited to attend Board meetings to make presentations on specific matters or projects. Board papers are prepared and issued to all Directors in good time prior to each Board meeting to enable Directors to give due consideration to all matters in advance of the meeting. The Board has adopted formal procedures for Directors to take independent professional advice where necessary at the Company's expense and each Director has full access to the services of the Company Secretary who is also responsible for ensuring that Board procedures and all applicable rules and regulations are followed. During the year Mr B H Leigh relinquished the role of Company Secretary which he had previously combined with his role as Group Finance Director and Mr S P Plant was appointed Company Secretary with effect from 1 September 2008.

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

The Board has also adopted a formal induction process for Directors including visits to principal sites and meetings with operating management. Directors may take additional training where necessary as part of their continuing development at the expense of the Company.

Corporate governance continued

Committees of the Board

The Board has established a number of standing committees to which various matters are delegated according to defined terms of reference. The terms of reference of the committees are available on the Company's website (www.pzcussons.com) and will also be available at the Annual General Meeting. Details of the principal standing committees of the Board are set out as follows:

Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and identifying and recommending appropriate candidates for membership of the Board when vacancies arise. The Committee members are Mr A J Green (Committee Chairman), Mr G A Kanellis and the four independent non-executive directors, Prof J A Arnold, Mr S J N Heale, Mr D W Lewis and Mr J T J Steel. The Company Secretary is secretary to the Committee.

In considering an appointment, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. External search agencies or open advertising will be used where this is appropriate. Short-listed candidates will then be invited to interview with members of the Committee and, if recommended by the Committee, will be invited to meet other Board members before any decision is taken relating to an appointment.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Chairman, Executive Directors and senior executives, which the Board as a whole is responsible for approving. The Committee members are the four independent Non-executive Directors, Mr J T J Steel (Committee Chairman), Prof J A Arnold, Mr S J N Heale and Mr D W Lewis. The Company Secretary is secretary to the Committee.

Once approved, the Remuneration Committee is responsible for evaluating the performance and determining specific remuneration packages for the Chairman and each Executive Director. The Chairman and Executive Directors are responsible for the agreement of Non-executive Directors' remuneration.

Further details of the Committee's responsibilities and activities during the year are set out in the Report on Directors' remuneration on pages 41 to 46.

Audit Committee

The Audit Committee is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies and its disclosure practices and internal controls. It is also responsible for overseeing all matters associated with the appointments, terms, remuneration and performance of the external auditor and for reviewing the scope and results of the audit and its cost effectiveness. These responsibilities are discharged at the Audit Committee meetings and through regular reports from the internal audit function. The Audit Committee comprises the four independent Non-executive Directors, Prof J A Arnold (Committee Chairman), Mr S J N Heale, Mr D W Lewis and Mr J T J Steel and meets regularly with the external auditor. Prof J A Arnold, a qualified chartered accountant, brings recent and relevant financial experience to the Audit Committee. The Company Secretary is secretary to the Committee.

As indicated above, one of the duties of the Audit Committee is to make recommendations to the Board in relation to the appointment of the External Auditor. Various factors are taken into account by the Committee in assessing whether to recommend the Auditor for reappointment. These include the quality of the reports provided to the Audit Committee and the Board and the level of understanding demonstrated of the Group's business.

The Group has a policy governing the conduct of non-audit work by the Auditor. The Auditor is permitted to provide non-audit services which are not, and are not perceived to be, in conflict with Auditor independence, providing it has the skill, competence and integrity to carry out the work and is considered to be the most appropriate to undertake such work in the best interests of the Group. Activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the Committee for approval prior to engagement, regardless of the amounts involved. All assignments are monitored by the Committee. Details of the amounts paid to the External Auditor during the year for audit and other services are set out in note 4 to the financial statements.

Attendance at meetings

The number of scheduled meetings of the Board (excluding such ad hoc meetings as were necessary during the year to address specific matters arising) and of each of the Audit, Remuneration and Nomination Committees during the year ended 31 May 2009, together with a record of the attendance of the current Directors who are their respective members, is detailed in the table below:

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Mr A J Green	4	4	n/a	n/a	n/a	n/a	2	2
Mr A G Calder	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Mr G A Kanellis	4	4	n/a	n/a	n/a	n/a	2	2
Mr C G Davis	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Mr B H Leigh	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Mr J Pantelireis	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Mr D W Lewis	4	4	4	4	5	5	2	2
Prof J A Arnold	4	4	4	4	5	5	2	2
Mr S J N Heale	4	4	4	4	5	5	2	2
Mr J T J Steel	4	4	4	4	5	5	2	2

'n/a' indicates that the Director is not a member of the committee.

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

Group Risk Committee

The Group Risk Committee is responsible for identifying, assessing and prioritising all material risks facing the Group and ensuring, where possible, that appropriate action is taken to manage and mitigate those risks. The risk areas which the Committee reviews include general business risk including risk arising out of the external financial environment, product safety risk, physical asset risk including factory, health and safety and environmental risks, IT and infrastructure risks. The Committee is then responsible for developing and supporting the activities necessary to convert an approved framework of risk limits and risk appetite policies into an effective plan for implementation across the Group. This is achieved by ongoing review to develop and implement plans to eliminate, reduce or transfer risk where practicable. The Committee is also responsible for reviewing the risk management and control process within the Group and encouraging and supporting two-way communications in respect of risks issues within the business and with external stakeholders including shareholders, suppliers and customers.

The Group Risk Committee comprises Prof J A Arnold (independent Non-executive Director and Committee Chairman), Mr G A Kanellis, Mr C G Davis, Mr B H Leigh and Mr J Pantelireis. The Company Secretary is secretary to the Committee. The Committee reports formally to the Board after each meeting. It has authority to obtain external advice as considered appropriate and the Board has resolved that it should be provided with sufficient resources to undertake fully its responsibilities.

The Board undertakes annually a formal review of the risk management process and the performance of the Group Risk Committee.

Corporate Social Responsibility (CSR) Committee

During the year, the Board constituted the CSR Committee as a new standing committee of the Board. The CSR Committee is responsible for reviewing and developing the Company's corporate strategy to ensure that CSR is an integral part of the strategy and that the Group's social, environmental and economic activities are aligned. The CSR Committee is also responsible for the development of policies on all key areas of CSR including the environment, health and safety, product testing and customer safety, standards of business conduct, ethics, employees and employee development, charitable activities and community initiatives. Further details of the Committee's terms of reference and activities during the year are set out in the Corporate social responsibility report.

The CSR Committee comprises Mr S J N Heale (independent Non-executive Director and Committee Chairman), Mr G A Kanellis, Mr C G Davis, Mr B H Leigh and Mr J Pantelireis. The Company Secretary is secretary to the CSR Committee. The Committee reports formally to the Board after each meeting. It has authority to obtain external advice as considered appropriate and the Board has resolved that it should be provided with sufficient resources to undertake fully its responsibilities.

Corporate governance continued

Performance evaluation
Reviews of the Board and Board committee performance are carried out annually, with the assistance of external advisors where considered appropriate, and the review results are discussed and any appropriate actions taken.

The Chairman's performance is reviewed by the Non-executive Directors led by the Senior Independent Director and takes into account the views of the Executive Directors. The performance of the Non-executive Directors is evaluated by the Chairman, in consultation with the Executive Directors. The Remuneration Committee reviews Executive Directors' performance with guidance from the Chairman and the Chief Executive except in the case of the Chief Executive's performance where it is reviewed by the Chairman and the Remuneration Committee.

The review process in 2009 concluded that all Directors continue to contribute effectively and with proper commitment, devoting adequate time to carry out their duties.

Remuneration
Details of Directors' remuneration are set out in the Report on Directors' remuneration.

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 Business review. The financial position of the Group and liquidity position are described within Financial review. In addition, note 18 to the financial statements includes policies in relation to the Group's financial instruments and risk management and policies for managing credit risk, liquidity, market risk, foreign exchange risk, price risk and interest rate 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 the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Internal control
The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurances against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks, that it has been in place for the year ended 31 May 2009 and up to the date of the Annual Report and Financial Statements, that it is regularly reviewed by the Board and that it accords with the Turnbull guidance for Directors on the Combined Code. The process includes:
- frequent communication between the Board and the Group Risk Committee and subsidiary management on all critical business issues
- regular visits to operating units by the Board, head office management and internal audit
- a detailed system of budgeting, reporting and forecasting
- regular review by the Board and Group Risk Committee of risk throughout the Group and the risk management processes in place
- taking necessary action to remedy any significant weaknesses found as part of the review of the effectiveness of the internal control system.

Throughout the year, the Board has carried out assessments of internal control by considering documentation from the Executive Directors, Audit Committee and internal audit function as well as taking into consideration events since the year end.

The Group continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the attention of management and the Board. The Group has ethical guidelines and a defined fraud reporting process which are issued with the Group Internal Control Manual to all employees within the Group.

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

The Company maintains a corporate website, www.pzcussons.com, containing a wide range of information of interest to institutional and private investors and a subscription e-mail service is available which enables access to Company notifications and news releases.

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

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

General meetings of shareholders
The business to be conducted at the Annual General Meeting of the Company is set out in the separate Notice of Annual General Meeting which accompanies the Annual Report and Financial Statements. Resolutions put before shareholders at the Annual General Meeting will usually include resolutions for the appointment of Directors, approval of the Report on Directors' remuneration, declaration of the final dividend and authorisation for the Board to allot and repurchase shares. Voting at the Annual General Meeting is on a show of hands but the Chairman reports, after each show of hands, details of all proxy votes lodged for and against each resolution and the number of abstentions.

At each Annual General Meeting, the Chairman provides an update on the progress of the business over the last year and also on current trading conditions.

Compliance statement
The Directors consider that the Company complied with the provisions of section 1 of the Code with the following exceptions:

Code Provision A.3.2: The Board recognises that the Code specifies that at least half of the members of the Board (excluding the Chairman) should be independent Non-executive Directors. The Board comprised the Chairman, a total of five Executive Directors and four Non-executive Directors and, accordingly, did not comply with this provision. Each of the Non-executive Directors is determined by the Board to be independent and it is the view of the Board that their respective backgrounds clearly indicate that they are of sufficient calibre and number for their views to carry significant and sufficient weight in the Board's decisions.

Code Provision D.1.1: The Code specifies that the Senior Independent Director should attend sufficient meetings with a range of major shareholders to develop a balanced understanding of the issues and concerns of major shareholders. During the year the Senior Independent Director did not meet all major shareholders but shareholders are afforded the opportunity to meet or consult with him at their discretion in the event that they have any questions, comments or concerns and he is available to speak to all shareholders at the Company's Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Report on Directors' remuneration and the Group and Parent financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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. They 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.

