Company Registration No 19457

PZ Cussons PLC

Annual Report and Financial Statements

31 May 2008

Annual Report and Financial Statements **2008**

Selected markets

Leading brands

First class distribution

Great team of people

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

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

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

We operate **first class distribution** 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

We recruit, develop and retain a **great team of people** who are aligned with 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

CHAIRMAN'S STATEMENT

I am pleased to advise shareholders that 2008 has been another successful year for PZ Cussons with profitability being delivered on track despite the challenging economic environment and the significant increases in input costs

The diverse geographic spread of our businesses together with the growing number of categories in which we operate has demonstrated that we can successfully evolve both as markets develop and as economic conditions, both local and global change

It is the strength of the Group's balance sheet which enabled the acquisition of The Sanctuary brand and spa whilst still leaving us in a very strong position This will serve us well in the challenging global environment and still allow us the potential to pursue further investment opportunities

Highlights in the year have been as follows

- Strong trading performance across all regions, particularly in Nigeria
- Innovation and margin improvement programmes have successfully countered significant ongoing increases in raw material costs
- Significant growth in our electricals and nutrition joint ventures in Nigeria
- Successful first year of the electrical retail superstore in Lagos and the opening of two further stores in Nigeria
- Commencement of a £39 million investment programme to upgrade the Nigerian manufacturing facilities over the next three years
- Revenues and profitability in both Australia and Indonesia ahead of last year
- Acquisition and successful integration of The Sanctuary brand and spa, acquired in January 2008 for a consideration of £75 million in cash
- No 1 position in the UK personal wash category extended through a successful brand renovation programme
- Construction of the new £26 million Innovation Centre in Manchester on schedule with production now started at the new facility
- Healthy balance sheet maintained with a small net debt position of £32 million following The Sanctuary acquisition
- Strong cashflow supporting an on-going capital investment programme
- Creation of an Operational Board to support the Plc board in the operational management of the Group's businesses and to enable further growth opportunities to be pursued
- Total dividend increased 10% year on year

The creation of an Operational Board during the year provides the senior management capability to press ahead with the significant number of opportunities that exist in our current markets

As previously advised, Mike Smith retired from the board on 31st May 2008 Mike joined the board in 2000 and more recently held the position of senior non-executive director and chairman of the remuneration committee His advice during this time has been greatly appreciated

On 1st January this year I was delighted to welcome Simon Heale to the board as a non-executive director Simon has held a number of senior management positions both in the UK and overseas and is currently chief executive of China Now

These very encouraging results are the result of the hard work and dedication of all our staff throughout the PZ Cussons Group As always I should like to thank all of them very much indeed

Anthony J Green | Chairman

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES

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

UNITED KINGDOM
Number of Employees 625
Location Head office in Manchester
Activities Manufacture and marketing of soaps, toiletries and household products In addition, the operation of the UK s largest day spa

POLAND
Number of Employees 435
Location Head office in Warsaw
Activities Manufacture and marketing of detergents, soaps and toiletries

GREECE
Number of Employees 200
Location Head office in Athens
Activities Manufacture and marketing of olive oils margarines, cooking fats and spreads

NIGERIA
Number of Employees 3,775
Locations Head office in Lagos, manufacturing units in Ilupeju, Ikorodu and Aba
Activities Manufacture and marketing of soaps detergents, health and beauty products, electrical goods and nutritional products

GHANA
Number of Employees 556
Location Head office in Tema
Activities Manufacture and marketing of soaps toiletries, cosmetics, pharmaceuticals electrical goods and nutritional products

THAILAND
Number of Employees 532
Location Head office in Bangkok
Activities Manufacture and marketing of soaps, toiletries and dishwashing liquids

INDONESIA
Number of Employees 2 061
Location Head office in Jakarta
Activities Manufacture and marketing of soaps, toiletries, baby products, powders, shampoos and lotions

AUSTRALIA
Number of Employees 200
Location Head office in Melbourne
Activities Manufacture and marketing of household detergents, bar soaps and toiletries

KENYA
Number of Employees 292
Location Head office in Nairobi
Activities Manufacture and marketing of soaps, toiletries, medicaments and household products

UNITED ARAB EMIRATES
Number of Employees 12
Location Head office in Jebel Ali Freezone of Dubai
Activities Marketing and distribution of soaps and toiletries

The directors submit their report and the audited financial statements of the Group for the year ended 31st May 2008

This year's Highlights† at a glance

Revenue increased by 14% to £660 9 million from £577 9 million

Operating profit* increased by 15% to £76 4 million from £66 2 million

Profit before tax before exceptional items increased by 12% to £76 5 million from £68 3 million

Profit before tax after exceptional items increased by 13% to £76 5 million from £67 9 million

Adjusted basic EPS* increased by 10% to 10 78p from 9 78p

A net operating charge of nil (2007 £0 4 million) for exceptional items

Net debt** at 31st May 2008 of £32 0 million, following the acquisition of The Sanctuary brand and spa, from net funds of £60 3 million at 31st May 2007

Proposed dividend increase for the year of 10% to 4 70p from 4 27p

† The purpose of these financial highlights and following business reviews are to help stakeholders understand how management analyse the development performance and position of the Group

* Before exceptional items

** Net (debt) / funds above and hereafter is defined as cash short-term deposits and current asset investments less borrowings

Revenue (£m)	2008	2007
Africa	**309 1**	252 9
Asia	**116 0**	107 2
Europe	**235 8**	217 8
Total	**660 9**	577 9

Operating profit (£m)*	2008	2007
Africa	**33 6**	26 1
Asia	**10 2**	9 8
Europe	**32 6**	30 3
Total	**76 4**	66 2

Net (debt) / funds (£m)	2008	2007
Cash at bank and in hand	**20 4**	21 2
Deposits	**23 6**	32 1
Current asset investments	**0 3**	12 8
Overdrafts	**(5 9)**	(3 2)
Loans due within one year	**(10 5)**	(2 6)
Loans due after one year	**(59 9)**	-
Net (debt) / funds	**(32 0)**	60 3

FINANCIAL PERFORMANCE – OVERVIEW
Operating profit before exceptional items rose by 15% to £76 4 million (2007 £66 2 million) on revenue up 14% to £660 9 million (2007 £577 9 million) This includes four months of results from The Sanctuary which was acquired at the end of January and has contributed £1 0 million to operating profit and £5 3 million to revenue in the period The Sanctuary results, during the seasonally low trading months of the year were in line with expectations

Overall, all regions performed well in the year with Nigeria in particular experiencing good top and bottom line growth The Group performance was achieved despite a continued weakening of the US dollar and very significant increases in the costs of most raw materials and other input costs such as utilities and fuel

FINANCIAL POSITION – OVERVIEW
The Group's balance sheet remains strong with only a small net debt position of £32 million following The Sanctuary acquisition earlier in the year The Group continues to fund the majority of its organic growth and capital investment programme through cash generated from existing operations, with the potential to borrow further amounts should the right investment opportunities arise

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 the weak dollar

In terms of cashflow, the Group targets its operating units on delivery of cashflows 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

FINANCIAL HIGHLIGHTS

MAJOR PROJECTS

Updates on major projects are as follows

Construction of the new Innovation Centre in Manchester, at a total cost of £26 million, is on schedule Phase one which is the upgrade and transfer of the manufacturing facilities from the existing manufacturing site is well underway with the first production now commenced at the new site Transfer of the remaining production will take place before the end of the calendar year Phase two which is the construction of a new research and development centre together with the transfer of the fragrance production facility from Ellesmere Port will be completed early in 2009

During the year the Group announced a major investment programme to upgrade its Nigerian manufacturing facilities to world-class standards Phase one of the investment (known internally as Project Unity) will see £18 million invested in the upgrade of the health and beauty production facilities which will relocate from our central Lagos site at Ilupeju to our larger production site at Ikorodu just outside Lagos This phase also includes the upgrade of the logistical and distribution facilities at the Ilupeju site to cater for the growth of the electricals business which is located there Phase two will see £21 million invested in upgrading the soaps and detergents production facilities at the Ikorodu site and at our site in Aba in the east of Nigeria The investment programme has now commenced and the total expenditure of £39 million will be incurred over the next three financial years

PEOPLE

During the year an Operational Board was formed to support the Plc board in the operational management of the Group's businesses and to enable further growth opportunities to be pursued The team comprises two commercial Area Director roles and six functional heads covering HR Finance Supply Chain, Innovation, Corporate Services and New Business Development The team is made up of both internal promotions and external recruits from a variety of international companies

EXCEPTIONAL ITEMS***

Exceptional items in the year totalled to a net charge of nil to operating profit in the consolidated income statement comprising the following

Operating costs of £3 3 million 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

Operating income of £2 1 million from the sale of the UK manufacturing site in Manchester

Operating costs of £4 4 million in relation to a significant restructuring of the Africa businesses (Project Unity), made up of redundancy and other associated restructuring costs

Operating income of £5 6 million from a curtailment gain due to the closure of the UK based defined benefit pension schemes on 31st May 2008

TAXATION

The effective tax rate before exceptional items was 28 0% (2007 29 0%)

DIVIDEND

The board is recommending a dividend increase of 10% for the year with a proposed final dividend of 3 625p (2007 3 27p) per share for a total of 4 70p (2007 4 27p)

OUTLOOK

Overall performance since the year end has been in line with expectations although the Group remains conscious of the external environment and in particular

- the continuing increases in raw material and other input costs such as utilities and fuel,
- general global inflationary pressures together with high interest rates and
- the uncertain economic situation in the UK and the potential consequences of reduced consumer spending power and the impact on the major retailers

The Group believes it is well placed to counter the above given that

- a significant proportion of revenues are derived from international markets and in particular Nigeria, which are much less affected by the global credit crunch
- our local brands for local markets strategy enables greater flexibility in renovating product portfolios to support changing local conditions
- our manufacturing is generally located close to the market of sale thus minimising the impact of rising transport costs
- our strong balance sheet with a small net debt funding position, together with positive cashflow still allows scope to fund other growth opportunities as they arise

In summary, the Group looks to the year ahead with cautious optimism and a continued focus on its strategy of selected markets leading brands and first class distribution driven by a great team of people

***These items have been disclosed separately in the Group s consolidated income statement while a definition of exceptional items is given in note 1 to the financial statements

AFRICA

Delivering the goods

With over 100 years' experience of trading in Africa we are proud of the knowledge of local markets and consumers we have developed, which has resulted in a strong portfolio of local brands

Our passion to continue to grow these brands and develop innovative products in response to local needs has delivered success in the emerging markets of Africa

In **Nigeria**, the political environment remains stable supported by rising oil prices which have bolstered Nigeria s currency reserves and which together with continued inward foreign investment provides an excellent environment for economic growth During the year the Naira has strengthened slightly against the US dollar which has helped mitigate further translation losses from the year on year weakening of the dollar against sterling

The soaps and detergents business performed well with revenue ahead of the prior year however profitability remained at the prior year level due to the significant increase in raw material costs Whilst selling prices have risen, further detergent supply has come on stream from our competitors providing for a more competitive market However the business remains well placed with a strong overall portfolio catering to the economy mid and premium segments The overall market continues to evolve with the demand for the more traditional economy products of laundry soap and bulk detergents declining as consumers switch to the growing toilet soap and branded detergent ranges During the year, there have been a number of new product launches including Elephant Colour fabric detergent Jet multi-purpose detergent and Ava liquid air freshener

During the year our Nigerian operations were structured as follows

- PZ Cussons Nigeria Plc – listed on the Lagos Stock Exchange and 61% owned by the PZ Cussons Group The business segments within this operation are as follows
  - Soaps and Detergents
  - Health and Beauty
  - Supply Chain and Distribution
- HPZ Ltd – the joint venture with Haier manufacturing electrical goods and 74% owned by PZ Cussons Nigeria Plc
- Nutricima Ltd – the joint venture with Glanbia manufacturing nutritional beverages and 50% owned by the PZ Cussons Group

We are committed to the manufacture and distribution of soaps, detergents, toiletries, pharmaceuticals, electrical goods and nutritional beverages in Africa and have enjoyed continued success over the past year

AFRICA

The health and beauty business performed well in the year with revenue and profitability ahead of last year. Growth has come from focus on the core brands of Robb (medicaments), Venus, Joy and Carex (personal care) and Cussons Baby.