Each of the Directors, whose names and functions are listed on page 36, confirm that, to the best of their knowledge:
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which it faces.

By order of the Board

Mr S P Plant
Company Secretary
28 July 2009

Independent auditors' report to the members of PZ Cussons Plc

We have audited the Group financial statements of PZ Cussons Plc for the year ended 31 May 2009 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the Group financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 May 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement, set out on page 50, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Other matter
We have reported separately on the parent company financial statements of PZ Cussons Plc for the year ended 31 May 2009 and on the information in the report on Directors' Remuneration that is described as having been audited.

N W E Boden
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 July 2009

Consolidated income statement
Year ended 31 May 2009

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	Total 2009 £m	Before exceptional items £m	Exceptional items (note 3) £m	Total 2008 £m
Revenue	2	**838.1**	**–**	**838.1**	660.9	–	660.9
Cost of sales		**(546.8)**	**(3.3)**	**(550.1)**	(419.1)	(3.1)	(422.2)
Gross profit		**291.3**	**(3.3)**	**288.0**	241.8	(3.1)	238.7
Selling and distribution costs		**(119.5)**	**–**	**(119.5)**	(105.0)	–	(105.0)
Administrative expenses		**(77.1)**	**(1.1)**	**(78.2)**	(60.2)	3.1	(57.1)
Share of results of joint venture	12	**(4.1)**	**–**	**(4.1)**	(0.2)	–	(0.2)
Operating profit	2	**90.6**	**(4.4)**	**86.2**	76.4	–	76.4
Finance income		**3.7**	**–**	**3.7**	3.4	–	3.4
Finance costs		**(5.5)**	**–**	**(5.5)**	(3.3)	–	(3.3)
Net finance (costs)/income	6	**(1.8)**	**–**	**(1.8)**	0.1	–	0.1
Profit before taxation		**88.8**	**(4.4)**	**84.4**	76.5	–	76.5
Taxation	7	**(25.2)**	**1.2**	**(24.0)**	(21.4)	0.2	(21.2)
Profit for the year	4	**63.6**	**(3.2)**	**60.4**	55.1	0.2	55.3
Attributable to:							
Equity holders of the parent	9	**52.8**	**(3.2)**	**49.6**	45.9	1.1	47.0
Minority interest		**10.8**	**–**	**10.8**	9.2	(0.9)	8.3
		63.6	**(3.2)**	**60.4**	55.1	0.2	55.3
Basic EPS (p)	9			**11.64**			11.04
Diluted EPS (p)	9			**11.56**			10.96
Adjusted basic EPS (p)	9			**12.39**			10.78
Adjusted diluted EPS (p)	9			**12.31**			10.71

The results shown above for both 2009 and 2008 relate to continuing operations.

Consolidated statement of recognised income and expense
Year ended 31 May 2009

	Notes	2009 £m	2008 £m
Actuarial gains/(losses) on defined benefit pension schemes	23	**19.1**	(21.4)
Exchange differences on translation of foreign operations		**(3.8)**	29.2
Taxation on items taken directly to equity	7	**(5.6)**	4.2
Net income recognised directly in equity		**9.7**	12.0
Profit for the year		**60.4**	55.3
Total net income and expense recognised for the year		**70.1**	67.3
Attributable to:			
Equity holders of the parent		**60.5**	54.7
Minority interests		**9.6**	12.6

Consolidated balance sheet
At 31 May 2009

	Notes	31 May 2009 £m	31 May 2008 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	10	**157.6**	152.2
Property, plant and equipment	11	**200.8**	180.0
Other investments	13	**0.6**	0.7
Net investment in joint venture	12	**19.0**	22.8
Receivables	15	**1.6**	0.1
Retirement benefit surplus	23	**20.6**	21.5
		400.2	377.3
Current assets			
Inventories	14	**158.3**	167.4
Trade receivables and prepayments	15	**111.3**	113.2
Investments	16	**0.3**	0.3
Cash and cash equivalents	17	**84.2**	44.0
Current taxation receivable		**0.8**	2.5
		354.9	327.4
Total assets		**755.1**	704.7
Liabilities			
Current liabilities			
Borrowings	18	**(16.4)**	(16.4)
Trade and other payables	19	**(142.1)**	(108.4)
Current taxation payable		**(20.3)**	(18.5)
Provisions	22	**(3.8)**	(1.7)
		(182.6)	(145.0)
Non-current liabilities			
Borrowings	18	**(44.9)**	(59.9)
Other liabilities	20	**(1.0)**	(1.5)
Deferred tax liabilities	21	**(47.2)**	(40.7)
Retirement benefit obligations	23	**(29.6)**	(51.7)
		(122.7)	(153.8)
Total liabilities		**(305.3)**	(298.8)
Net assets		**449.8**	405.9
Equity			
Ordinary share capital	24	**4.3**	4.3
Capital redemption reserve	25	**0.7**	0.7
Hedging reserve	25	**0.3**	–
Currency translation reserve	25	**20.4**	23.0
Retained earnings	25	**364.2**	320.7
Equity attributable to equity holders of the parent		**389.9**	348.7
Equity minority interest	25	**59.9**	57.2
Total equity		**449.8**	405.9

The financial statements were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

Mr A J Green
28 July 2009

Mr G A Kanellis

Consolidated cash flow statement
Year ended 31 May 2009

	Notes	2009 £m	2008 £m
Operating activities			
Cash generated from operations	27	**145.2**	53.0
Taxation		**(16.7)**	(17.1)
Net cash flow generated from operating activities		**128.5**	35.9
Investing activities			
Investment income received		**3.7**	3.5
Purchase of property, plant and equipment		**(46.0)**	(37.6)
Proceeds from sale of property, plant and equipment		**4.1**	9.8
Proceeds from sale of intangible assets		**4.3**	–
Proceeds from sale of current asset investments		**–**	13.8
Acquisition of intangible assets	30	**(3.6)**	(0.7)
Acquisition of minority interest	30	**(5.2)**	–
Acquisition of subsidiary		**–**	(74.4)
Loans granted to joint ventures		**(0.5)**	(9.9)
Net cash used in investing activities		**(43.2)**	(95.5)
Financing activities			
Interest paid		**(5.5)**	(3.3)
Dividends paid to minority interests		**(2.3)**	(2.2)
Purchase of shares for ESOT		**(0.7)**	(0.2)
Dividends paid to Company shareholders	8	**(20.5)**	(18.5)
Net (decrease)/increase in borrowings		**(10.5)**	67.8
Net cash flow (used in)/received from financing activities		**(39.5)**	43.6
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**45.8**	(16.0)
Cash, cash equivalents and bank overdrafts at the beginning of the year	17	**38.1**	50.1
Effect of foreign exchange rates		**(1.1)**	4.0
Cash, cash equivalents and bank overdrafts at the end of the year	17	**82.8**	38.1

Notes to the consolidated financial statements

General information
PZ Cussons Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 96.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 1.

1. Accounting policies
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by the IFRIC.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, 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 period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared on a historical cost basis except for the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through the income statement.

The financial statements have been prepared using consistent accounting policies except as stated below.

Standards and interpretations
In preparing the consolidated financial statements the Group has adopted the following IFRIC which became effective during the year:
- IFRIC 12 'Service concession arrangements'.

This interpretation has no significant impact on the financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 May 2009 and have not been early adopted:
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 June 2009. The impact is still being assessed.
- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures' is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is applicable to the Group from 1 June 2010. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and joint ventures on the Group.
- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group will apply IAS 1 (amended) from 1 June 2009. Management is in the process of developing pro forma accounts under the revised disclosure requirements of this standard.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The interpretation clarifies the limitations on recognising defined benefit pension surpluses (and the related deferred tax liabilities) in the balance sheet and may also require recognition of an additional liability for any committed future contributions. This is applicable to the Group from 1 June 2009. Management expects the implementation will not have a significant impact on the financial statements.

1. Accounting policies continued
The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 May 2009 and have no material impact for the Group:
- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (amended) from 1 June 2009, but it is currently not applicable.
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group will apply IAS 32 (amended) from 1 June 2009. This is not relevant for the Group, as it does not have any puttable instruments.
- IFRS 2 (amendment), 'Share-based payment transactions', effective for annual periods beginning on or after 1 January 2009. The Group will apply IFRS 2 (amended) from 1 June 2009. The impact is not expected to be material.
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group's operations.

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. Control is achieved where the company has the ability to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

The total profits or losses of subsidiaries are included in the consolidated income statement and the interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, the accounts of the overseas subsidiaries are adjusted to conform to the Group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Operating profit
Operating profit is the profit of the Group before finance income, finance costs and taxation.

Exceptional items
The Group has adopted a columnar income statement format which seeks to highlight significant items within the Group results for the period. Such items are considered by the Directors to be exceptional in nature rather than being representative of the underlying trading of the Group, and may include such items as restructuring costs, material impairments of non-current assets, material profits and losses on disposal of property, plant and equipment, profit or loss on disposal or termination of operations and material pension curtailments. The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be disclosed in a separate column of the income statement and notes to the financial statements as 'Exceptional items'. The Directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost 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, plus any costs directly attributable to the business combination. 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting, rather than proportional consolidation. Under IAS 28 'Investments in associates' and IAS 31 'Interests in joint ventures', a single figure for post-tax results is presented as a separate item on the face of the income statement as part of profit before tax within operating profit. Long-term loans which are considered to be permanent as equity are combined with the Group's share of net assets/liabilities and shown on a single line within non-current assets.

Intangible assets

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 profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Where minority interests are acquired, the excess of cost over the value of the minority interest acquired is debited to goodwill.

Goodwill also includes amounts to reflect deferred tax liabilities established in relation to acquisitions in accordance with IFRS 3 'Business Combinations'. Goodwill is initially recognised as an asset and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

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. Purchased brands are recorded at purchase cost. Brands currently held are not amortised as the Directors believe they have indefinite lives. In accordance with IAS 36 'Impairment of assets', the brands are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in profit or loss.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and sales related taxes but including interest receivable on sales on extended credit and income from the provision of technical services and agreements. Sales of goods are recognised when title has passed and the significant risks and rewards of ownership have been transferred.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1. Accounting policies continued

Leases

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the functional currency of the Company, and the presentation 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. 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.

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 period unless exchange rates fluctuate significantly. 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. Applying the exemption under IFRS 1 'First time adoption of International Financial Reporting Standards', the Group has set the currency reserve to zero at 1 June 2004, the date of transition to IFRS and measured and recorded separately in that currency reserve all cumulative foreign currency translation differences arising after that date. 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.

Borrowing costs

Borrowing costs are recognised in profit or loss 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.

Employee benefits

Retirement benefit obligations

The Group operates retirement benefit schemes in the United Kingdom and for most overseas countries in which it carries on business. Those in the United Kingdom are defined benefit schemes and defined contribution schemes; overseas schemes vary in detail depending on local practice. The UK schemes were closed to future accrual on 31 May 2008.

In respect of the defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with full actuarial valuations being carried out every three years or more frequently should a material change occur in any of the schemes. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits have already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. All components of the pension cost are included within operating profit.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Notes to the consolidated financial statements continued

1. Accounting policies continued
Share-based payments
The Group operates a Deferred Annual Share Bonus Scheme, a Performance Share Plan and an Executive Share Option Scheme for senior executives, all of which involve equity-settled share-based payments.

Equity-settled share-based payments under the Executive Share Option Scheme are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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 and are based on the expected outcome of the vesting conditions.

The awards under the Deferred Annual Share Bonus Scheme are measured at fair value at the date of grant and are expensed over the period to which the performance relates.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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 tax profit nor the 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 in the income statement, except when it relates to items charged or credited 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 set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities on a net basis.

Property, plant and equipment
Land and buildings held 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%
Leasehold buildings at rates which will reduce the book value to nil on or before the termination of the leases with a minimum of	2%
Plant and machinery not less than	8%
Fixtures, fittings and vehicles not less than	20%

In the case of major projects depreciation is provided from the date the project in question is brought into use.

1. Accounting policies continued
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 profit or loss for the period.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

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 using the FIFO 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.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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'.

Cash, cash equivalents and bank overdrafts
Cash, cash equivalents and bank overdrafts includes cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of acquisition. 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.

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 uses derivative financial instruments (primarily interest rate swaps) to hedge a proportion of the exposure to floating interest rate fluctuations.

The occasional use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity, and any ineffective portion is recognised immediately in the income statement.

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. 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 period in which they arise.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Investments

Investments (other than interests in joint ventures) are recognised and derecognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as either held-to-maturity, held-for-trading, loans and receivables or available-for-sale. Held-to-maturity investments and loans and receivables are measured at amortised cost. Held-for-trading and available-for-sale investments are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

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.

Critical accounting policies and key sources of estimation uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results. The assumptions and estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Accounting for intangible assets

The Group records all acquired intangible assets at fair value. Intangible assets are deemed to have indefinite lives and as such are not amortised but are subject, at a minimum, to annual tests for impairment. Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of key estimates are discussed in note 10.

Retirement benefits

The Group has three main defined benefit schemes which are based and administered in the UK and are independent of the Group's finances. These schemes were closed to future accrual on 31 May 2008. Actuarial valuations are carried out as determined by the trustees at intervals of not more than three years. The retirement benefit cost under IAS 19 is assessed in accordance with the advice of a firm of actuaries based on the latest actuarial valuation and assumptions advised by the actuary. The assumptions are based on information supplied to the actuary by the company, supplemented by discussions between the actuary and management. The assumptions are disclosed in note 23. Operating results are affected by the actuarial assumptions used. These assumptions include discount rates, mortality rates, inflation rates and expected long-term rates of return on assets and may differ from actual results due to changing market and economic conditions and longer or shorter lives of participants.

Revenue recognition

The Group recognises revenue generally at the time of delivery, which represents the point at which the significant risks and rewards of ownership are transferred to the customer, and when collection of the resulting consideration for those goods is reasonably assured. Should management consider that the criteria for recognition are not met, revenue is deferred until such time as the consideration has been fully earned. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable net of discounts, rebates and sales-related taxes but including interest receivable on sales on extended credit and income from the provision of technical services and agreements. Dividend income from investments is recognised when the right to receive payment is established.

2. Segmental analysis

The Group's primary segment reporting is by geographical sector with business sector reporting being the secondary format. The Group has three geographical sectors which are based on the location of customers and consist of Africa, Asia and Europe. The Group has three main business sectors, being toiletries and household products; food and nutrition; and electrical goods.

Geographic segments

2009	**Africa £m**	**Asia £m**	**Europe £m**	**Eliminations £m**	**Total £m**
Total gross segment revenue	**415.0**	**173.9**	**500.6**	**(251.4)**	**838.1**
Inter segment revenue	**–**	**(38.9)**	**(212.5)**	**251.4**	**–**
Revenue	**415.0**	**135.0**	**288.1**	**–**	**838.1**
Segmental operating profit before exceptional items and share of results in joint venture	**43.6**	**10.2**	**40.9**	**–**	**94.7**
Share of results of joint venture	**(4.1)**	**–**	**–**	**–**	**(4.1)**
Segmental operating profit before exceptional items	**39.5**	**10.2**	**40.9**	**–**	**90.6**
Exceptional items (note 3)	**–**	**–**	**(4.4)**	**–**	**(4.4)**
Segmental operating profit	**39.5**	**10.2**	**36.5**	**–**	**86.2**

2008	Africa £m	Asia £m	Europe £m	Eliminations £m	Total £m
Total gross segment revenue	309.1	134.5	416.5	(199.2)	660.9
Inter segment revenue	–	(18.5)	(180.7)	199.2	–
Revenue	309.1	116.0	235.8	–	660.9
Segmental operating profit before exceptional items and share of results in joint venture	33.8	10.2	32.6	–	76.6
Share of results of joint venture	(0.2)	–	–	–	(0.2)
Segmental operating profit before exceptional items	33.6	10.2	32.6	–	76.4
Exceptional items (note 3)	(4.2)	–	4.2	–	–
Segmental operating profit	29.4	10.2	36.8	–	76.4

2009	**Africa £m**	**Asia £m**	**Europe £m**	**Tax and cash £m**	**Total £m**
Segment assets	**219.1**	**74.3**	**376.7**	**85.0**	**755.1**
Segment liabilities	**(17.7)**	**(6.3)**	**(152.5)**	**(128.8)**	**(305.3)**
Capital additions, goodwill and intangible assets	**24.3**	**3.1**	**21.2**	**–**	**48.6**
Depreciation	**(7.4)**	**(4.7)**	**(5.4)**	**–**	**(17.5)**

2008	Africa £m	Asia £m	Europe £m	Tax and cash £m	Total £m
Segment assets	219.7	84.6	351.1	49.3	704.7
Segment liabilities	(9.1)	(20.1)	(131.5)	(138.1)	(298.8)
Capital additions, goodwill and intangible assets	14.4	3.1	117.9	–	135.4
Depreciation	(5.4)	(3.8)	(6.5)	–	(15.7)

Notes to the consolidated financial statements continued

2. Segmental analysis continued

Business segments

The following table provides an analysis of the Group's revenue by business segment, irrespective of the origin of the goods:

	Revenue by business segment 2009 £m	2008 £m
Toiletries and household	**586.5**	486.3
Food and nutrition	**131.3**	104.7
Electrical goods	**120.3**	69.9
Total	**838.1**	660.9

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the business segment in which the assets are located:

	Carrying amount of segment assets 2009 £m	2008 £m	Capital additions, goodwill and intangible assets 2009 £m	2008 £m
Toiletries and household	**578.2**	588.0	**39.1**	133.2
Food and nutrition	**52.6**	40.9	**9.1**	1.4
Electrical goods	**39.3**	26.5	**0.4**	0.8
Tax and cash	**85.0**	49.3	**–**	–
Total	**755.1**	704.7	**48.6**	135.4

Trading between segments is carried out on an arm's-length basis and transactions are priced accordingly. External market prices are used where available.

3. Exceptional items

2009

Exceptional items included within operating profit:	Exceptional item before taxation £m	Taxation £m	Exceptional item after taxation £m
Restructuring of UK operations	**(4.4)**	**1.2**	**(3.2)**
Total	**(4.4)**	**1.2**	**(3.2)**

Restructuring of UK operations

A significant restructuring of the UK business, associated with the relocation of manufacturing from two sites to one site, made up of redundancy and other associated costs.

2008

Exceptional items included within operating profit:	Exceptional item before taxation £m	Taxation £m	Exceptional item after taxation £m
Restructuring of UK operations (i)	(3.3)	1.0	(2.3)
Profit on disposal of fixed assets (ii)	2.1	(0.6)	1.5
Restructuring of African operations (iii)	(4.4)	1.4	(3.0)
Pension curtailment (iv)	5.6	(1.6)	4.0
Total	–	0.2	0.2

3. Exceptional items continued

(i) Restructuring of UK operations

A significant restructuring of the UK business, associated with the relocation of manufacturing from the existing site, made up of redundancy and other associated restructuring costs.

(ii) Profit on disposal of fixed assets

The sale of the UK manufacturing site in Manchester resulted in an exceptional gain on disposal of £2.1 million.

(iii) Restructuring of African operations

A significant restructuring of African businesses (Project Unity), made up of redundancy and other associated restructuring costs.

(iv) Pension curtailment

The closure of the UK based defined benefit pension schemes on 31 May 2008 resulted in an exceptional curtailment gain of £5.6 million, net of associated costs.

4. Profit for the year – analysis by nature

Profit for the year has been arrived at after charging/(crediting):

	2009 £m	2008 £m
Net foreign exchange losses/(gains)	**4.4**	(1.1)
Research and development costs	**2.6**	3.1
Amortisation of government grants	**(0.7)**	(0.4)
Depreciation of property, plant and equipment	**17.5**	15.7
Loss/(profit) on disposal of property, plant and equipment	**1.0**	(5.5)
Profit on disposal of intangible fixed asset (note 10)	**–**	(4.3)
Raw and packaging materials and goods purchased for resale	**462.8**	375.9
Operating lease rentals	**2.4**	2.2
Employee costs (note 5)	**98.9**	81.9
Auditors' remuneration (see below)	**1.0**	0.9

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2009 £m	2008 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**–**	–
Fees payable to the Company's auditors and their associates for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.5
Total audit fees	**0.5**	0.5
Other services pursuant to legislation		
– Tax services	**0.4**	0.3
– Other services	**0.1**	0.1
Total fees	**1.0**	0.9

Fees payable to PricewaterhouseCoopers LLP and its associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Included in the amounts above, fees were paid to the Group's auditors in respect of their audit of the Group's UK retirement benefit schemes totalling £16,700 (2008: £16,400).