The success of this business comes from focusing on traditional product ranges, such as Robb, which are sold nationally and on understanding regional preferences with brands such as Excel and Stella which are sold predominately in the north of Nigeria At the same time, preferences and consumer appetites for more sophisticated brands are developing and product relaunches such as the Venus haircare pan-African launch are successfully catering for these requirements The health and beauty business will be the first to benefit from the capital investment project discussed earlier which will see the manufacturing relocate on a more efficient basis to our Ikorodu site just outside Lagos at the end of the calendar year

Following the year end, the soaps and detergents and health and beauty businesses have been reorganised into Personal Care and Home Care divisions as part of the modernisation of the Nigerian business As an example, this will result in toilet soaps which are currently managed under the soaps and detergents division, being managed as part of the new Personal Care division

Revenue and profitability of the electricals business has grown year on year as consumer demand for such products continues to increase, supported by an emerging middle class who desire products both of a functional and an aspirational nature The brand name Haier Thermocool has continued to live up to its reputation of affordable quality and this is being underpinned by the establishment of a nationwide after-sales service capability Growth has come across the core product range of fridges, freezers, air-conditioners and televisions, with the more recent launches of microwaves, washing machines, water heaters, DVD players and home theatre systems performing well HT Cool World, Nigeria s first world-class standard electrical retail superstore which opened in June 2007 has performed well in the year and has captured a further segment of the market with a particular focus on premium products Following the success of this superstore, two further HT Cool Worlds have opened just after the year end, one in Nigeria s capital Abuja and one in Kano (the north's major city)

The nutrition joint venture has continued to grow well with revenue increasing year on year, benefiting from this being the first full year of sales from the core brands of Nunu, Coast and Powerfist However profitability has been affected by rising milk costs which increased throughout the first half of the financial year although these have started to decline towards the end of the second half The business is expected to move into profitability in the second half of the new financial year As previously announced, the second factory will come on stream early in 2009 with a new range of products to be launched in UHT format

In supply chain and distribution, there have been a number of initiatives including

- Construction commenced of a world-class standard distribution centre on the Ikorodu site including a fully automated warehouse system This will facilitate the consolidation of stock holdings at the central level allowing for lower stock holdings to be maintained at the 26 depot locations nationwide
- Further partnerships with third party transport providers to improve the quality and reliability of transportation of raw materials from port to the factories and of finished goods from the factories to the depots
- Investment in processes and IT systems to provide greater visibility of the end-to-end supply chain
- Further outsourcing of non-core manufacturing operations to local third party providers

Revenue and profitability of the other African territories, **Ghana** and **Kenya** were ahead of the prior year benefiting from good local product ranges together with the roll-out of pan-regional products such as Venus haircare In addition sales of electrical products in Ghana continued to perform well The Kenya business successfully recovered from the political turmoil early in the year with little impact on performance

1 RELAUNCH OF VENUS RANGE

The Venus range comprising haircare, bodycare, toiletries and facecare products has been enhanced and relaunched across our African network

2 ELECTRICAL SECTOR GROWTH

The electrical sector has continued to go from strength to strength with the expanding range of products under our strong Haier Thermocool brand

3 ELEPHANT COLOUR

The Elephant detergent range has further expanded with the launch of the new Elephant Colour detergent, as we continue to respond to the ever changing needs of our local consumers

4 DISTRIBUTION

Our first class nationwide distribution network has been developed and enhanced during the year through a series of investment initiatives

5 MORE RETAIL OUTLETS

Following the success of our flagship electrical store, HT Cool World in Lagos, two further stores have recently opened after year end in Abuja and Kano

6 NUTRICIMA

Our nutritional range of products, including the brands Nunu, Coast and Powerfist continue to deliver to the growing nutritional market in Nigeria These brands are continually being developed

We have introduced a new water saving technology called 'Aquasave' which has been applied to both laundry and dishwash detergents, developed to deliver a high performance clean for wash cycles, like Economy and Fast Wash, that use less water

ASIA

Delivering everyday needs

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 provide a naturally balanced geographic portfolio This gives good opportunity for growth whilst minimising the risk levels the Group is exposed to

In **Indonesia** sales and profitability were higher than the previous year due to the continued success of the Cussons Baby range which remains the number one baby personal care brand in the Indonesian market

This position has been strengthened by the launches last year of the Cussons Sahaja basics range and a baby needs range including bottles, plates and feeding spoons The other brands of Imperial Leather and Extreme continue to perform well The nationwide depot network which provides distribution to over 100,000 outlets remains a valuable asset to support the business growth

ASIA

In **Australia**, the market for branded detergent products has become very competitive over the last few years following the introduction of private label ranges by the two retailers who account for the majority of the trade

Despite the trading environment continuing to be competitive sales and profitability were higher than the prior year due to continued innovation across the brand portfolio of Radiant and Duo (clothes care) Morning Fresh (dishwash) and Pure (personal wash) A major innovation launch in the year was Aquasave which is a new technology that allows the cleaning cycle to be as effective using shorter washes and therefore less water in a country which faces continuing pressures on its water resources This innovative technology has been utilised effectively in both fabric care and in dishwash Further margin improvement initiatives were launched in the year to counter the ongoing increases in raw material costs which have particularly affected the detergent category

Sales and profitability of the other Asian units **Thailand**, **Malaysia** and the **Middle East**, were at a similar level to the prior year

1 SAHAJA BASICS RANGE
The Sahaja basics range, consisting of soaps lotions, talcum powder and shampoos are a range of baby products that cater for the essential needs of the consumer in their local market

2 MORNING FRESH WASHING-UP LIQUID
Morning Fresh is a popular global brand which is marketed differently across our regions to suit local needs The Australian brand has recently re-launched Morning Fresh washing-up liquids using a new packaging design

3 THAILAND INNOVATION CENTRE
The Thailand Innovation Centre for Bar Soaps is now helping to service the bar soap requirements of the Group

4 BABY NEEDS RANGE
The Baby Needs range includes baby utensils such as bottles, bowls, soothers and teats

5 RADIANT AQUASAVE
Radiant Aquasave is a innovative product that helps to use less water in the clothes washing process

6 MORNING FRESH AQUASAVE
Following on from the success of the Radiant Aquasave, this new water saving technology has also been implemented into dishwash products

The Sanctuary business represents an excellent strategic opportunity for PZ Cussons, giving a greater presence in the masstige segment of the UK's personal care market through an established and well respected brand

Delivering innovation

Our desire to grow our leading brands to category leading positions has resulted in innovative new product development as well as significant activity in brand renovation, with product relaunches and the introduction of innovative new variants, including special limited editions, in the competitive European market During the year The Sanctuary brand and spa were acquired to enhance the European portfolio

In the **UK**, trading has been strong with like for like revenue (excluding The Sanctuary) up 9% versus the prior year This growth has been achieved through continued focus on renovating the brand portfolios and delivering products that meet the needs of UK consumers

All the UK brands performed well in the year, with the business extending its number one market share position in the personal wash category

The largest brand of the UK business Imperial Leather had another successful year with a Huggable, Snuggable Skin media campaign reinforcing the brand's credentials of family and luxury In the last few months, the entire Imperial Leather range has been relaunched with a fresh new look and exciting new fragrances The range has also been extended through the launch of a new product concept called Imperial Leather Skin Bliss This range features innovative 'moisture-lock' technology that moisturises skin in a completely new way by cleansing without stripping the skin of its natural oils

Carex continues to be the UK market's number one anti-bacterial handwash with high consumer loyalty to the brand Recent extensions to the range such as anti-bacterial wipes and waterless hand gels are performing well The brand continues to be supported through specific media exposure both on TV and in magazines

Original Source was the UK market s fastest growing brand in the personal wash category last year The brand s image is based upon its natural fragrances with its target consumers those who are looking for a cool and funky experience The recent range extensions of skin food in pouches and bath milk have strengthened the brand's image and have demonstrated the brand s stretch potential using innovative formulations and packaging The brand has been supported in the year with 'short burst TV advertisements together with non-traditional forms of support such as sponsorship of extreme sports events Further extension of the portfolio will take place over the next few months with the launch of a new men's range of products

In haircare, the Charles Worthington brand has maintained its number two position in the professional haircare category by delivering high quality affordable haircare products to UK consumers through the major retailers The core Results' range of shampoos and conditioners including the successful Takeaway miniature products is complemented with other haircare products in aftercare and styling An exciting new range of products called 'Time Defy will be launched over the next few months introducing further innovation into the category

The Sanctuary brand and spa, purchased in January 2008, has continued to perform well under the Group's ownership Approximately two thirds of revenue and profits are derived from product sales out of Boots the sole UK distributor, with the balance arising from The Sanctuary Spa in Covent Garden, London

A post-acquisition review of the business has confirmed the exciting growth potential of The Sanctuary which will come from three areas the UK products business, international product sales and the spa division The majority of the management team and staff at The Sanctuary's head office in Hemel Hempstead have been retained with the spa at Covent Garden continuing to run as an independent site

EUROPE

The UK products busıness of The Sanctuary has a strong pıpelıne of new product development both across the core 'Spa Essentıals' range and the specıalıty ranges such as 'Sıgnatures' whıch has just been refreshed wıth new themes and fragrances

In addition, skincare is identified as an area with good growth potential International sales of The Sanctuary products whilst small at present also have good growth potential in the medium term with distribution agreements already established in the US, Canada and certain Asian territories

The spa in Covent Garden continues to be run well and profitably with the 64 000 visitors a year at or around maximum capacity with the spa itself an excellent source of ideas and product innovation The management is currently considering whether it is appropriate to introduce other spa locations in the UK to extend the reach of The Sanctuary spa experience to consumers outside London In the meantime a spa roadshow will tour major UK towns this summer to promote the brand and to allow consumers to experience The Sanctuary treatments

As discussed earlier, the new Innovation Centre in Manchester is on schedule with the production facility to be completed by the end of the calendar year and the fragrance and research facility to be completed early in 2009 Whilst the surplus sites at Ellesmere Port and Nottingham remain on the market, given the current economic situation it is not now expected that these will be sold in the next financial year

As a final stage of the modernisation of its UK facilities, the Group recently announced that it will move its head office to Manchester Business Park adjacent to Manchester Airport with the new build, to be occupied on a lease basis, scheduled to be completed in spring 2010

Finally in the UK the Group completed the closure of its three UK based final salary pension schemes on 31st May 2008 as part of the modernisation of its reward packages