Notes to the consolidated financial statements continued

5. Directors and employees

Employee costs

The average number of employees (including executive directors) was as follows:

	2009 Number	2008 Number
Production	**4,635**	4,801
Selling and distribution	**2,762**	2,659
Administration	**1,199**	1,237
	8,596	8,697

The costs incurred in respect of the above were as follows:

	2009 £m	2008 £m
Wages and salaries	**85.7**	71.5
Social security and other costs	**7.2**	7.7
Post-employment benefits	**4.7**	1.8
Share-based payments (note 29)	**1.3**	0.9
	98.9	81.9

The post-employment benefits consist of:

	2009 £m	2008 £m
Defined benefit schemes (note 23)	**0.1**	3.6
Curtailment gain (note 23)	**–**	(5.9)
Defined contribution schemes (note 23)	**2.7**	2.1
Overseas minor defined benefit schemes and Nigerian gratuity scheme (note 23)	**1.9**	2.0
	4.7	1.8

Directors' remuneration

The costs incurred in respect of the Directors, who are regarded as the key management personnel, were as follows:

	2009 £m	2008 £m
Fees to Non-executive Directors	**0.2**	0.1
Wages and salaries	**1.7**	1.7
Bonus – cash bonus	**0.4**	0.3
Bonus – Deferred Annual Share Bonus	**0.4**	0.4
Benefits	**0.1**	0.1
Social security and other costs	**0.4**	0.3
Post-employment benefits	**0.3**	0.7
Share-based payments	**0.2**	0.3
Total	**3.7**	3.9

6. Net finance (cost)/income

	2009 £m	2008 £m
Current asset investment income:		
Net investment gains	**0.4**	0.2
Interest receivable from associated companies	**0.3**	–
Interest and dividends receivable	**1.6**	2.6
Gains on financial instruments	**1.4**	0.6
	3.7	3.4
Interest payable on bank loans and overdrafts	**(5.5)**	(3.3)
Net finance (cost)/income	**(1.8)**	0.1

7. Taxation

	2009 £m	2008 £m
Current tax		
UK corporation tax charge for the year	**4.5**	4.9
Adjustments in respect of prior periods	**(2.1)**	0.9
	2.4	5.8
Overseas corporation tax charge for the year	**18.9**	13.0
Adjustments in respect of prior periods	**0.1**	–
	19.0	13.0
Total current tax charge	**21.4**	18.8
Deferred tax (note 21)		
Temporary differences, origination and reversal	**2.3**	3.1
Adjustments in respect of prior periods	**0.3**	(0.7)
Total deferred tax	**2.6**	2.4
Total tax charge	**24.0**	21.2

UK corporation tax is calculated at 28% (2008: 29.67%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation on items taken directly to equity was a debit of £5.6 million (2008: credit of £4.2 million) and relates to release of deferred tax provision on disposed properties, the movement in deferred tax on actuarial losses, deferred tax on share option schemes and deferred tax on financial derivatives recognised in the hedging reserve.

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

	2009 £m	2008 £m
Profit before tax	**84.4**	76.5
Tax at the UK corporation tax rate of 28% (2008: 29.67%)	**23.6**	22.7
Tax effect of revenue/expenses that are not (taxable)/deductible	**–**	0.2
Effect of different tax rates of subsidiaries in overseas jurisdictions	**1.0**	(0.9)
Tax effect of share of results of joint ventures	**1.1**	–
Disposal of properties	**–**	(0.6)
Effect of change in UK corporation tax rate	**–**	(0.4)
Prior period adjustment	**(1.7)**	0.2
Tax charge for the year	**24.0**	21.2

8. Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2008 of 3.625p (2007: 3.27p) per ordinary share	**15.5**	13.9
Interim dividend for the year ended 31 May 2009 of 1.185p (2008: 1.075p) per ordinary share	**5.0**	4.6
	20.5	18.5
Proposed final dividend for the year ended 31 May 2009 of 4.085p (2008: 3.625p) per share	**17.5**	15.4

The proposed final dividends for the years ended 31 May 2008 and 31 May 2009 were 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 2008 and 31 May 2009 respectively.

At 31 May 2009, the Employee Share Option Trust held 1,837,727 ordinary shares (2008: 2,130,236 ordinary shares). The trust waived any entitlement to the dividends on these shares.

Notes to the consolidated financial statements continued

9. Earnings per share

	2009	2008
Profit attributable to ordinary equity shareholders (£ million)	**49.6**	47.0
Basic earnings per share (pence)	**11.64**	11.04
Diluted earnings per share (pence)	**11.56**	10.96

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders by the weighted average number of shares in issue.

	2009 Number 000	2008 Number 000
Basic weighted average	**426,212**	425,766
Diluted weighted average	**429,064**	428,725

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Deferred Annual Share Bonus Scheme, the Executive Share Option Scheme and the Performance Share Plan. The weighted average number of shares can be reconciled to the weighted average number of shares including dilutive shares as follows:

	2009 Number 000	2008 Number 000
Basic weighted average ordinary shares in issue during the year	**426,212**	425,766
Dilutive effect of share incentive	**2,852**	2,959
Diluted weighted average	**429,064**	428,725

Adjusted earnings per share

	2009	2008
Basic earnings per share	**11.64p**	11.04p
Exceptional items (note 3)	**0.75p**	(0.26)p
Adjusted basic earnings per share	**12.39p**	10.78p
Diluted earnings per share	**11.56p**	10.96p
Exceptional items (note 3)	**0.75p**	(0.25)p
Adjusted diluted earnings per share	**12.31p**	10.71p

Adjusted basic and diluted earnings per share figures are calculated by dividing adjusted profit for the year by the weighted average number of shares in issue (as above). The adjusted profit for the year is as follows:

	2009 £m	2008 £m
Profit attributable to ordinary equity shareholders	**49.6**	47.0
Exceptional items (net of taxation effect)	**3.2**	(1.1)
Adjusted profit	**52.8**	45.9

10. Goodwill and other intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 June 2007	8.8	45.4	54.2
Acquired during the year (note 30)	21.0	75.3	96.3
Other	(0.5)	1.2	0.7
Currency retranslation	–	1.0	1.0
At 31 May 2008	29.3	122.9	152.2
Acquired during the year (note 30)	1.5	3.6	5.1
Currency retranslation	–	0.3	0.3
At 31 May 2009	**30.8**	**126.8**	**157.6**

Intangible assets include the Group's acquired brands: Charles Worthington, Original Source, The Sanctuary and Trix. During the year the Group acquired the Burrino butter brand. In addition during the year the Group acquired additional share capital of PZ Cussons Nigeria Plc increasing its stake from 61% to 64%. This generated goodwill of £1.5 million.

Goodwill and intangible assets, which have indefinite useful lives, are subject to annual impairment testing, or more frequent testing if there are indications of impairment. The recoverable amounts of the cash-generating units (CGUs) are determined from value-in-use calculations that use amounts from approved budgets and plans over a period of five years (2008: five years) and cash flows projected forward assuming a perpetual growth rate of 3%. The discount rate applied to the cash flow projections was between 8.0% to 9.0% on a pre-tax basis (2008: 8.5%). The average per-annum growth rate applied to the initial period ranges from 7.7% to 10% (2008: 10%) and was based on industry growth rates.

Intangible assets and goodwill are allocated to the appropriate CGU identified, which is directly driven by the brand of product. The net book value of goodwill and intangible assets by these CGUs was as follows:

	2009 Goodwill £m	2008 Goodwill £m	**2009 Other intangible assets £m**	2008 Other intangible assets £m
Original Source	**–**	–	**9.8**	9.8
Charles Worthington	**8.3**	8.3	**29.8**	29.8
The Sanctuary	**21.0**	21.0	**75.3**	75.3
Trix	**–**	–	**7.4**	7.1
Other	**1.5**	–	**4.5**	0.9
Total	**30.8**	29.3	**126.8**	122.9

There were no impairments of goodwill or intangible assets identified during the year or the prior year.

During the prior year the 'Uroda' brand in Poland was sold with the net sale proceeds of £4.3 million (received in the year ended 31 May 2009) being reinvested in the core brands of 'E' and Luksja. This brand was not previously recognised on the balance sheet.

Notes to the consolidated financial statements continued

11. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Assets in course of construction £m	Total £m
Cost					
At 1 June 2007	79.1	153.7	31.1	21.4	285.3
Currency retranslation	7.9	11.1	2.4	1.8	23.2
Acquisitions	4.3	–	1.6	–	5.9
Additions	7.6	10.4	4.8	16.3	39.1
Disposals	(2.1)	(2.0)	(5.9)	–	(10.0)
Reclassifications	0.5	4.6	0.6	(5.7)	–
At 31 May 2008	97.3	177.8	34.6	33.8	343.5
Currency retranslation	(1.1)	2.8	(0.3)	(0.8)	0.6
Additions	10.1	3.7	5.1	24.6	43.5
Disposals	(0.5)	(46.3)	(6.2)	–	(53.0)
Reclassifications	14.8	19.2	1.2	(35.2)	–
At 31 May 2009	**120.6**	**157.2**	**34.4**	**22.4**	**334.6**
Depreciation and amounts written off					
At 1 June 2007	5.3	110.7	23.5	–	139.5
Currency retranslation	0.7	8.8	2.1	–	11.6
Charge for the year	2.2	9.7	3.8	–	15.7
Depreciation acquired with acquisition	1.2	–	1.2	–	2.4
Disposals	(0.1)	(1.3)	(4.3)	–	(5.7)
At 31 May 2008	9.3	127.9	26.3	–	163.5
Currency retranslation	(0.2)	2.0	(0.5)	–	1.3
Charge for the year	3.0	9.4	5.1	–	17.5
Disposals	(0.2)	(42.5)	(5.8)	–	(48.5)
At 31 May 2009	**11.9**	**96.8**	**25.1**	**–**	**133.8**
Net book values					
At 31 May 2009	**108.7**	**60.4**	**9.3**	**22.4**	**200.8**
At 31 May 2008	88.0	49.9	8.3	33.8	180.0

At 31 May 2009, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £8.6 million (2008: £7.4 million). At 31 May 2009, the Group had entered into capital commitments of £2.0 million (2008: £4.7 million) in relation to its interests in joint ventures and the Group's share in the capital commitments of the joint venture was £1.0 million (2008: £2.3 million).

12. Investments in joint ventures

	£m
Cost	
At 1 June 2007	(1.7)
Exchange differences on translation of overseas net assets recognised in equity	1.5
Share of result for the year taken to the income statement	(0.2)
At 31 May 2008	(0.4)
Exchange differences on translation of overseas net assets recognised in equity	(0.2)
Share of result for the year taken to the income statement	(4.1)
At 31 May 2009	**(4.7)**

	2009 £m	2008 £m
Aggregated amounts relating to joint ventures		
Total assets	**52.3**	57.5
Total liabilities	**(61.6)**	(58.3)
Net liabilities	**(9.3)**	(0.8)
Revenues	**60.2**	43.4
Loss	**(8.2)**	(0.5)

The Group accounts for joint ventures using the equity method. A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in note 32.

The presentation of this on the balance sheet is as follows:

	2009 £m	2008 £m
Net investment in joint venture		
Investment in joint venture – share of net liabilities	**(4.7)**	(0.4)
Long-term loans receivable from joint venture	**23.7**	23.2
	19.0	22.8

The long-term loans receivable from joint ventures are considered to be part of the Group's net investment in the joint venture.