In **Poland** sales of the two key brands 'E and Luksja were ahead of last year in a very competitive market During the year, the 'Uroda brand which comprised a range of traditional skincare products, was sold with the sale proceeds being reinvested in the core brands of E and Luksja The 'E range was renovated in the year with new products launched across fabric detergents fabric conditioners and household cleaning products The Luksja range of bar soaps and shower gels continues to increase its market share through innovation such as the introduction of the successful limited editions concept that has worked well in the UK

In **Greece**, sales were ahead of last year due to continued focus on the product range which was rebranded in the year under the Minerva master brand The range of olive and other seed oils together with fats and spreads provides Greek consumers with a variety of functional and indulgent products under a brand name that they know represents local quality During the year, a small local butter brand was purchased to strengthen the overall portfolio

1 IMPERIAL LEATHER IDENTITY
The entire Imperial Leather range has been relaunched with a fresh new look and exciting new fragrances

2 SKIN BLISS
Skin Bliss shower creams have recently been launched They contain a new innovative moisture-lock technology that adds a new dimension to the personal wash market

3 ORIGINAL SOURCE SKIN FOOD
Original Source has had an exciting year with the launch of a number of new product ranges, including the skin food range

4 CAREX HAND GEL
The Carex range has expanded through the introduction of Carex hand gels These waterless anti-bacterial hand gels are instantly drying and are ideal for use on the go, catering for the increasingly busy lives of our consumers

5 LUKSJA
The popular Luksja brand in Poland has expanded through the use of limited edition fragrances across its product range

6 MINERVA BUTTER
Minerva Butter was launched during the year under a brand name that represents quality

Delivering for the future

The Group operates in a variety of markets, including mature markets as well as emerging exciting vibrant markets offering potential for future growth Below are some of the projects and initiatives which we believe will help the Group capitalise and reinforce its strong position as well as helping us deliver our targets for profitable growth

The Personal Wash Innovation Centre based in Manchester is currently in the course of construction This centre will be the forefront in innovation in research and development in the personal wash sector

Phase one, the transfer of production from the existing manufacturing site, is well under way with production now commenced at the new site This phase is on schedule to be completed by the end of the calendar year

The second phase, which is the construction of the research and development centre and the transfer of the fragrance production facility from Ellesmere Port, will be completed early in 2009

Our investment in Nigeria is continuing with the commencement of a £39 million investment programme to upgrade the Nigerian manufacturing facilities over the next three years, bringing them in-line with the latest manufacturing technology and systems This will add to our manufacturing capacity and efficiency in Nigeria

The second factory to produce nutritional products as part of the joint venture with Glanbia, will come on stream early in 2009 with a new range of UHT format products This will enable us to increase our supply to the growing nutritional markets in Nigeria

INNOVATION CENTRE

The Innovation Centre will be the forefront in innovation in research and development in the personal wash sector

AGECROFT

The new world-class personal wash manufacturing facility based in Manchester will be completed by the end of the calendar year

FACTORY INVESTMENT IN NIGERA

The Group is continuing to invest within Nigeria upgrading its manufacturing facilities

Delivering change

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

Our 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

CORPORATE SOCIAL RESPONSIBILITY

Delivering responsibly

Corporate social responsibility (CSR) comprises

- the recognition by a business of how its activities impact upon 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

The principles of CSR are closely aligned with the values and culture of PZ Cussons They are considered by the board 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

PZ Cussons is committed to conducting its 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

This report sets out how PZ Cussons demonstrates CSR under the following headings

- The environment
- Health and safety
- Provision of 'everyday good quality, affordable products'
- Employment and development of our people
- Business conduct

It also addresses our aspirations in respect of future reporting of CSR matters and a review of the wider benefits of the Group s CSR projects and policies

THE ENVIRONMENT

PZ Cussons is fully committed to playing its part to protect and preserve the environment for the benefit of its employees customers and the public at large The Group ensures that it complies with environmental laws and regulations and continues to identify the ways in which its operations impact upon the environment and to find effective ways to reduce that impact In particular, the Group recognises climate change as a global challenge for all businesses and for society in general PZ Cussons is committed to contributing to the fight against climate change, not only in our manufacturing operations and supply chain but also in the wider arena of product design and use

The UK Innovation Centre is a flagship for the Group in respect of environmentally sensitive manufacturing processes and the Group worked closely with the Environmental Agency in respect of its design and construction As part of this process there has been significant focus on the extent to which waste can be reduced within manufacturing processes and the output and learning from initiatives undertaken at other UK facilities in respect of effluents packaging waste and water usage have been incorporated into the Centre's design

Throughout the year, we have embarked on a number of projects and initiatives to combat the effects of climate change and to reduce the impact of the Group's operations on the environment, as follows

ENERGY USAGE

Within our business and supply chain we are working to counteract climate change on two fronts

- Through reducing the energy we use
- Through exploring and utilising alternative energy sources

Significant recent initiatives in reducing energy use include

- The closure of outdated manufacturing sites and the transfer of production to more efficient sites Examples include the establishment of a new soap factory in Thailand to replace older, less energy efficient facilities in the UK and Australia In both the UK and Poland we have rationalised the three different sites in each location into one increasing the overall efficiency
- Choosing to invest in state of the art manufacturing facilities in our Nutrition business in Nigeria
- Over the last two years the development and implementation worldwide of a soap manufacturing process which uses less energy per tonne of soap manufactured
- A Group initiative to move to more locally sourced raw materials and so decrease freight usage Examples to date include
  - local sourcing of packaging materials in Nigeria
  - local sourcing of palm oil in Ghana
  - retention within the UK of manufacturing of personal care and household liquids for the UK market, rather than sourcing from overseas
  - the deployment of modern technology within the new Innovation Centre in the UK ranging from the innovative use of recycled water to motion-sensitive lighting

The Group recognises that it can reduce both its carbon footprint and energy consumption by exploring and utilising alternative energy sources The most significant project in this area over the last two years has been focused on Nigeria which accounts for a significant proportion of the Group's manufacturing output There has been 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

In addition to the above initiatives, each operating unit within the Group is continually reviewing energy usage, looking for ways to reduce energy use and assessing alternate energy sources

CORPORATE SOCIAL RESPONSIBILITY

PRODUCT DESIGN AND USE

We also work to reduce the impact of the Group's operations on the environment by

- Optimising product design
- Optimising product use

Recent examples of optimised product design include

- The incorporation of more environmentally friendly packaging in new product development, such as 'Doy packs or pouches, including being the first to launch these to the mass market in the UK
- The review and reduction of outer case packaging in the UK
- The manufacture and sale of Carex and other handwash refills in the UK and Australia so as to prolong the lifetime of dispensers

Significant recent initiatives in optimising product use include

- Use of innovative water saving technology Aquasave in Australia which has been used in laundry and dishwasher detergent and uses less water per wash
- Introduction of more environmentally friendly electrical goods in Africa

HEALTH AND SAFETY

PZ Cussons is committed to maintaining a safe workplace at all locations in which it operates The board regards this as a fundamental business responsibility and reviews health and safety matters on a regular and frequent basis to continue to ensure that 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 all

The roll-out of our World Class Manufacturing programme has ensured that our factories are enjoyable and safe places to work In particular, manufacturing processes at the Innovation Centre have been designed and implemented to minimise manual handling and eliminate other potential health and safety issues at source

The Group employs health and safety specialists and, where appropriate, provides on-site medical facilities for employees Standards of health and safety at work are continuously monitored and improved through regular risk assessments, safety audits, formal accident investigation and training

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 into 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 two years ago since which time the product range has been significantly expanded

In addition

- The Group provides a range of basic personal and household products which offer value for money and are made widely available in all the territories in which we operate
- In 2007 the Group launched an affordable good quality 'Basics baby products range in Indonesia under the brand Cussons Sahaja
- The Group has introduced electrical goods customer care centres to provide after-sales service in Nigeria
- The Minerva Benecol range of products has been successfully introduced in Greece to actively reduce cholesterol

It is imperative to PZ Cussons that the products which we supply are safe Human safety assessments for personal care products are conducted under the Cosmetic Products Directive in Europe and relevant legislation in other areas of operation The Group also operates to strict internal rules relating to labelling and packaging requirements and, in particular, product safety including the use of raw materials (in respect of which we work with trade associations and relevant professional advisors to ensure that all materials meet our own safety thresholds)

ANIMAL TESTING

None of our products are tested on animals We support the development and acceptance of alternative methods which reduce or replace the use of animals in product safety evaluation We are in regular contact with our suppliers to ensure that our values on this subject are shared and, where feasible, they work to similar standards

CORPORATE SOCIAL RESPONSIBILITY

EMPLOYMENT AND DEVELOPMENT OF OUR PEOPLE

PZ Cussons places great emphasis on – and commits significant expense to – the employment and development of local employees who are involved at all levels of decision-making throughout the Group This is particularly important to us given our presence in a number of developing countries and we believe that the training, development and support of our employees is of direct benefit to their wider communities as well as to the performance of the Group itself

A key element of the Group's approach in this respect is the creation of a performance-driven culture which supports motivated people who are passionate about our future and which aligns staff to the Group's values of

- Courage
- Accountability
- Networking
- Drive
- Oneness

During 2008 we employed approximately 9,000 people worldwide and we are committed to the development training and fair treatment of all staff This is embodied or reflected in

- The introduction over the last few years of graduate development schemes in selected developing world territories These schemes include extensive formal and informal training
- Employees of all grades having the opportunity for training through a wide range of courses over the last year
- The high standard of working conditions throughout the Group – the Group has invested significantly during the period 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 is one of the largest listed companies in Nigeria with a high reputation as an employer of choice
- Continued roll-out of a group-wide incentive programme from senior management to factory level
- The UK business receiving an Investor in People award and an award for North West business of the year for the second year running

The employment policies of the Group embody the principle of equal opportunity irrespective of age, race religion, colour, sex or marital status which is fundamental to the way in which the Group conducts its business The Group s policies also include procedures to ensure that disabled persons are fairly considered for employment and subsequent training and career development

As part of the ongoing review of staff welfare and benefits the Group also makes 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

BUSINESS CONDUCT

The Group also ensures that decisions in respect of its operations take due account of the potential effect on the wider community and environment 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 any new suppliers to ensure that they comply with the Group's standards on this issue

During the period, the Group has also established new procedures to enable employees to voice any concerns which they might have in respect of business practices throughout the Group The "Speak Up' policy allows employees to 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 being rolled out through the Group to ensure that 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) are brought to the attention of the board and addressed at the earliest opportunity

DEVELOPMENT OF CSR REPORTING

Corporate social responsibility is acknowledged and promoted at the highest level at PZ Cussons and the board has reviewed and fully endorsed this CSR statement The board also recognises, however, that the ways in which it monitors and manages the impacts of its activities are evolving and it is committed to establishing procedures to improve this process Equally, the board is committed to further developing the ways in which it reports on these issues to its stakeholders and to providing information, particularly in respect of environmental issues, against an increased number of key performance indicators

FINANCIAL PERFORMANCE – BENEFITING SHAREHOLDERS, EMPLOYEES AND THE WIDER COMMUNITY

The board's commitment to the principles of CSR reflects its view that it is incumbent on leading companies to make a positive contribution to society through their activities The board also believes, however, that socially responsible conduct is value enhancing for its shareholders and other stakeholders In particular, the board recognises the potential benefits which may be derived where its CSR activities are aligned to the concerns and demands of its customers and the Group listens to and takes account of those concerns in shaping its business strategies and practices The board also recognises that companies are subject to increasing regulation particularly in respect of environmental issues, and that the pursuit of a proactive CSR policy reduces the risk of adverse regulatory action

The financial performance of PZ Cussons has a positive impact in all territories in which it operates During 2008 revenue, profit and earnings per share for PZ Cussons were up on the previous year by 14% 12% and 10% respectively and this financial performance has generated benefits for our shareholders, employees and wider stakeholders

Specifically in 2008 we

- Paid our 9 000 employees £70 million in salaries plus £7 million to provide post-employment benefits all of which supports the local communities in which they live and in which we operate
- Distributed £18 million as dividends of which a significant proportion was then gifted to charity from the Zochonis Charitable Trust
- Supported local economies with £23 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 £350 million to suppliers of raw materials (a greater proportion of which were local suppliers) helping to sustain their businesses

Delivering the goods

With over 100 years experience of trading in Africa we are proud of the knowledge of local markets and consumers we have developed which has resulted in a strong portfolio of local brands

Delivering everyday needs

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

Delivering innovation

Our desire to grow our leading brands to category leading positions has resulted in innovative new product development as well as significant activity in brand renovation with product relaunches and the introduction of innovative new variants

Delivering for the future

The Group operates in a variety of markets, including mature markets as well as emerging exciting vibrant markets offering potential for future growth

Delivering change

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

Delivering responsibly

PZ Cussons is committed to conducting its 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

Principal activities
The principal activities of the Group are the manufacture and distribution of soaps detergents toiletries pharmaceuticals electrical goods edible oils 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

Dividends
The directors recommend a final dividend of 3 625p (2007 3 27p) per ordinary share to be paid on 1st October 2008 to ordinary shareholders on the register at the close of business on 22nd August 2008 which together with the interim dividend of 1 075p (2007 1 00p) paid on 17th April 2008 makes a total of 4 70p for the year (2007 4 27p)

Political and charitable contributions
Charitable contributions in the United Kingdom during the year amounted to £50 000 (2007 £50,000) No political contributions were made (2007 nil)

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 the contracts The creditor days are disclosed in note 19

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

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

Auditors
In the case of each of the persons who are 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 1985) of which the company s auditors are 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 auditors are aware of that information

This information is given and should be interpreted in accordance with the provision of section 234ZA of the Companies Act 1985

During the year Deloitte & Touche LLP resigned as auditors and PricewaterhouseCoopers LLP was appointed to fill the casual vacancy 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

Enhanced Business Review
The functional performance of the Group along with an analysis of KPIs is provided on pages 6 to 21 The additional information required to be disclosed in the Enhanced Business Review is shown below

Principal risks and uncertainties facing the Group
The Group s business activities financial condition results of operations or the company s share price could be affected by any or all of the following risks or uncertainties

Political and economic stability
The Group conducts a significant portion of its operations outside the UK in developing markets which have an increased risk of political and economic instability, however the Group has a diverse geographic portfolio in order to help mitigate the risk that could arise in any one particular territory

Foreign currency and treasury risk
The international range of the Group s activities gives rise to both transactional exchange rate risk 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 s main foreign currency exposure relates to US dollar trade balances

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 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

Raw materials
The Group s profitability depends on the cost of raw materials from around the world which exposes it to price and supply fluctuation Key items such as oils and fats packaging materials and energy are subject to fluctuations in price and availability The Group does take 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

Directors
Mr S J N Heale was appointed a non-executive director on 1st January 2008

Mr J D M Smith retired from the board as a non-executive director on 31st May 2008

Executive directors at 29th July 2008
Mr A J Green
Chairman (age 57)
He joined the company in 1975 and was appointed to the board in 1990 becoming Chairman in 1993

Mr A G Calder
Deputy Chairman (age 61)
He joined the company in 1996 and was appointed to the board in 1998 becoming Deputy Chairman in January 2006

Mr G A Kanellis
Chief Executive (age 43)
Was appointed Chief Executive in June 2006 He joined the company in 1993 and was appointed to the board in 2003

Mr C G Davis
Regional Director – Africa (age 46)
He joined the company in 1993 and was appointed to the board in 2006

Mr B H Leigh
Finance Director (age 37)
He joined the company in 1997 and was appointed to the board in 2006

Mr J Pantelireis
Supply Chain Director (age 54)
He joined the company in 1980 and was appointed to the board in 2005 having held a number of senior positions with the Group

Independent non-executive directors at 29th July 2008
Mr D W Lewis (age 63)
A former partner of Addleshaw Goddard Appointed to the board in 2004 Mr Lewis is the senior non-executive director

Professor J A Arnold (age 64)
A chartered accountant and Chairman of Manchester Business School Incubator Limited He was previously director and dean of Manchester Business School Appointed to the board in 2007

Mr S J N Heale (age 55)
A chartered accountant and Chief Executive of CHINA NOW Appointed to the board in 2008

Mr J T J Steel (age 48)
A chartered accountant and Managing Director of Corporate Finance at Arbuthnot Securities Appointed to the board in 2005

As non-executive directors Professor Arnold and Messrs Lewis Heale and 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 Mr S J N Heale was appointed a non-executive director on 1st January 2008 and, accordingly will retire as a director at the 2008 annual general meeting and, being eligible offers himself for re-election The directors retiring by rotation are Mr G A Kanellis Mr J Pantelireis and Mr J T J Steel each of whom being eligible offer themselves for re-election

The evaluation of the board as reported within the report on corporate governance concluded that each of the directors offering themselves for re-election continue to demonstrate effectiveness and commitment to their particular roles 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 31st May 2008 together with their interests at 1st June 2007 are detailed below

	Ordinary shares	
	2008	2007
Beneficial	**Number**	Number
A J Green	**62,403,690**	62 403 690
G A Kanellis	**101,767**	84 710
J A Arnold	**7,850**	3 984
A G Calder	**452,560**	409 180
C G Davis	**157,380**	107 030
S J N Heale	**8,000**	-
B H Leigh	**45,999**	36 830
D W Lewis	**40,000**	25 000
J Pantelireis	**77,000**	77,000
J T J Steel	**24,750**	10 000
Total	**63,318,996**	63 157 424
Non-beneficial		
A J Green	**6,926,080**	6,926 080
A G Calder	**69,442,170**	69 292 170
Total	**76,368,250**	76,218 250

Notes
1 The figures in the tables do not include 2 130 236 (2007 3 913 299) ordinary shares purchased by the ESOT (Employee Share Option Trust) at 31st May 2008 The ESOT is a discretionary trust under which the class of beneficiaries who may benefit comprises certain employees and former employees of the company and its subsidiaries including members of such employees and former employees immediate families Some or all of the shares held in the ESOT may be the subject of awards to executive directors of the company (excluding the Chairman) under the deferred annual share bonus scheme details of which are given in the report on directors' remuneration Accordingly those executive directors are included in the class of beneficiaries and are deemed to have a beneficial interest in all the shares acquired by the ESOT

2 The figures in the tables do not include 5 922 822 (2007 6 864 539) ordinary shares granted as options under the executive share option scheme at 31st May 2008 Further details of this scheme are given in the report on directors remuneration

The register recording the directors interests will be open for inspection at the annual general meeting No director had any beneficial interest during the year in shares or debentures of any subsidiary company 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

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 29th July 2008

	Number of shares	%
J B Zochonis	60,619 580	14 14
Zochonis Charitable Trust	49 515,040	11 55
Mrs C M Green Settlement	20 328 280	4 74
J B Zochonis Settlement	19 927,130	4 65
Sun Life Deferred Distribution Fund	13 556 860	3 16
M & G Global Basics Fund	13 287 401	3 10

Annual general meeting

The company s annual general meeting will be held at the Lowry Hotel 50 Dearmans Place Chapel Wharf Manchester M3 5LH at 12 noon on 29th September 2008 The resolutions that will be proposed at the 2008 annual general meeting are set out in the separate Notice of Annual General Meeting which accompanies this Annual Report and Financial Statements

Purchase of own shares

No shares were purchased during the period from 1st June 2007 to 29th July 2008 (2007 nil) other than the acquisitions undertaken by the ESOT (see note 26)

By order of the board of directors

B H LEIGH
Company Secretary
29th July 2008

This report has been prepared in accordance with the Directors Remuneration Report Regulations 2002 and satisfies the requirements of the Listing Rules of the Financial Services Authority A resolution to approve the report will be proposed at the annual general meeting

The table on directors remuneration and sections on the deferred annual share bonus scheme the executive share option scheme and directors' pension benefits constitute audited information

Remuneration committee

The members of the committee during the year were Professor J A Arnold and Messrs S J N Heale (appointed 1st January 2008) D W Lewis J D M Smith (Chairman until retirement on 31st May 2008) and J T J Steel (member during the year and appointed Chairman on 31st May 2008)

The members are all non-executive directors of the company They are independent and have no conflicts of interest and no day-to-day involvement in running the business The remuneration of the non-executive directors is determined by the executive directors The committee was advised during the year by Hewitt New Bridge Street London in relation to salary levels the deferred annual share bonus scheme the executive share option scheme and the new performance share plan details of which are set out on page 40 and in the separate circular to shareholders which accompanies the Annual Report and Financial Statements

Policy on executive directors' remuneration

The employment conditions, pay and benefits are intended to reward and motivate directors in a manner which reflects the global and competitive nature of the Group's business and to be sufficient to attract and retain persons of high calibre

Going forwards, the elements of the remuneration package will be as follows

- Basic salary and benefits
- Participation in the deferred annual share bonus scheme
- Subject to shareholder approval at the AGM, for 2008 onwards directors will no longer participate in the executive share option scheme but will participate in the new performance share plan
- Pension benefits

During the year the committee reviewed the remuneration packages of the executive directors and other senior executives, with the assistance of Hewitt New Bridge Street to ensure that they remained competitive in line with best practice and appropriately structured to incentivise management to continue the company s excellent performance The review found that in general, total remuneration levels were below market and that the packages had a lower weighting on variable pay than the norm To deal with these issues the committee restructured the packages to position them around market and with a higher proportion of variable pay This encompassed

- Setting basic salaries at more competitive levels
- Increasing the annual bonus potential
- Introducing a new performance share plan
- Introducing a shareholding guideline
- Restructuring pension provision

Basic salary and benefits

Salaries are reviewed annually by the remuneration committee The review takes account of individual performance company performance external surveys and remuneration levels in a range of companies of broadly comparable size and geographical spread

Going forwards the salary review date will move from 1st January to 1st June Following the review of salaries on 1st January 2008 there will be no further review of basic salaries until 1st June 2009

Taxable benefits which are subject to periodic review include health insurance and car benefits

Pension

Up to 31st May 2008 executive directors participated in a defined benefit scheme which provided benefits of up to two thirds salary (subject to a scheme specific earnings cap) dependant s pensions and lump sum payments in the event of death in service In addition, capped executives participated in an unfunded arrangement and executives contributed 7% of salary

Following a review of pensions with the company from 1st June 2008 there will be no further service accruals under this scheme and instead executive directors will receive a contribution of 20% of salary to a defined contribution scheme subject to an employee contribution of 5% of salary For executive directors who have exceeded the life time allowance they are entitled to a cash payment in lieu of employer pension contributions