13. Other investments

Non-current asset investments comprise a 31% investment in Norpalm Ghana Limited, a palm oil plantation in Ghana (note 32). The Group does not exercise significant influence over the affairs of this Company as it does not have the ability to participate in the financial and operating policies of the entity, and it is therefore not treated as an associated company. The Directors consider the historical cost of the investment to be representative of its fair value at both 31 May 2009 and 31 May 2008.

14. Inventories

	2009 £m	2008 £m
Raw materials and consumables	**72.8**	87.0
Work in progress	**8.5**	2.9
Finished goods and goods for resale	**77.0**	77.5
	158.3	167.4

During the year ended 31 May 2009 £1.6 million (2008: £2.3 million) was charged to the income statement for damaged, obsolete and lost inventories. The cost of the inventories recognised as an expense and included in cost of sales amounts to £462.8 million (2008: £375.9 million).

Notes to the consolidated financial statements continued

15. Receivables and prepayments

Receivables due within one year

	2009 £m	2008 £m
Trade receivables	**95.3**	95.6
Less: provision for impairment of trade receivables	**(7.8)**	(5.9)
Net trade receivables	**87.5**	89.7
Amounts owed by joint ventures	**3.6**	4.4
Other receivables	**8.6**	9.0
Prepayments and accrued income	**6.9**	9.7
Currency derivative instruments	**4.7**	0.4
	111.3	113.2

Receivables due after more than one year

	2009 £m	2008 £m
Prepayments and accrued income	**1.5**	–
Other receivables	**0.1**	0.1
Total	**1.6**	0.1

Movements in the Group provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
At 1 June	**(5.9)**	(4.4)
Provision for receivables impairment	**(2.8)**	(2.8)
Receivables written off during the year	**0.3**	1.4
Unused amounts reversed	**–**	0.7
Currency translation	**0.6**	(0.8)
At 31 May	**(7.8)**	(5.9)

Provisions are estimated by management based on past default experience and their assessment of the current economic environment.

There is no material difference between the carrying amounts for trade and other receivables and their fair value, due to the short term duration of the majority of trade and other receivables. There is no significant concentration of credit risk with respect to trade receivables, with the exposure spread over a large number of customers in a number of different countries. The maximum exposure to credit risk at the reporting date, is the carrying value of each class of receivable mentioned above.

The credit period taken on sales ranges from 16 to 103 days (2008: 17 to 92 days) due to the differing nature of trade receivables in the Group's geographical segments.

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2009 £m	2008 £m
Sterling	**17.9**	16.2
Naira	**23.5**	21.4
Euro	**20.5**	19.6
Zloty	**4.6**	10.5
Other minor currencies	**21.0**	22.0
	87.5	89.7

15. Receivables and prepayments continued

The following table shows the age of trade receivables at the reporting date for which no allowance for impairment of trade receivables has been raised:

	2009 £m	2008 £m
Not past due	**67.7**	78.2
Past due 0-90 days	**18.3**	10.7
Past due 90-180 days	**1.0**	0.6
Past due > 180 days	**0.5**	0.2
	87.5	89.7

16. Current asset investments

	2009 £m	2008 £m
Unlisted	**0.3**	0.3

17. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	**38.9**	20.4
Short-term deposits	**45.3**	23.6
Cash and short-term deposits	**84.2**	44.0
Less: bank overdrafts (included in borrowings, note 18)	**(1.4)**	(5.9)
Cash and cash equivalents	**82.8**	38.1

The effective interest rate on cash and cash equivalents during the year ended 31 May 2009 was 2.7% (2008: 8.7%).

18. Borrowings

	2009 £m	2008 £m
Overdrafts due within one year	**1.4**	5.9
Bank loans due within one year	**15.0**	10.5
Bank loans due after one year	**44.9**	59.9
	61.3	76.3

The borrowings are repayable as follows:

	2009 £m	2008 £m
Within one year	**16.4**	16.4
Between one to two years	**15.0**	15.0
Between two to three years	**15.0**	15.0
Between three to four years	**14.9**	15.0
Between four to five years	**–**	14.9
	61.3	76.3

Bank overdrafts are repayable on demand. The weighted average rate of interest on bank overdrafts was 14.8% (2008: 12.0%). Bank overdrafts are at floating rates of interest and hence expose the Group to cash flow interest rate risk.

The split between fixed and floating rate borrowing and applicable weighted average interest rates are as follows:

	2009 £m	2009 Interest rate (%)	2008 £m	2008 Interest rate (%)
Fixed interest rate borrowing	**–**	**–**	5.6	6.3
Floating rate borrowing	**61.3**	**1.6**	70.7	6.7
	61.3	**1.6**	76.3	6.6

At 31 May 2009, the Group had undrawn facilities of £99.5 million (2008: £76.5 million) available to it.

Notes to the consolidated financial statements continued

18. Borrowings continued

The Group's borrowings were denominated in the following currencies:

2009	**Sterling £m**	**Naira £m**	**Other £m**	**Total £m**
Analysis of borrowings by currency:				
Bank overdrafts	**–**	**1.3**	**0.1**	**1.4**
Bank loans	**59.9**	**–**	**–**	**59.9**
	59.9	**1.3**	**0.1**	**61.3**

2008	Sterling £m	Naira £m	Other £m	Total £m
Analysis of borrowings by currency:				
Bank overdrafts	–	3.4	2.5	5.9
Bank loans	70.4	–	–	70.4
	70.4	3.4	2.5	76.3

An interest rate swap contract was entered into to hedge the cash flow interest rate risk inherent in liabilities with a notional value of £30.0 million. This swap ensures an average effective fixed rate payable of 5.11% until June 2011. At 31 May 2009, the fair value of the interest rate swap was a liability of £1.8 million (2008: nil).

The functional currency of the majority of Group entities is local currency. Debt raised in currencies other than Sterling is, in most cases, raised in the functional currency of the entity raising the debt.

Financial instruments and risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risks, liquidity and interest rates. The primary risk faced by the Group is exchange rate risk. The Board has reviewed and agreed policies for management of this risk and has also approved all of the classes of financial instruments that may be used by the Group.

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

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

Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance, treasury and leasing activities. The Group has dedicated standards, policies and procedures to control and monitor all such risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. The Group does not believe it is exposed to any material concentrations of credit risk.

Liquidity management

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

The Group has credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions. The Group has negotiated facilities with its bankers that provide sufficient headroom to ensure liquidity and continuity of funding.

Market risk management

Market risk is the risk that movements in market rates, including foreign exchange rates, interest rates, equity and commodity prices will reduce the Group's income. The management of market risk is undertaken using risk limits approved by the operating unit finance directors under delegated authority.

18. Borrowings continued

Foreign exchange risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. Subsidiary undertakings must ensure that all transactional exposures arising from commitments in a currency other than their functional currency are identified and monitored. The Group uses foreign currency forward contracts to manage these exposures.

Sensitivity analysis

A 10% weakening of the Pound Sterling against the following currencies at 31 May would have increased equity and profit or loss by the following amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2009		2008	
	Equity £m	**Income statement £m**	Equity £m	Income statement £m
Nigerian Naira	**11.2**	**3.0**	8.1	0.9
Euro	**4.8**	**0.5**	3.3	0.2
Indonesian Rupiah	**3.8**	**0.1**	2.7	0.3
Australian Dollar	**4.1**	**0.5**	3.6	0.4

A 10% strengthening of the Pound Sterling against the above currencies would have had the equal and opposite effect on equity and the Income statement on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Price risk

The Group is not exposed to equity securities price risk. Due to the nature of the business, the Group is exposed to commodity price risk. The Group does take measures to protect against short-term impacts of these fluctuations, however, failure to recover higher costs could have a negative impact on profits.

Cash flow and interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group has reduced its exposure to this by entering into interest rate swaps.

An interest rate swap contract was entered into to hedge the cash flow interest rate risk inherent in liabilities with a notional value of £30.0 million. This swap ensures an average effective fixed rate payable of 5.11% until June 2011. At 31 May 2009, the fair value of the interest rate swap was a liability of £1.8 million (2008: nil).

Fair values

Financial instruments utilised by the Group during the years ended 31 May 2009 and 31 May 2008, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Current and non-current investments

In accordance with IAS 39 'Financial instruments: Recognition and Measurement', unlisted investments are held in the Group's balance sheet at cost because their fair value cannot be measured reliably due to the lack of quoted market prices.

Current assets and liabilities

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate to their book values.

Borrowings and cash

The carrying values of cash and short-term borrowings approximate to their fair values because of the short-term maturity of these instruments.

The financial instruments held by the Group 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 consolidated financial statements continued

18. Borrowings continued

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of the carrying values and fair values of all the Group's financial assets and financial liabilities as at 31 May 2009 and 31 May 2008. None of the financial assets and liabilities have been reclassified during the year.

	2009 Carrying amount and fair value £m	2008 Carrying amount and fair value £m
Loans and receivables		
Cash and short-term deposits	**84.2**	44.0
Trade and other receivables	**111.3**	113.2
Financial liabilities		
Trade and other payables	**(142.1)**	(108.4)
Bank overdrafts	**(1.4)**	(5.9)
Bank loans	**(59.9)**	(70.4)

Derivative financial instruments

	2009 Assets £m	2009 Liabilities £m	2008 Assets £m	2008 Liabilities £m
Interest rates swaps – cash flow hedges	**–**	**(1.8)**	–	–
Forward foreign exchange contracts – cash flow hedges	**4.7**	**(0.4)**	0.4	–
Total	**4.7**	**(2.2)**	0.4	–

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

(a) Forward foreign exchange contracts

The net notional principal amounts of the outstanding forward foreign exchange contracts at 31 May 2009 were £20.3 million (2008: £3.3 million).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 25) on forward foreign exchange contracts as of 31 May 2009 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (five to ten years).

(b) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 May 2009 were £30.0 million (2008: £30.0 million).

At 31 May 2009, the fixed interest rate is 5.11% (2008: 5.11%), and the main floating rate is LIBOR. Gains and losses recognised in the hedging reserve in equity (note 25) on interest rate swap contracts as of 31 May 2009 will be continuously released to the income statement over the period of the hedge.

19. Trade and other payables

	2009 £m	2008 £m
Trade payables	**79.0**	50.9
Amounts owed to joint ventures	**1.3**	2.7
Other taxation and social security	**5.3**	4.9
Other payables	**14.1**	11.7
Financial derivative liabilities	**2.2**	–
Accruals and deferred income	**40.2**	38.2
	142.1	108.4

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 53 days (2008: 45 days). The Directors consider the carrying amount of trade and other payables approximates their fair value.