Deferred annual share 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 employees For 2007/08, the award of a bonus to a maximum of 50%* of basic salary (with 40% payable at target) was dependent upon the achievement of profit before taxation targets and was payable 50% in cash and 50% in deferred shares

For 2008/09 the bonus plan has been modified to increase the potential bonus and to provide a greater incentive to out-perform target The bonus maximum has been increased to 80% of salary with 60% of salary payable at target (although the committee retains the right to increase the maximum to 100% of salary in future years but keeping the target level the same as for 2008/09) Group executive directors will have 75% of their bonus based on Group PBT and 25% on other financial objectives 50% of any bonus paid will still be 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 in continuing employment from the date of the award

Bonuses to be awarded for achievement of targets for the current financial year are included in the directors remuneration table within this report The value of the deferred share element in calculated using the market value at 31st May 2008 of £1 92 per share

Further details of the Employee Trust are given in note 26 of the consolidated financial statements

*The maximum bonus of 50% can be exceeded for directors retiring in the current or following financial year as they are compensated for their non-participation in the executive share option scheme based on the scheme rules with any interpretation agreed by the remuneration committee

Executive share option scheme
Under the company's executive share option scheme senior executives (excluding the Chairman) are eligible for the grant of options to acquire shares in the company at an exercise price which is not less than the market value of the shares when the options are granted and subject to the attainment of predetermined performance targets The value of shares under options granted to an executive in any financial year was limited to a maximum of 1 5 times basic salary The exercise of subsisting options is subject to the performance conditions based upon the company's normalised earnings per share growth relative to inflation over three financial years as follows

Proportion of option grant exercisable	Performance conditions (average annual growth in excess of inflation in earnings per share)
Nil	< RPI + 3% pa
33% – 66% (pro rata)	RPI + 3% to 5% pa
66% – 100% (pro rata)	RPI + 5% to 7% pa

Details of options granted to directors are as follows

The fifth grant of options under the executive share option scheme took place on 6th August 2007 The exercise price for these options equal to the market value at the date of the grant is £1 6725, and is applicable to all directors Options are normally exercisable between three and ten years from the date of grant There have been no other grants of options during the year and no variations to the terms and conditions or performance criteria during the year In future awards will be made under the new performance share plan instead of under this scheme

Ordinary shares

	Balance at 1st June 2007	Options granted during year	Options exercised during year	Balance at 31st May 2008	Option price range (£)
G A Kanellis	784 170	197 309	–	981 479	0 75-1 67
A G Calder	983 240	–	–	983,240	0 75-1 41
C G Davis	335 680	131 539	–	467 219	0 75-1 67
B H Leigh	285 480	119 581	–	405 061	0 75-1 67
J Pantelireis	270 860	117 189	–	388 049	1 30-1 67

The market price of ordinary shares at 31st May 2008 was £1 92 and the range during the year was £1 50 to £2 24

Performance share plan

As noted above during the year the remuneration committee has undertaken a review of the remuneration arrangements in place for the company's senior executives As a result of the review, the company will seek approval for a new scheme the PZ Cussons performance share plan (the Plan) at the forthcoming annual general meeting to replace the current executive share option scheme A detailed summary of the Plan is set out in the separate circular to shareholders which accompanies the Annual Report and Financial Statements and the key points are as follows

- Senior executives (excluding the Chairman) would be granted conditional rights to receive shares subject to continued employment over a three year vesting period from the date of grant and the satisfaction of certain performance conditions
- Annual awards to any participant would be limited to rights over shares with a market value at the time of grant equal to 100% of salary save in exceptional circumstances where the limit is 150% of salary It is the committee's intention to make awards of 100% of salary to the executive directors in 2008
- Awards in 2008 will be subject to adjusted earnings per share growth targets measured over a single three year performance period commencing at the start of the financial year in which the award is made (and using the 2007/08 financial year as the base year) The committee considers earnings per share as an important indicators of the company s underlying financial performance and it provides a clear line of sight for executives between their performance and reward The targets for 2008 are as follows

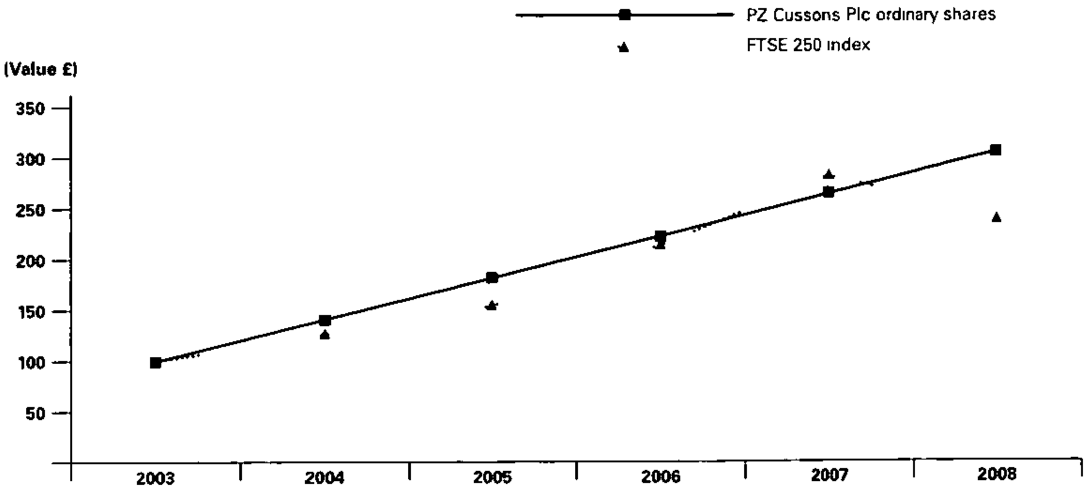
Extent of vesting	Compound annual growth in adjusted earnings per share
Nil	< RPI + 4% pa
25% – 100% (pro rata)	RPI + 4% to 10%
100%	> RPI + 10%

- In relation to all the company s share incentive plans in any ten year period the company may not issue (or grant rights to issue) more than 10% of the issued share capital of the company and no more than 5% can be used for a discretionary plan
- The committee has also decided that there should be a formal shareholding guideline Executive directors will be expected to build up a shareholding of 100% of salary 50% of future share awards which vest (net of tax) will have to be retained until the guideline is met

Performance graph

The graph illustrates the performance of PZ Cussons Plc measured by Total Shareholder Return (TSR) over the five year period to 31st May 2008 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 was chosen as PZ Cussons Plc is a constituent of that index

PZ Cussons Plc TSR vs the FTSE 250 Index TSR



Source Thomson Financial

The following table shows remuneration of individual directors for the year ended 31st May 2008

	Salary/ fees £	**Bonus[1] £**	**Taxable benefits £**	**2008 Total £**	2007 Total £
Executive directors					
A J Green (Chairman)	318 269	–	28 681	**346,950**	325 648
G A Kanellis	358 322	146 324	21 957	**526,603**	470 135
A G Calder	334 101	270 681	16,115	**620,897**	470 736
C G Davis	233 271	88,202	14 201	**335,674**	295 419
B H Leigh	218 669	88 679	10 499	**317,847**	283 125
C Nicolouhas (to 31st May 2007)	–	–	–	–	486 601
J Pantelireis	213 975	86 898	13 706	**314,579**	294 563
P J Smyth (to 31st May 2007)	–	–	–	–	335 328
Non-executive directors					
J A Arnold	35 000	–	–	**35,000**	14 583
S J N Heale (from 1st January 2008)	12 500	–	–	**12,500**	–
D W Lewis	30 000	–	–	**30,000**	30 000
R H Sellers (to 31st May 2007)	–	–	–	–	35 000
J D M Smith	35 000	–	–	**35,000**	35 000
J T J Steel	30 000	–	–	**30,000**	30,000
	1,819 107	680 784	105 159	**2,605,050**	3 106 138

[1]50% of the bonus earned will be paid in cash and 50% in deferred shares based on the share price at the beginning of the financial year to which the bonus relates

Directors' pension benefits

Up to 31st May 2008 the executive directors participated in a defined benefit pension arrangement Benefits in respect of each executive director are given in the table below

	Gross increase in accrued pension £	Increase in accrued pension net of inflation (a) £	Total accrued pension at 31 05 08 £	Value of net increase in accrual over period (b) £	Value of accrued pension at 31 05 07 £	Value of accrued pension at 31 05 08 £	Total change in value during period (c) £
A J Green	17 870	10 373	191 406	138 000	2 358,000	2 944 000	565 000
G A Kanellis	58 980	51 687	227 792	415 000	1 157 000	1 937 000	756 000
A G Calder	23 420	16 106	192 735	266 000	2 746 000	3 457 000	688 000
C G Davis	8 723	8 298	18 561	64 000	78 000	179 000	84 000
B H Leigh	16 431	13 787	77 639	76 000	317 000	515 000	183,000
J Pantelireis	11 590	7 352	109 694	84 000	1 133 000	1 470,000	322 000

Notes

1 Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year and salary at 31st May 2008

2 Transfer values have been calculated in accordance with version 9 3 of guidance note GN11 issued by the Board of Actuarial Standards

3 The value of net increase (b) represents the incremental value to the director of his service during the year calculated on the assumption that service terminated at the year end It is based on the accrued pension increase (a) after deducting the director's contribution

4 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 It is calculated after deducting the director's contribution

5 Voluntary contributions paid by directors and resulting benefits are not shown

6 The total accrued pension as at 31st May 2008 and the value of accrued pension at 31st May 2007 and 31st May 2008 shown for Mr Calder includes benefits resulting from transfers into the plan

7 The company provides unfunded unapproved pension benefits for Messrs Calder Leigh and 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

8 Messrs Pantelireis and Kanellis 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

9 The closure of the defined benefit pension schemes at 31st May 2008 triggered a change in approach for calculating the benefits for Mr Kanellis Previously pension was being uniformly accrued over all his possible working lifetime but the closure meant that the appropriate calculation reverted to a formula based on past service and accrual rate The change in approach means that the pension at the beginning of the year increased from £85,447 to £168,813 and the figures are based on this re-calculated pension at the beginning of the year

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 Lewis and Mr Steel Professor Arnold and Mr Heale will expire on 31st May 2010 30th September 2008 31st December 2009 and 31st December 2010 respectively

By order of the board of directors

J T J Steel
29th July 2008

CORPORATE GOVERNANCE

The board is committed to meeting the standards of good corporate governance set out in the Combined Code ("the Code) on corporate governance published by the Financial Reporting Council in June 2006 This report together with the report on directors' remuneration describes how the board applied the Code during the year under review

Directors

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

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 in the report of the directors The differing roles of the Chairman and chief executive are acknowledged 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 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

The non-executive directors are all considered to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement Mr D W Lewis is a former partner of Addleshaw Goddard which act as legal advisors to the company Mr Lewis does not and has not participated in any way in the provision of services by Addleshaw Goddard to PZ Cussons 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 Lewis will withdraw from that meeting until such matters have been dealt with Mr 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 finance director has failed to resolve or for which such contact is inappropriate

The board has a 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 met formally four times during the year and will meet further as necessary to consider specific matters

All directors communicate with each other on a regular basis and board papers are prepared and issued prior to each board meeting to enable directors to give due consideration to all matters in advance of the meeting Directors can take independent professional advice where necessary at the company s expense and have access to the services of the company secretary who is responsible for ensuring that board procedures and all applicable rules and regulations are followed During the year, the company maintained liability insurance for its directors and officers