20. Other non-current liabilities

	2009 £m	2008 £m
Other payables	**0.8**	0.9
Accruals and deferred income	**0.2**	0.6
	1.0	1.5

21. Deferred tax

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Other timing differences £m	Business combinations £m	Share based payments £m	Total £m
At 1 June 2007	(10.1)	5.7	(12.3)	5.2	(8.8)	0.2	(20.1)
Charge to income	(1.3)	(2.9)	–	1.8	–	–	(2.4)
Charge to equity	–	5.7	(1.5)	–	–	–	4.2
Acquisition	–	–	–	(0.3)	(20.5)	–	(20.8)
Currency translation	0.2	–	(1.2)	(0.6)	–	–	(1.6)
At 31 May 2008	(11.2)	8.5	(15.0)	6.1	(29.3)	0.2	(40.7)
Charge to income	2.5	(0.3)	–	(5.5)	–	0.7	(2.6)
Charge to equity	–	(5.9)	–	(0.3)	–	0.6	(5.6)
Currency translation	0.2	–	1.5	–	–	–	1.7
At 31 May 2009	**(8.5)**	**2.3**	**(13.5)**	**0.3**	**(29.3)**	**1.5**	**(47.2)**

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income taxes'. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2009 £m	2008 £m
Deferred tax assets	**7.3**	6.0
Deferred tax liabilities	**(54.5)**	(46.7)
	(47.2)	(40.7)

At the balance sheet date, the Group has unused tax losses of £0.4 million (2008: £0.4 million) available for offset against future profits. None of the £0.4 million (2008: £0.4 million) is expected to expire. Temporary differences arising in connection with interests in associates and joint ventures are not significant.

Notes to the consolidated financial statements continued

22. Provisions

	Other provisions £m
At 1 June 2007	3.9
Utilised in the year	(2.2)
At 31 May 2008	1.7
Currency retranslation	(0.1)
Income statement	3.3
Utilised in the year	(1.1)
At 31 May 2009	**3.8**

Other provisions at 31 May 2009 relate principally to UK restructuring costs which are expected to be utilised in the next 12 months.

23. Retirement benefits

The Group operates retirement benefit schemes for most of its United Kingdom and overseas subsidiaries. These obligations have been measured in accordance with IAS 19 and are as follows:

	2009			2008		
	Surplus £m	**Deficit £m**	**Total £m**	Surplus £m	Deficit £m	Total £m
Expatriate plan	**20.6**	**–**	**20.6**	21.5	–	21.5
Directors plan	**–**	**(6.1)**	**(6.1)**	–	(9.4)	(9.4)
Main staff plan	**–**	**(18.8)**	**(18.8)**	–	(38.5)	(38.5)
Other overseas units	**–**	**(4.7)**	**(4.7)**	–	(3.8)	(3.8)
	20.6	**(29.6)**	**(9.0)**	21.5	(51.7)	(30.2)

The movements in the year are as follows:

	Overseas retirement benefits and similar obligations £m	UK retirement benefits and similar obligations £m	Total £m
At 1 June 2007	(6.1)	(14.1)	(20.2)
Currency retranslation	(0.7)	–	(0.7)
Income statement	(2.1)	2.3	0.2
Utilised in the year	5.1	–	5.1
Contributions paid	–	6.8	6.8
Actuarial movement	–	(21.4)	(21.4)
At 31 May 2008	(3.8)	(26.4)	(30.2)
Currency retranslation	0.1	–	0.1
Income statement	(1.9)	(0.1)	(2.0)
Contributions paid	–	2.7	2.7
Utilised in the year	1.3	–	1.3
Actuarial movement	(0.4)	19.5	19.1
At 31 May 2009	**(4.7)**	**(4.3)**	**(9.0)**

Overseas retirement benefits and similar obligations

Included within 'Overseas retirement benefits and similar obligations' are both funded and unfunded retirement benefit obligations relating to the Group's overseas subsidiaries, as well as other employee related provisions for long service and sick leave. These obligations have been measured in accordance with IAS 19.

UK retirement benefits and similar obligations

Overview

The following three defined benefit schemes are the Group's main schemes, which are based and administered in the UK:

- Main staff plan – for all 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.

23. Retirement benefits continued

On 31 May 2008 the three defined benefit schemes in the United Kingdom were closed to future accrual.

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.

The Group also operates an unfunded, unapproved retirement benefit scheme. The cost of the unfunded, unapproved retirement benefit scheme is included in the total pension cost, on a basis consistent with IAS 19 'Employee benefits' and the assumptions set out below. In accordance with these unfunded arrangements, the Group made payments during the year to former directors of £13,997 (2008: £13,331).

The last triennial actuarial valuations of the schemes administered in the UK were performed by independent professional actuaries at 1 June 2006 using the projected unit method of valuation.

For the year to 31 May 2009 the total defined benefit pension cost arising from the three schemes amounted to £0.1 million (2008: £2.3 million).

The major financial assumptions used by the actuary were as follows:

	2009	2008
Rate of increase in salaries	**4.50%**	4.80%
Rate of increase in retirement benefits in payment	**3.50%**	3.80%
Discount rate	**7.00%**	5.70%
Inflation assumption	**3.50%**	3.80%

The mortality assumptions used were as follows:

	2009 years	2008 years
Longevity at age 65 for current pensioners		
– men	**21.5**	21.9
– women	**23.2**	24.8
Longevity at age 65 for future pensioners		
– men	**23.2**	22.5
– women	**24.7**	25.3

The assets in the schemes and the expected rates of return were:

		2009 £m		2008 £m		2007 £m
Equities	**8.00%**	**96.2**	7.00%	122.6	6.90%	130.0
Bonds	**6.75%**	**86.0**	5.10%	90.3	4.70%	90.8
Cash and other	**0.50%**	**9.6**	5.00%	12.0	5.00%	8.4
Total fair value of scheme assets		**191.8**		224.9		229.2
Present value of scheme liabilities		**(196.1)**		(251.3)		(243.3)
Deficit in the schemes		**(4.3)**		(26.4)		(14.1)
Related deferred tax asset		**1.2**		7.4		4.2
Net retirement benefit deficit		**(3.1)**		(19.0)		(9.9)

To develop the expected long-term rate of return on assets assumptions, the Group considered the level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset class in which the portfolio is invested, and the expectations for future returns of each class of asset. The expected return for each class of asset was then weighted based on the actual asset allocation to develop the expected long-term return on assets assumption for the portfolio. The actual loss on plan assets was £28.0 million (2008: £3.2 million).

Notes to the consolidated financial statements continued

23. Retirement benefits continued

The net retirement benefit (expense)/gain before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	2009 £m	2008 £m
Current service cost	–	(4.7)
Expected return on scheme assets	14.0	13.7
Interest cost	(14.1)	(12.6)
Curtailment gain	–	5.9
Net retirement benefit (expense)/gain before taxation	(0.1)	2.3

All above amounts are recognised in the Group's income statement before arriving at operating profit.

The reconciliation of the opening and closing balance sheet position is as follows:

	2009 £m	2008 £m
Deficit at beginning of year	(26.4)	(14.1)
(Expense)/gain recognised in the consolidated income statement	(0.1)	2.3
Contributions paid	2.7	6.8
Actuarial gain/(loss)	19.5	(21.4)
Net deficit at end of year	(4.3)	(26.4)
Analysed between:		
Retirement benefit surplus	20.6	21.5
Retirement benefit obligation	(24.9)	(47.9)

Actuarial gains and losses are recognised directly in the statement of recognised income and expense. At 31 May 2009, a cumulative pre-tax loss of £17.4 million (2008: £36.9 million) was recorded directly in the statement of recognised income and expense.

Movements in the fair value of plan assets were as follows:

	Assets 2009 £m	Assets 2008 £m
1 June	224.9	229.2
Expected return on assets	14.0	13.7
Actuarial gains/(losses)	(42.0)	(16.9)
Employer contribution	2.7	6.8
Member contributions	–	1.2
Benefits paid	(7.8)	(9.1)
31 May	191.8	224.9

Movements in the present value of the defined benefit obligations were as follows:

	Obligations 2009 £m	Obligations 2008 £m
1 June	(251.3)	(243.3)
Current service cost	–	(4.7)
Interest cost	(14.1)	(12.6)
Plan participants' contributions	–	(1.2)
Actuarial gains/(losses)	61.5	(4.5)
Curtailment gain	–	5.9
Benefits paid	7.8	9.1
31 May	(196.1)	(251.3)
Plans that are wholly or partly funded	(193.0)	(247.9)
Plans that are wholly unfunded	(3.1)	(3.4)
	(196.1)	(251.3)

23. Retirement benefits continued

The history of the plan for the current and prior years is as follows:

	2009	2008	2007	2006	2005
Difference between expected and actual return on scheme assets:					
Amount (£m)	(42.0)	(16.9)	5.5	11.6	10.5
Percentage of scheme assets	(22%)	(8%)	2%	5%	5%
Experience gains and losses on scheme liabilities:					
Amount (£m)	4.4	1.5	(1.6)	3.5	0.1
Percentage of scheme liabilities	2%	1%	(1%)	2%	0%
Total amount recognised in statement of recognised income and expense:					
Amount (£m)	19.5	(21.4)	(8.2)	(3.7)	(3.6)
Percentage of scheme liabilities	10%	(9%)	(3%)	(2%)	(2%)

During the year ending 31 May 2010 the Group expects to make cash contributions of £2.7 million (2008: £2.7 million) to funded defined benefit plans. This includes mandatory and discretionary payments. In addition, a further £2.8 million (2008: £4.4 million) is expected to be contributed to defined contribution plans.

The amount recognised as an expense in the consolidated income statement in relation to defined contribution schemes is £2.7 million (2008: £2.1 million).

24. Share capital

	2009 Number 000	2009 Amount £m	2008 Number 000	2008 Amount £m
Authorised:				
Ordinary shares of 1p each	570,000	5.7	570,000	5.7
Total authorised share capital	570,000	5.7	570,000	5.7
Allotted, called up 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

Notes to the consolidated financial statements continued

25. Statement of changes in shareholders' equity

	Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Hedging reserve £m	Minority interests £m	Total £m
At 1 June 2007	4.3	0.9	0.7	305.9	–	47.6	359.4
Net income recognised for the period	–	–	–	47.0	–	8.3	55.3
Currency retranslation	–	22.1	–	2.7	–	4.4	29.2
Ordinary dividends	–	–	–	(18.5)	–	–	(18.5)
Share-based payments charge	–	–	–	0.3	–	–	0.3
Change in deferred tax liability on revalued properties	–	–	–	(1.4)	–	(0.1)	(1.5)
Shares purchased for ESOT	–	–	–	(0.2)	–	–	(0.2)
Shares to be awarded from ESOT	–	–	–	0.6	–	–	0.6
Minority interest dividend paid	–	–	–	–	–	(3.0)	(3.0)
Actuarial losses on defined benefit schemes	–	–	–	(21.4)	–	–	(21.4)
Tax on actuarial losses on defined benefit schemes	–	–	–	5.7	–	–	5.7
At 31 May 2008	4.3	23.0	0.7	320.7	–	57.2	405.9
Net income recognised for the period	–	–	–	49.6	–	10.8	60.4
Currency retranslation	–	(2.6)	–	–	–	(1.2)	(3.8)
Cash flow hedges							
– Fair value gains in year	–	–	–	–	0.6	–	0.6
– Tax on fair value gains	–	–	–	–	(0.3)	–	(0.3)
Ordinary dividends	–	–	–	(20.5)	–	–	(20.5)
Acquisition of shares for ESOT	–	–	–	(0.7)	–	–	(0.7)
Share based payments charge	–	–	–	1.3	–	–	1.3
Acquisition of minority interest	–	–	–	–	–	(3.7)	(3.7)
Deferred tax on share based payments	–	–	–	0.6	–	–	0.6
Minority interest dividend paid	–	–	–	–	–	(3.2)	(3.2)
Actuarial gains on defined benefit schemes	–	–	–	19.1	–	–	19.1
Tax on actuarial gains on defined benefit schemes	–	–	–	(5.9)	–	–	(5.9)
At 31 May 2009	**4.3**	**20.4**	**0.7**	**364.2**	**0.3**	**59.9**	**449.8**

The revaluation reserve and the other reserve have been re-presented from the year ended 31 May 2008 to be included within retained earnings. This is on the basis that it reflects the appropriate nature of the reserve.

26. Employee Share Option Trust

Included within retained earnings is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Deferred Annual Share Bonus Scheme, the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. At 31 May 2009, the trust held 1,837,727 (2008: 2,130,236) ordinary shares with a book value of £2.1 million (2008: £2.1 million). The market value of these shares as at 31 May 2009 was £3.1 million (2008: £4.1 million). During the year the ESOT purchased 419,139 shares of the Company (2008: 130,208). The trust has waived any entitlement to dividends in respect of all the shares it holds.

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

	2009 £m	2008 £m
Profit before tax	**84.4**	76.5
Adjustment for net finance costs/(income)	**1.8**	(0.1)
Operating profit	**86.2**	76.4
Depreciation	**17.5**	15.7
Loss/(profit) on sale of tangible fixed assets	**1.0**	(5.5)
Profit on sale of intangible fixed assets	**–**	(4.3)
Difference between pension charge and cash contributions	**(2.6)**	(4.5)
Share of results from joint venture	**4.1**	0.2
Share based payments charges	**1.3**	0.6
Operating cash flows before movements in working capital	**107.5**	78.6
Movements in working capital:		
Inventories	**7.0**	(3.8)
Receivables	**(2.0)**	(13.7)
Payables	**30.7**	(3.1)
Provisions	**2.0**	(5.0)
Cash generated from operations	**145.2**	53.0

28. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases over certain of its office properties, which fall due as follows:

	2009 £m	2008 £m
Within one year	**1.8**	2.7
In the second to fifth years inclusive	**4.6**	5.9
Over five years	**7.8**	6.0

The Group leases a number of warehouses and administration facilities. These are subject to review dates ranging from 2010 to 2023.

29. Share-based payments

The Company makes share based payments to senior executives under three schemes. These are the Performance Share Plan; Deferred Annual Share Bonus Scheme; and the Executive Share Option Scheme. The total charge in the period relating to the three schemes was £1.3 million (2008: £0.9 million).

Executive share option scheme

The Company operates a share option scheme for senior executives. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the dealing day before the option is granted. Options are forfeited if the employee leaves the Group for any reason outside of the scheme rules. Options under the scheme are exercisable in a period beginning no earlier than three years from the date of grant and are subject to performance conditions.

Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model according to the relevant measures of performance. The model includes adjustments, based on management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived by the models based on these assumptions and other assumptions identified below. The total expense included within operating profit in respect of share-option scheme was £0.1 million (2008: £0.3 million).

Notes to the consolidated financial statements continued

29. Share-based payments continued

No options have been granted during the year under the Executive Share Option Scheme. For those share option awards that were granted in the year ended 31 May 2008, the assumptions used in the calculation of the fair values were as follows:

	2008
Vesting period	3 years
Expected volatility	24.6%
Expected option life after anticipated lapses	3 years
Risk-free rate	4.5%
Expected dividend yield	2.22%
Fair value per share (p)	23.6

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous four years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The dividend yield for 2007 was used for 2008 as the dividend for 2008 had not been approved at the Annual General Meeting at the time the accounts were published.

The movement in total outstanding options in respect of the share option scheme is provided below:

	Number of share options	Weighted average exercise price £
Outstanding at 1 June 2007	6,864,539	1.1
Lapsed	(701,035)	0.9
Granted	975,769	1.7
Exercised	(1,216,451)	0.9
Outstanding at 31 May 2008	5,922,822	1.5
Exercisable at 31 May 2008	1,960,797	1.0
Lapsed	(646,257)	1.1
Exercised	(535,368)	0.8
Outstanding at 31 May 2009	**4,741,197**	**1.3**
Exercisable at 31 May 2009	**2,532,151**	**1.0**

	Price/share £	Weighted average exercise price £
Range of prices:		
31 May 2009	**0.7-1.7**	**1.3**
31 May 2008	0.7-1.7	1.2

	Number of share options	Weighted average contract term (years)
Weighted average contractual remaining life:		
31 May 2009	**4,741,197**	**6.3**
31 May 2008	5,922,822	7.1

There were no options outstanding at 31 May 2009 or 31 May 2008 that are outside of the scope of IFRS 2 'Share-based payments'.

29. Share-based payments continued

Performance share plan

The Company introduced the Performance Share Plan (PSP) in 2008 and the first awards under the scheme were made on 2 October 2008.

The extent to which such rights vest will depend upon the Company's performance over the three year period following the award date. The Company's performance is measured by reference to out performance of adjusted earnings per share growth over the retail price index over a single three year period. The fair value of the award is taken as the share price at the date of grant.

On 2 October 2008 the company made 1,682,826 awards under the PSP scheme. The total expense included in operating profit in relation to these awards was £0.5m (2008: nil).

Deferred annual bonus scheme

The Group has in force a Deferred Annual Share Bonus Scheme for main Board Executive Directors (excluding the Chairman) and certain key senior executives. 50% of any bonus is paid in cash and 50% in deferred shares. Deferred shares are purchased in the market and retained in an employee trust until they are issued to the Directors. The shares will normally be received by the Directors following three years of continuing employment from the date of the award.

The value of the deferred share element of the bonus relating to the current year is calculated using the market value at 31 May 2009 of £1.705 per share. The total expense included in operating profit in relation to the Deferred Annual Bonus Scheme was £0.7 million (2008: £0.6 million).

Further details of the employee trust are given in note 26 of the consolidated financial statements.

30. Acquisitions

2009

	£m
Cost of acquisitions	
3% of share capital of PZ Cussons Nigeria Plc	**5.2**
Burrino trademark	**3.6**
	8.8

During 2009 the Group acquired additional share capital of PZ Cussons Nigeria Plc increasing the Group's stake from 61% to 64%.

Details of the purchase consideration and minority interest acquired are as follows:

	£m
Purchase consideration:	
– Cash paid	**5.1**
– Direct costs relating to the acquisition	**0.1**
Total purchase consideration	**5.2**
Minority interest acquired	**(3.7)**
Goodwill	**1.5**

On 30 March 2009, Minerva SA the Group's subsidiary in Greece acquired the Burrino trademark for a consideration of £3.6 million.

2008

On 29 January 2008, the Group acquired the entire share capital of The Sanctuary Spa Holdings Limited and its wholly owned subsidiaries for a cash consideration of £74.4 million on a cash and debt-free basis, including associated costs. The fair value of assets and liabilities acquired, which were disclosed as provisional in the prior year have now been finalised. There were no further adjustments.

Notes to the consolidated financial statements continued

31. Related party transactions

The following related party transactions were entered into by subsidiary companies during the year under the terms of a joint venture agreement with Glanbia Plc:

At 31 May 2009 the outstanding balance receivable from Milk Ventures (UK) Ltd was £23.7 million (2008: £23.2 million). At 31 May 2009 the Group had no outstanding balance payable to Milk Ventures (UK) Ltd (2008: nil).

The Group sourced and then sold fixed assets and raw materials to Nutricima Ltd to the value of £41.8 million (2008: £43.8 million). At 31 May 2008 the amount outstanding from Nutricima Ltd was £3.6 million (2008: £4.4 million).

Nutricima Ltd sold £60.2 million (2008: £43.4 million) of goods to PZ Cussons Nigeria Plc. The amount outstanding from PZ Cussons Nigeria Plc at 31 May 2009 was £1.3 million (2008: £2.7 million).

All trading balances will be settled in cash.

There were no provisions for doubtful related party receivables at 31 May 2009 (2008: nil) and no charges to the income statement in respect of doubtful related party receivables (2008: nil).

32. Subsidiaries, joint ventures and non-current asset investments

Details of the Company's principal subsidiaries at 31 May 2009 are as follows:

Company	Operation	Incorporated in	Parent Company's interest	Proportion of voting interest
PZ Cussons Australia Pty Ltd	Manufacturing	Australia	†100%	†100%
PZ Cussons Middle East and South Asia FZE	Distribution	Dubai	†100%	†100%
Charles Worthington Hair & Beauty Ltd	Holding company	England	*100%	*100%
FC Ltd	Manufacturing	England	†100%	†100%
PZ Cussons (Holdings) Ltd	Holding company	England	*100%	*100%
PZ Cussons (International) Ltd	Provision of services to Group companies	England	*100%	*100%
PZ Cussons (UK) Ltd	Manufacturing	England	†100%	†100%
The Sanctuary Spa Holdings Ltd	Provision of spa services and product distribution	England	†100%	†100%
PZ Cussons Ghana Ltd	Manufacturing	Ghana	†90%	†90%
Minerva SA	Manufacturing	Greece	*100%	*100%
PT PZ Cussons Indonesia	Manufacturing	Indonesia	†100%	†100%
PZ Cussons East Africa Ltd	Manufacturing	Kenya	†100%	†100%
HPZ Ltd[1]	Manufacturing	Nigeria	†48%	†48%
PZ Cussons Nigeria Plc	Manufacturing	Nigeria	†64%	†64%
Harefield Industrial Nigeria Ltd	Distribution	Nigeria	†100%	†100%
PZ Cussons Polska SA	Manufacturing	Poland	†99%	†99%
PZ Cussons (Thailand) Ltd	Manufacturing	Thailand	†100%	†100%

Joint venture companies	Operation	Incorporated in	Parent Company's interest
Milk Ventures (UK) Ltd	Holding company	England	†50%
Nutricima Ltd	Manufacturing	Nigeria	†50%