There is 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

A formal review of the board and board committee performance is carried out annually 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 directors submit themselves for election at the annual general meeting following their appointment and thereafter by rotation in line with the Code and the company's Articles of Association The review process in 2008 concluded that all directors continue to contribute effectively and with proper commitment devoting adequate time to carry out their duties

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 request from the registered office of the company and will also be available at the annual general meeting

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, Professor J A Arnold Mr S J N Heale Mr D W Lewis and Mr J T J Steel

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 the 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 Professor J A Arnold Mr S J N Heale Mr D W Lewis and Mr J T J Steel (committee Chairman) 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

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 auditors 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 Professor 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 auditors Professor J A Arnold a qualified chartered accountant brings recent and relevant financial experience to the audit committee

As mentioned one of the duties of the audit committee is to make recommendations to the board in relation to the appointment of the external auditors A number of factors are taken into account by the committee in assessing whether to recommend the auditors 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 auditors The auditors are permitted to provide non-audit services that are not and are not perceived to be in conflict with auditor independence providing they have the skill, competence and integrity to carry out the work and are 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 auditors 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 auditors during the year for audit and other services are set out in the notes 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 committee during the year ended 31st May 2008 together with a record of the attendance of the current directors who are their respective members at full board meetings and meetings of the audit remuneration and nomination committees during the year ended 31st May 2008 is detailed in the following table

	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
A J Green	4	4	n/a	n/a	n/a	n/a	1	1
A G Calder	4	4	n/a	n/a	n/a	n/a	n/a	n/a
G A Kanellis	4	4	n/a	n/a	n/a	n/a	1	1
C G Davis	4	4	n/a	n/a	n/a	n/a	n/a	n/a
B H Leigh	4	4	n/a	n/a	n/a	n/a	n/a	n/a
J Pantelireis	4	4	n/a	n/a	n/a	n/a	n/a	n/a
D W Lewis	4	4	4	4	4	4	1	1
J A Arnold	4	4	4	4	4	4	1	1
*S J N Heale	2	2	2	2	2	2	–	–
J T J Steel	4	4	4	4	4	4	1	1
J D M Smith	4	4	4	3	4	4	1	1

*Mr S J N Heale did not attend the meetings held prior to his appointment to the board on 1st January 2008

n/a indicates that the director is not a member of the committee

Directors do not participate in meetings when matters relating to them are being discussed

Risk management committee

The risk management committee is responsible for identifying significant risks and ensuring where possible that action is taken to mitigate these risks This is achieved by an ongoing review which includes identifying all risks faced by the Group and assessing those risks and ensuring that appropriate control measures are put in place Plans are developed and implemented to eliminate reduce or transfer these risks where practicable The committee is also responsible for reviewing the risk management and control process within the Group

The committee comprises senior management from within the business and receives input from professional advisers It met twice during the year and regularly reports to the board In addition the board undertakes annually a formal review of the risk management process and the performance of the risk management committee

Remuneration

Details of directors remuneration are set out in the report on directors remuneration

Going concern

After undertaking an appropriate review the directors believe that the Group and the company have adequate resources to continue in operational existence for the foreseeable future For this reason the directors continue to adopt the going concern basis in preparing the financial statements

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 31st May 2008 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 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 of a risk management document produced by the risk management committee

• Taking necessary action to remedy any significant weaknesses found as part of the review of the effectiveness of the internal control system

At its July 2008 meeting the board carried out the annual assessment of internal control for the year to 31st May 2008 by considering documentation from the executive committee risk management 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

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 All shareholders including private investors have an opportunity to present questions to the board at the annual general meeting and the directors are available to meet informally with shareholders after the meeting

Compliance statement

The directors consider that the company complied with the provisions of section 1 of the Combined Code as contained in the rules of the UK Listing Authority with the following exception

Code Provision A 3 2 The board recognises that the Code specifies that at least half of the members on the board (excluding the Chairman) should be independent non-executive directors

The company did not comply with this provision between 1st June 2007 and 31st December 2007 during which period the board comprised the Chairman a total of five executive directors and four non-executive directors During the period from 1st January 2008 to 31st May 2008 the company did comply with this provision as the board comprised the Chairman a total of five executive directors and five non-executive directors In any event however, each of the non-executive directors are determined by the board to be independent and their respective backgrounds clearly indicate that they are sufficient calibre and number for their views to carry significant weight in the board's decisions

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report the directors remuneration report and the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared 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 In preparing the Group financial statements the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB) The Group and parent company financial statements are required by law to give a true and fair view of the state of the affairs of the Group and company and of the profit or loss of the Group and company for that period

In preparing those financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and company and to enable them to ensure that the financial statements of the Group and company and the directors' remuneration report comply with the Companies Act 1985 and as regards the Group financial statements article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Group and company 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 Group website www pzcussons com Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the board

B H Leigh
Company Secretary
29th July 2008

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 31st May 2008 which comprise the Consolidated Income Statement Statement of Recognised Income and Expense the Consolidated Balance Sheet the Consolidated Cash Flow Statement and the related notes These Group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of PZ Cussons Plc for the year ended 31st May 2008 and on the information in the report on directors' remuneration that is described as having been audited

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors Responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not in giving this opinion 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

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Group financial statements

In addition we report to you if in our opinion we have not received all the information and explanations we require for our audit or if information specified by law regarding director's remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the company s compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board s statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group s corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements The other information comprises only the Introduction the Chairman's Statement the Group Structure and Principal Activities the Report of the Directors the Report on Directors Remuneration the Corporate Governance Statement and the Five Year Financial Record We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements

Opinion
In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group s affairs as at 31st May 2008 and of its profit and cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Report of the Directors is consistent with the Group financial statements

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
Manchester United Kingdom
29th July 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31st May 2008

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	Total 2008 £m	Before exceptional items £m	Exceptional items (note 3) £m	Total 2007 £m
Revenue	2	**660 9**	**-**	**660 9**	577 9	-	577 9
Cost of sales		**(419 1)**	**(3 1)**	**(422 2)**	(365 9)	-	(365 9)
Gross profit		**241 8**	**(3 1)**	**238 7**	212 0	-	212 0
Selling and distribution expenses		**(105 0)**	**-**	**(105 0)**	(86 1)	-	(86 1)
Administrative expenses		**(60 2)**	**3 1**	**(57 1)**	(58 9)	(0 4)	(59 3)
Share of results of joint venture	12	**(0 2)**	**-**	**(0 2)**	(0 8)	-	(0 8)
Operating profit	2	**76 4**	**-**	**76 4**	66 2	(0 4)	65 8
Finance income		**3 4**	**-**	**3 4**	2 8	-	2 8
Finance costs		**(3 3)**	**-**	**(3 3)**	(0 7)	-	(0 7)
Net finance income	6	**0 1**	**-**	**0 1**	2 1	-	2 1
Profit before taxation		**76 5**	**-**	**76 5**	68 3	(0 4)	67 9
Taxation	7	**(21 4)**	**0 2**	**(21 2)**	(19 8)	1 3	(18 5)
Profit for the year	4	**55 1**	**0 2**	**55 3**	48 5	0 9	49 4
Attributable to							
Equity holders of the parent	9	**45 9**	**1 1**	**47 0**	41 5	0 9	42 4
Minority interest		**9 2**	**(0 9)**	**8 3**	7 0	-	7 0
		55 1	**0 2**	**55 3**	48 5	0 9	49 4
Basic EPS (p)	9			**11 04**			9 99
Diluted EPS (p)	9			**10 96**			9 89
Adjusted basic EPS (p)	9			**10 78**			9 78
Adjusted diluted EPS (p)	9			**10 71**			9 68

The results shown above for both 2008 and 2007 relate to continuing operations

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31st May 2008

	2008 £m	2007 £m
Actuarial losses on defined benefit pension schemes	**(21 4)**	(8 3)
Exchange differences on translation of foreign operations	**29 2**	(4 0)
Taxation on items taken directly to equity	**4 2**	4 1
Net income/(expense) recognised directly in equity	**12 0**	(8 2)
Profit for the year	**55 3**	49 4
Total net income and expense recognised for the year	**67 3**	41 2
Attributable to		
Equity holders of the parent	**54 7**	35 9
Minority interests	**12 6**	5 3

CONSOLIDATED BALANCE SHEET

At 31st May 2008

	Notes	31st May 2008 £m	31st May 2007 £m
Assets			
Non-current assets			
Goodwill and other intangible assets	10	**152 2**	54 2
Property plant and equipment	11	**180 0**	143 2
Other investments	13	**0 7**	0 8
Receivables	15	**22 9**	11 7
Non-current assets held for sale	11	**–**	2 6
Retirement benefit surplus	23	**21 5**	23 1
		377 3	235 6
Current assets			
Inventories	14	**167 4**	150 4
Receivables and prepayments	15	**113 6**	85 0
Investments	16	**0 3**	12 8
Cash and short-term deposits	17	**44 0**	53 3
Current taxation receivable		**2 1**	3 7
		327 4	305 2
Total assets		**704 7**	540 8
Liabilities			
Current liabilities			
Borrowings	18	**(16 4)**	(5 8)
Trade and other payables	19	**(113 9)**	(95 7)
Current taxation payable		**(13 0)**	(11 2)
Provisions	22	**(2 1)**	(7 3)
		(145 4)	(120 0)
Non-current liabilities			
Borrowings	18	**(59 9)**	–
Other liabilities	20	**(1 5)**	(1 4)
Deferred tax liabilities	21	**(40 7)**	(20 1)
Retirement benefit obligation	23	**(47 9)**	(37 2)
Provisions	22	**(3 4)**	(2 7)
		(153 4)	(61 4)
Total liabilities		**(298 8)**	(181 4)
Net assets		**405 9**	359 4
Equity			
Ordinary share capital	24	**4 3**	4 3
Capital redemption reserve	25	**0 7**	0 7
Revaluation reserve	25	**29 8**	29 6
Other reserve	26	**(2 6)**	(3 0)
Currency translation reserve	25	**23 0**	0 9
Retained earnings	25	**293 5**	279 3
Equity attributable to equity holders of the parent		**348 7**	311 8
Equity minority interest	25	**57 2**	47 6
Total equity		**405 9**	359 4

The financial statements were approved by the board of directors and authorised for issue They were signed on its behalf by

A J GREEN
29th July 2008

G A KANELLIS

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31st May 2008

	Notes	2008 £m	2007 £m
Operating activities			
Cash generated from operations	27	**53 0**	58 7
Taxation		**(17 1)**	(19 3)
Net cash flow from operating activities		**35 9**	39 4
Investing activities			
Investment income received		**3 5**	3 1
Purchase of property plant and equipment		**(37 6)**	(27 5)
Proceeds from sale of property plant and equipment		**9 8**	12 6
Purchase of intangible assets		**(0 7)**	–
Proceeds from disposal of subsidiary		**–**	2 5
Net cash balances disposed of with subsidiary undertaking		**–**	(1 0)
Acquisition of subsidiary		**(74 4)**	–
Sale / (purchase) of current asset investments		**13 8**	(10 4)
Loans granted to joint ventures		**(9 9)**	(0 5)
Net cash flow from investing activities		**(95 5)**	(21 2)
Financing activities			
Interest paid		**(3 3)**	(0 7)
Dividends paid to minority interests		**(2 2)**	(2 3)
Purchase of shares for ESOT		**(0 2)**	(0 5)
Dividends paid to company shareholders		**(18 5)**	(16 7)
Net increase / (decrease) in borrowings		**67 8**	(1 9)
Net cash flow from financing activities		**43 6**	(22 1)
Net decrease in cash and cash equivalents		**(16 0)**	(3 9)
Cash and cash equivalents at the beginning of the year	17	**50 1**	53 9
Effect of foreign exchange rates		**4 0**	0 1
Cash and cash equivalents at the end of the year	17	**38 1**	50 1