Other investments	Operation	Incorporated in	Parent Company's interest
Norpalm Ghana Ltd	Manufacturing	Ghana	†31%

1 HPZ Ltd is 74.99% owned by PZ Cussons Nigeria Plc and is therefore consolidated.
* Shares held by the parent company
† Shares held by a subsidiary

Five year financial record

Year to 31 May

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Operating profit before exceptional items	**90.6**	76.4	66.2	60.2	53.5
Net investment (expense)/income	**(1.8)**	0.1	2.1	3.4	4.6
Profit before taxation and exceptional items	**88.8**	76.5	68.3	63.6	58.1
Exceptional items	**(4.4)**	–	(0.4)	(2.4)	(4.7)
Profit before taxation	**84.4**	76.5	67.9	61.2	53.4
Taxation	**(24.0)**	(21.2)	(18.5)	(18.6)	(18.3)
Profit for the year	**60.4**	55.3	49.4	42.6	35.1
Attributable to:					
Equity holders of the parent	**49.6**	47.0	42.4	35.4	28.8
Minority interests	**10.8**	8.3	7.0	7.2	6.3
Net assets attributable to ordinary shareholders	**389.9**	348.7	311.8	292.0	291.0
Net funds/(debt)	**23.2**	(32.0)	60.3	51.9	74.0
Per ordinary share:					
Basic earnings	**11.64p**	11.04p	9.99p	8.33p	6.60p
Adjusted basic earnings	**12.39p**	10.78p	9.78p	8.90p	7.85p
Dividend (interim and final declared post year-end)	**5.27p**	4.70p	4.27p	3.88p	3.53p
Times cover – after exceptional items	**2.2**	2.3	2.3	2.1	1.9
Times cover – before exceptional items	**2.4**	2.3	2.3	2.3	2.2
Net assets	**90.94p**	81.33p	72.72p	68.10p	71.40p

Independent auditors' report to the members of PZ Cussons Plc

We have audited the parent company financial statements of PZ Cussons Plc for the year ended 31 May 2009 which comprise the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 May 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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; and
- the information given in the Report of the Directors for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of PZ Cussons Plc for the year ended 31 May 2009.

N W E Boden
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 July 2009

Company balance sheet
At 31 May 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments:			
Subsidiary companies	3	**120.4**	119.1
		120.4	119.1
Current assets			
Debtors falling due within one year	4	**114.1**	118.5
Investments	5	**0.3**	0.3
Cash at bank and in hand		**16.2**	6.1
		130.6	124.9
Creditors – amounts falling due within one year	6	**(167.4)**	(129.5)
Net current liabilities		**(36.8)**	(4.6)
Total assets less current liabilities		**83.6**	114.5
Creditors – amounts falling due after one year	6	**(51.1)**	(66.1)
Net assets		**32.5**	48.4
Capital and reserves			
Equity ordinary share capital	7	**4.3**	4.3
Capital redemption reserve	8	**0.7**	0.7
Profit and loss account	8	**27.5**	43.4
Total shareholders' funds		**32.5**	48.4

Approved by the Board of Directors and signed on its behalf by:

Mr A J Green **Mr G A Kanellis**
28 July 2009

Notes to the Company financial statements

1. Accounting Policies

The principal accounting policies applied under UK GAAP are detailed below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The accounts have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (UK GAAP), under the historical cost convention. As permitted by section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of PZ Cussons Plc. The profit for the financial year dealt with in the accounts of the parent company is £4.0 million (2008: £2.2 million).

No cash flow statement has been included as the cash flows of the company are included in the consolidated financial statements of PZ Cussons Plc which are publicly available. The consolidated financial statements of PZ Cussons Plc have been prepared in accordance with International Financial Reporting Standards.

The Company has no employees (2008: nil). No costs were incurred by the Company in respect of employees or Directors (2008: nil). Amounts paid to the Company's auditors in respect of the statutory audit were £6,000 (2008: £6,000).

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.

Taxation and deferred taxation

Current tax including UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets, nor on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Borrowing costs

Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

The Company has not entered into any transactions involving derivative instruments.

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.

Current asset investments

Investments (other than interests in joint ventures) are recognised and derecognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Own shares held by ESOT

Transactions of the Company-sponsored 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.

Dividend distribution

Dividend distribution to the Company's shareholders is 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.

1. Accounting Policies continued

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.

Critical accounting policies and estimation uncertainties

None of the above accounting policies are considered to be critical to the financial statements of the Company. There are no significant areas of estimation uncertainty.

New accounting policies

The Company has not adopted any new United Kingdom Financial Reporting Standards in the year and there are none in issue but not yet effective that are expected to have an impact on the Company.

2. Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2008 of 3.625p (2007: 3.27p) per ordinary share	**15.5**	13.9
Interim dividend for the year ended 31 May 2009 of 1.185p (2008: 1.075p) per ordinary share	**5.0**	4.6
	20.5	18.5
Proposed final dividend for the year ended 31 May 2009 of 4.085p (2008: 3.625p) per share	**17.5**	15.4

The proposed final dividends for the years ended 31 May 2008 and 31 May 2009 were subject to approval by shareholders at the Annual General Meeting and hence have not been included as liabilities in these financial statements at 31 May 2008 and 31 May 2009 respectively.

At 31 May 2009, the Employee Share Option Trust held 1,837,727 ordinary shares (2008: 2,130,236 ordinary shares). The trust waived any entitlement to the dividends on these shares.

3. Investments in subsidiaries

	Shares £m	Loans £m	Total £m
Cost at 1 June 2008	120.7	3.0	123.7
Capital contribution	1.3	–	1.3
Cost at 31 May 2009	122.0	3.0	125.0
Provisions at 1 June 2008 and 31 May 2009	(4.6)	–	(4.6)
Net book value at 31 May 2009	**117.4**	**3.0**	**120.4**
Net book value at 1 June 2008	116.1	3.0	119.1

Details of the Company's direct subsidiaries at 31 May 2009 are as follows:

Subsidiary companies	**Operation**	**Incorporated in**	**Parent Company's interest**	**Proportion of voting interest**
Charles Worthington Hair & Beauty Ltd	Holding company	England	100%	100%
PZ Cussons (Holdings) Ltd	Holding company	England	100%	100%
PZ Cussons (International) Ltd	Provision of services to Group companies	England	100%	100%
Minerva SA	Manufacturing	Greece	100%	100%

4. Debtors

	2009 £m	2008 £m
Amounts owed by Group companies	**113.9**	116.7
United Kingdom corporation tax recoverable	**0.1**	0.4
Overseas taxation recoverable	**0.1**	0.1
Prepayments and accrued income	**–**	1.3
	114.1	118.5

Notes to the Company financial statements continued

5. Current asset investments

	2009 £m	2008 £m
Unlisted	**0.3**	0.3

6. Creditors

	2009 £m	2008 £m
Due within one year		
Bank loan and overdraft	**26.8**	10.6
Amounts owed to Group companies	**137.4**	117.0
United Kingdom corporation tax payable	**2.0**	0.8
Other creditors	**1.0**	1.0
Accruals and deferred income	**0.2**	0.1
	167.4	129.5

	2009 £m	2008 £m
Due after one year		
Bank loan	**44.9**	59.9
Amounts owed to Group companies	**6.2**	6.2
	51.1	66.1

At 31 May 2009, the Company had undrawn overdraft facilities of £30.0 million (2008: £40.0 million) available to it and committed facilities of £15.0 million (2008: £15.0 million).

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.

Financial instruments utilised by the company during the years ended 31 May 2009 and 31 May 2008, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Current asset investments
In accordance with FRS 25 'Financial instruments: recognition and measurement', unlisted investments are held in the Company's balance sheet at cost because their fair value cannot be measured reliably due to the lack of quoted market prices.

Current assets and liabilities
Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate to their book values.

Borrowings
The carrying values of cash and short-term borrowings and current asset investments approximate to their fair values because of the short-term maturity of these instruments.

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.

An interest rate swap contract was entered into to hedge the cash flow interest rate risk inherent in liabilities with a notional value of £30.0 million. This swap ensures an average effective fixed rate payable of 5.11% until June 2011. At 31 May 2009, the fair value of the interest rate swap was a liability of £1.8 million (2008: nil).

7. Share capital

	2009 Number (000)	2009 Amount £m	2008 Number (000)	2008 Amount £m
Authorised:				
Ordinary shares:				
Ordinary shares of 1p each	**570,000**	**5.7**	570,000	5.7
Total authorised share capital	**570,000**	**5.7**	570,000	5.7
Allotted, called up and fully paid:				
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. Reserves and movements in shareholders' funds

	Called up share capital £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 June 2008	4.3	0.7	43.4	48.4
Profit for the financial year	–	–	4.0	4.0
Acquisition of shares for ESOT	–	–	(0.7)	(0.7)
Share based payments	–	–	1.3	1.3
Dividends paid	–	–	(20.5)	(20.5)
At 31 May 2009	**4.3**	**0.7**	**27.5**	**32.5**

9. Employee Share Option Trust
Included within retained earnings is the Employee Share Option Trust (ESOT).

The ESOT purchases shares to fund the Deferred Annual Share Bonus Scheme, the Executive Share Option Scheme and the Performance Share Plan, details of which are provided in the Report on Directors' Remuneration. At 31 May 2009, the trust held 1,837,727 (2008: 2,130,236) ordinary shares with a book value of £2.1 million (2008: £2.1 million). The market value of these shares as at 31 May 2009 was £3.1 million (2008: £4.1 million). During the year the ESOT purchased 419,139 shares of the Company (2008: 130,208). The trust has waived any entitlement to dividends in respect of all the shares it holds.

10. Contingent liabilities
The Company is party to cross guarantee arrangements relating to an overdraft facility for certain group companies' accounts at Barclays Bank Plc. The maximum exposure at 31 May 2009 was £10.0 million (2008: £10.0 million).

Further statutory and other information

Health and safety
PZ Cussons 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 the relevant statutory 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 and safety specialists and, where appropriate, provides on-site medical facilities for employees.

The Company continues to monitor and increase standards of health and 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.

Employment and staff development
As an international group, and particularly bearing in mind our operations in developing countries, we focus resource on the employment and development of local staff with the intention of assisting both our operations in those countries and the local community. Employees are involved at all levels of decision-making throughout the Group with effective communication via regular consultation groups and briefings. Training is vital to ensuring continuous improvements 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 which 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 and additional contributions are made through staff time and gifts in kind. PZ Cussons continues to provide assistance and donations to significant global fund-raising 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.

Auditors
PricewaterhouseCoopers LLP has signified its willingness to continue in office and a resolution for its appointment 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 2009 comprises this page and the information contained in the Report of the Directors on pages 10 to 40.

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