General information
PZ Cussons Plc is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on the inside back cover

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 (IFRS) 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

IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB However the consolidated financial statements for the periods presented would be no different had the Group applied IFRS as issued by the IASB References to IFRS hereafter should be construed as references to IFRS as adopted by the EU

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 profit or loss

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 new IFRS and amendment to IAS which became effective during the year

- IFRS 7 Financial Instruments Disclosures and
- Amendment to IAS 1 Presentation of Financial Statements Capital Disclosures

The following new interpretations of IFRIC effective for accounting periods commencing on or after 1st January 2007 have had no impact on the financial statements

- IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies'
- IFRIC 8 Scope of IFRS 2 Share-based Payments"
- IFRIC 9 Reassessment of Embedded Derivatives' and
- IFRIC 10 Interim Financial Reporting and Impairment

The following new IFRS and interpretations and amendments to IFRS and IAS are not yet effective and have not been early adopted

- IFRS 8 'Operating Segments' is effective for periods commencing on or after 1st January 2009
- Amendments to IFRS 2 'Share-based Payment IAS 1 Presentation of Financial Statements' IAS 27 Consolidated and Separate Financial Statements and IAS 23 Borrowing costs' are all effective for periods commencing on or after 1st January 2009 and
- IFRIC 11 IFRS 2 – Group Treasury Share Transactions IFRIC 12 Service Concession Arrangements and IFRIC 13 'Customer Loyalty Programmes are effective for periods commencing on or after 1st January 2009

The adoption of this IFRS and these interpretations and amendments to IFRS and IAS is not expected to have a significant impact on the consolidated financial statements

IFRS 3 (revised) 'Business Combinations is effective for periods commencing on or after 1st January 2010 The Group uses external advisers to carry out its pre-acquisition due diligence process To date such direct costs have been included as a cost of acquisition On adoption of IFRS 3 (revised) such costs will be expensed in the income statement This is considered to be the major change to the accounting treatment currently adopted by the Group The impact on the consolidated financial statements will depend on the number, size and complexity of acquisitions completed in the relevant period

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction' is effective for periods commencing on or after 1st January 2008 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 The Group is currently assessing the impact of this interpretation on the consolidated financial statements

1 Accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of PZ Cussons Plc and entities controlled by PZ Cussons Plc (its subsidiaries) made up to 31st May each year Control is achieved where the company has the power 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 the middle 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

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 Exchange differences on retranslation of loans treated as permanent as equity are taken to the consolidated currency translation reserve

1 Accounting policies continued

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

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets previous carrying amount and fair value less costs to sell

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

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

1 Accounting policies continued

Foreign currencies
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) For the purpose of the consolidated financial statements the results and financial position of each entity are 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 Exchange differences arising on non-monetary assets and liabilities are recognised directly in equity

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 1st 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

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 overseas schemes vary in detail depending on local practice

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 profit and loss and presented in the statement of recognised income and expense

Past service cost is recognised immediately to the extent that the benefits are 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

Share-based payments
The Group operates a deferred annual share bonus scheme and an executive share option scheme for senior executives both 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 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

1 Accounting policies continued

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 by 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

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

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 and cash equivalents
Cash and cash equivalents includes cash at bank and in hand plus short-term deposits less overdrafts Short-term deposits have a maturity of less than three months from the date of acquisition Bank overdrafts are repayable on demand and form an integral part of the Group s cash management

1 Accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised on the Groups balance sheet when the Group becomes a party to the contractual provisions of the instrument

Derivative financial instruments

The Groups activities expose it primarily to the financial risks of changes in foreign exchange 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 occasional use of financial derivatives is governed by the Groups 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 accrual 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 receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

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

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

1 Accounting policies continued

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 operates three main UK retirement benefit schemes which are independent of the Group's finances 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 determined 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

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	**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**
2007					
Total gross segment revenue	252 9	120 4	372 1	(167 5)	577 9
Inter segment revenue	-	(13 2)	(154 3)	167 5	-
Revenue	252 9	107 2	217 8	-	577 9
Segmental operating profit before exceptional items	26 1	9 8	30 3	-	66 2
Exceptional items (note 3)	(0 5)	-	0 1	-	(0 4)
Segmental operating profit	25 6	9 8	30 4	-	65 8

2 Segmental analysis continued

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**	**118 6**	**–**	**136 1**
Depreciation and amortisation	**(5 4)**	**(3 8)**	**(6 5)**	**–**	**(15 7)**
2007					
Segment assets	193 3	74 7	202 4	70 4	540 8
Segment liabilities	(8 5)	(17 7)	(111 9)	(43 3)	(181 4)
Capital additions goodwill and intangible assets	14 2	5 6	7 6	–	27 4
Depreciation and amortisation	(4 1)	(3 4)	(7 0)	–	(14 5)

The share of results of the nutrition joint venture of £(0 2) million (2007 £(0 8) million) and investments in joint ventures of £(0 4) million (2007 £(1 7) million) excluding long term loans are included in the Africa segment in the above analysis

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	
	2008 £m	2007 £m
Toiletries and household	**486 3**	431 6
Food and nutrition	**104 7**	93 9
Electrical goods	**69 9**	52 4
Total	**660 9**	577 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		Capital additions, goodwill and intangible assets	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Toiletries and household	**588 0**	414 4	**133 9**	26 8
Food and nutrition	**40 9**	35 3	**1 4**	0 4
Electrical goods	**26 5**	20 7	**0 8**	0 2
Tax and cash	**49 3**	70 4	**–**	–
Total	**704 7**	540 8	**136 1**	27 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

Year to 31st May 2008

Exceptional items included within operating profit	Effect on	Profit before taxation £m	Taxation £m	Profit 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

(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 31st May 2008 resulted in an exceptional curtailment gain of £5 6 million net of associated costs

Year to 31st May 2007

Exceptional items included within operating profit	Effect on	Profit before taxation £m	Taxation £m	Profit after taxation £m
Restructuring of UK operations (i)		(5 1)	1 5	(3 6)
Profit on disposal of property plant and equipment (ii)		4 7	(0 2)	4 5
Total		(0 4)	1 3	0 9

(i) Restructuring of UK operations
A significant restructuring of the UK business made up of redundancy and other associated restructuring costs

(ii) Profit on disposal of fixed assets
The sale of the Polish head office in Warsaw resulted in an exceptional gain on disposal of £5 2 million while a net loss of £0 5 million was realised in relation to the sale of the Cameroun business due to rationalisation of the Group's smaller operations

4 Profit for the year

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

	2008 £m	2007 £m
Net foreign exchange (gains)/losses	(1 1)	1 6
Research and development costs	3 1	4 5
Amortisation of government grants	(0 4)	(0 4)
Depreciation of property plant and equipment	15 7	14 5
Profit on disposal of property plant and equipment	(5 5)	(7 2)
Profit on disposal of intangible fixed asset (note 10)	(4 3)	–
Raw and packaging materials and goods purchased for resale	375 9	325 7
Operating lease rentals	2 2	1 1
Employee costs (note 5)	81 9	81 1
Auditors remuneration (see below)	0 9	0 7

4 Profit for the year continued

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

	2008 £m	2007 £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 4
Total audit fees	**0 5**	0 4
Other services pursuant to legislation		
Tax services	**0 3**	0 2
Other services	**0 1**	0 1
Total fees	**0 9**	0 7

Fees payable to PricewaterhouseCoopers LLP and their 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 £16 400 (2007 £17 000)

The comparative figures relate to the Group s previous auditors Deloitte & Touche LLP

5 Directors and employees

Employee costs

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

	2008 Number	2007 Number
Production	**4,801**	5 922
Selling and distribution	**2,659**	2 805
Administration	**1,237**	1 150
	8,697	9,877

The costs incurred in respect of the above were as follows

	2008 £m	2007 £m
Wages and salaries	**71 5**	66 7
Social security and other costs	**7 7**	6 1
Post-employment benefits	**1 8**	7 8
Share-based payments	**0 9**	0 5
	81 9	81 1

The post-employment benefits consist of

	2008 £m	2007 £m
Defined benefit schemes (note 23)	**3 6**	3 8
Curtailment gain (note 23)	**(5 9)**	(0 9)
Defined contribution schemes (note 23)	**2 1**	1 8
Overseas minor defined benefit schemes and Nigerian gratuity scheme (note 22)	**2 0**	3 1
	1 8	7 8

5 Directors and employees continued

Directors' remuneration

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

	2008 £m	2007 £m
Fees to non-executive directors	**0 1**	0 1
Wages and salaries	**1 7**	2 1
Bonus – cash	**0 3**	0 4
Bonus – deferred annual share bonus	**0 4**	0 4
Benefits	**0 1**	0 1
Social security and other costs	**0 3**	0 3
Post-employment benefits	**0 7**	1 0
Share-based payments	**0 3**	0 1
Total	**3 9**	4 5

No directors costs were incurred by the parent company

6 Net finance income

	2008 £m	2007 £m
Current asset investment income		
Net investment gains	**0 2**	0 1
Interest and dividends receivable	**3 2**	2 7
	3 4	2 8
Interest payable on bank loans and overdrafts	**(3 3)**	(0 7)
Total	**0 1**	2 1

7 Taxation

	2008 £m	2007 £m
Current tax		
UK corporation tax charge for the year	**4 9**	5 8
Adjustments in respect of prior periods	**0 9**	(0 2)
	5 8	5 6
Overseas corporation tax charge for the year	**13 0**	12 2
Adjustments in respect of prior periods	**–**	(1 0)
	13 0	11 2
Total current tax charge	**18 8**	16 8
Deferred tax		
Temporary differences, origination and reversal	**3 1**	1 2
Adjustments in respect of prior periods	**(0 7)**	0 5
Total deferred tax	**2 4**	1 7
Total tax charge	**21 2**	18 5

UK corporation tax is calculated at 29 67% (2007 30%) 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 of £4 2 million (2007 £4 1 million) relates to release of deferred tax provision on disposed properties and the movement in deferred tax on actuarial losses

7 Taxation continued

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

	2008 £m	2007 £m
Profit before tax	**76 5**	67 9
Tax at the UK corporation tax rate of 29 67% (2007 30%)	**22 7**	20 4
Tax effect of revenue / expenses that are not (taxable) / deductible in determining taxable profit	**0 2**	(0 4)
Tax effect of utilisation of tax losses and other assets not recognised in deferred tax	**–**	(1 1)
Effect of different tax rates of subsidiaries in overseas jurisdictions	**(0 9)**	0 4
Tax effect of share of results of joint ventures	**–**	0 2
Sale of properties	**(0 6)**	(0 3)
Effect of change in UK corporation tax rate	**(0 4)**	–
Prior period adjustment	**0 2**	(0 7)
Tax charge for the year	**21 2**	18 5

8 Dividends

	2008 £m	2007 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise		
Final dividend for the year ended 31st May 2007 of 3 27p (2006 2 95p) per ordinary share	**13 9**	12 5
Interim dividend for the year ended 31st May 2008 of 1 075p (2007 1 00p) per ordinary share	**4 6**	4 2
	18 5	16 7
Proposed final dividend for the year ended 31st May 2008 of 3 625p (2007 3 27p) per share	**15 4**	13 9

The proposed final dividends for the years ended 31st May 2007 and 31st May 2008 were subject to approval by shareholders at the annual general meeting and hence have not been included as liabilities in these financial statements at 31st May 2007 and 31st May 2008 respectively

At 31st May 2008 the Employee Share Option Trust held 2 130 236 ordinary shares (2007 3 913 299 ordinary shares) The trust waived any entitlement to the dividends on these shares

9 Earnings per share

	2008	2007
Profit attributable to ordinary equity shareholders (£ million)	**47 0**	42 4
Basic earnings per share	**11 04p**	9 99p
Diluted earnings per share	**10 96p**	9 89p

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

	2008	2007
Basic weighted average (000)	**425,766**	424 348
Diluted weighted average (000)	**428,725**	428 725

9 Earnings per share continued

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the deferred annual share bonus scheme and the executive share option scheme The weighted average number of shares can be reconciled to the weighted average number of shares including dilutive shares as follows

	2008 Number 000	2007 Number 000
Basic weighted average ordinary shares in issue during the year	425,766	424,348
Dilutive effect of deferred annual share bonus scheme	2,959	4 377
Diluted weighted average	428,725	428,725

Adjusted earnings per share

	2008	2007
Basic earnings per share	11 04p	9 99p
Exceptional items (note 3)	(0 26)p	(0 21)p
Adjusted basic earnings per share	10 78p	9 78p
Diluted earnings per share	10 96p	9 89p
Exceptional items (note 3)	(0 25)p	(0 21)p
Adjusted diluted earnings per share	10 71p	9 68p

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

	2008 £m	2007 £m
Profit attributable to ordinary equity shareholders	47 0	42 4
Exceptional items	(1 1)	(0 9)
Adjusted profit	45 9	41 5

10 Goodwill and other intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1st June 2006	8 8	45 2	54 0
Currency retranslation	–	0 2	0 2
At 31st May 2007	8 8	45 4	54 2
Acquired during the year	21 0	75 3	96 3
Other	(0 5)	1 2	0 7
Currency retranslation	–	1 0	1 0
At 31st May 2008	**29 3**	**122 9**	**152 2**

Intangible assets include the Group's acquired brands Charles Worthington Original Source The Sanctuary and Trix During the year the Group acquired The Sanctuary see note 30 for disclosure on the acquisition In accordance with IFRS 3 'Business Combinations , a deferred tax provision is recognised on the difference between the fair value of an acquired asset and its equivalent tax value The effect of this difference is an increase in deferred tax liabilities by £21 0 million as at 31st May 2008 (2007 nil) and a corresponding increase in goodwill

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 5 years (2007 5 years) and cash flows projected forward assuming no growth from year 10 onwards The discount rate applied to the cashflow projections was 8 5% (2007 8 5%) The average per-annum growth rate applied to the initial five year period of 10% (2007 10%) was based on industry growth rates

10 Goodwill and other intangible assets continued

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

	Goodwill 2008 £m	Goodwill 2007 £m	**Other intangible assets 2008 £m**	Other intangible assets 2007 £m
Original Source	**–**	–	**9 8**	9 8
Charles Worthington	**8 3**	8 8	**29 8**	29 3
The Sanctuary	**21 0**	–	**75 3**	–
Trix	**–**	–	**7 1**	6 1
Other	**–**	–	**0 9**	0 2
Total	**29 3**	8 8	**122 9**	45 4

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

During the year the Uroda brand in Poland was sold with the net sale proceeds of £4 3 million being reinvested in the core brands of E and Luksja

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 1st June 2006	81 1	144 0	31 2	15 4	271 7
Currency retranslation	(1 0)	(0 4)	–	(0 6)	(2 0)
Additions	3 5	7 5	3 2	13 2	27 4
Disposals	(5 2)	(2 5)	(4 1)	–	(11 8)
Reclassifications	0 7	5 1	0 8	(6 6)	–
At 31st May 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 31st May 2008	**97 3**	**177 8**	**34 6**	**33 8**	**343 5**
Depreciation and amounts written off					
At 1st June 2006	3 6	103 4	23 3	–	130 3
Charge for the year	1 9	8 8	3 8	–	14 5
Disposals	(0 2)	(1 5)	(3 6)	–	(5 3)
At 31st May 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 31st May 2008	**9 3**	**127 9**	**26 3**	**–**	**163 5**
Net book values					
At 31st May 2008*	**88 0**	**49 9**	**8 3**	**33 8**	**180 0**
At 31st May 2007*	73 8	43 0	7 6	21 4	145 8

At 31st May 2008 the Group had entered into commitments for the acquisition of property plant and equipment amounting to £7 4 million (2007 £2 4 million) At 31st May 2008 the Group had entered into capital commitments of £4 7 million (2007 £3 4 million) in relation to its interests in joint ventures and the Group s share in the capital commitments of the joint venture was £2 3 million (2007 £1 7 million) There were no assets (2007 £2 6 million) that have been categorised as non-current assets held for sale

*This comprises £180 0 million (2007 £143 2 million) classed as property, plant and equipment with no assets (2007 £2 6 million) classed as non-current assets held for sale

12 Investments in joint ventures

	£m
Cost	
At 1st June 2006	–
Exchange differences on translation of overseas net assets recognised in equity	(0 9)
Share of result for the year taken to the income statement	(0 8)
At 31st May 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 31st May 2008	**(0 4)**

	2008 £m	2007 £m
Aggregated amounts relating to joint ventures		
Total assets	**57 5**	36 0
Total liabilities	**(58 3)**	(39 5)
Net liabilities	**(0 8)**	(3 5)
Revenues	**43 4**	34 4
Loss	**(0 5)**	(1 6)

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

The presentation of this in note 15 is as follows

Net investment in joint venture	**2008 £m**	2007 £m
Investment in joint venture – share of net liabilities	**(0 4)**	(1 7)
Long term loans receivable from joint venture	**23 2**	13 3
	22 8	11 6

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 power 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 31st May 2007 and 31st May 2008

14 Inventories

	2008 £m	2007 £m
Raw materials and consumables	**87 0**	87 8
Work in progress	**2 9**	2 9
Finished goods and goods for resale	**77 5**	59 7
	167 4	150 4

During the year ended 31st May 2008 £2 3 million (2007 £1 6 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 £375 9 million (2007 £325 7 million)

15 Receivables and prepayments

Receivables due within one year

	2008 £m	2007 £m
Trade receivables	**95 6**	70 1
Less provision for impairment of trade receivables	**(5 9)**	(4 4)
Net trade receivables	**89 7**	65 7
Amounts owed by joint ventures	**4 4**	2 8
Overseas taxation recoverable	**0 4**	0 6
Other receivables	**9 4**	8 5
Prepayments and accrued income	**9 7**	7 4
	113 6	85 0

Receivables due after more than one year

	2008 £m	2007 £m
Net investment in joint ventures (note 12)	**22 8**	11 6
Other receivables	**0 1**	0 1
Total	**22 9**	11 7

The presentation of the investment in and loans receivable from joint ventures has been re-presented from the year ended 31st May 2007 to reflect the long-term nature of these items and that they are considered to form part of the overall investment in the joint venture

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

	2008 £m	2007 £m
At 1st June	**(4 4)**	(4 6)
Provision for receivables impairment	**(2 8)**	(0 9)
Receivables written off during the year	**1 4**	0 6
Unused amounts reversed	**0 7**	0 4
Unwinding of discounts	**–**	0 1
Currency translation	**(0 8)**	–
At 31st May	**(5 9)**	(4 4)

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 average credit period taken on sales ranges from 17 to 92 days (2007 17 to 91 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

	2008 £m	2007 £m
Sterling	**16 2**	12 0
Naira	**21 4**	15 3
Euro	**19 6**	16 2
Zloty	**10 5**	5 8
Other minor currencies	**22 0**	16 4
	89 7	65 7

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

	2008 £m	2007 £m
Not past due	**78 2**	55 8
Past due 0-90 days	**10 7**	9 7
Past due 90-180 days	**0 6**	0 2
Past due >180 days	**0 2**	–
	89 7	65 7

16 Current asset investments

	2008 £m	2007 £m
Listed (market value)	-	0 3
Unlisted	0 3	12 5
	0 3	12 8

17 Cash and short-term deposits

	2008 £m	2007 £m
Cash at bank and in hand	20 4	21 2
Short term deposits	23 6	32 1
Cash and short-term deposits	44 0	53 3
Less bank overdrafts (included in borrowings note 18)	(5 9)	(3 2)
Cash and cash equivalents	38 1	50 1

The effective interest rate on short-term deposits during the year ended 31st May 2008 was 8 7% (2007 7 6%)

18 Borrowings

	2008 £m	2007 £m
Overdrafts due within one year	5 9	3 2
Bank loans due within one year	10 5	2 6
Bank loans due after one year	59 9	–
	76 3	5 8

The borrowings are repayable as follows

	2008 £m	2007 £m
Within one year	16 4	5 8
Between one to two years	15 0	–
Between two to three years	15 0	–
Between three to four years	15 0	–
Between four to five years	14 9	–
	76 3	5 8

On total borrowings fixed interest rates of 6 3% (2007 9 4%) on £5 6 million (2007 £2 2 million) of borrowings with floating rates on £70 7 million (2007 £3 6 million)

Bank overdrafts are repayable on demand The weighted average rate of interest on bank overdrafts was 12 0% (2007 12 9%) Bank overdrafts are at floating rates of interest and hence expose the Group to cashflow interest rate risk

At 31st May 2008 the Group had undrawn facilities of £76 5 million (2007 £60 0 million) available to it

18 Borrowings continued

The Group s borrowings were denominated in the following currencies

	2008 Sterling £m	2008 Naira £m	2008 Thai Baht £m	2008 Other £m	2008 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

	2007 Sterling £m	2007 Naira £m	2007 Thai Baht £m	2007 Other £m	2007 Total £m
Analysis of borrowings by currency					
Bank overdrafts	–	3 0	–	0 2	3 2
Bank loans	–	–	2 6	–	2 6
	–	3 0	2 6	0 2	5 8

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 audit 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 cashflows 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 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 £ against the following currencies at 31st 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

	2008		2007	
	Equity £m	**Income statement £m**	Equity £m	Income statement £m
Nigerian Naira	**8 1**	**0 9**	6 9	0 7
Euro	**3 3**	**0 2**	2 8	0 2
Indonesian Rupiah	**2 7**	**0 3**	2 5	0 3
Australian Dollar	**3 6**	**0 4**	2 7	0 4

A 10% strengthening of the £ against the above currencies would have had the equal and opposite effect 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 cashflow interest rate risk inherent in liabilities with a notional value of £30 million This swap ensures an average effective fixed rate payable of 5 11% until June 2011 At 31st May 2008 the fair value of the interest rate swap was nil

Fair values
Financial instruments utilised by the Group during the years ended 31st May 2008 and 31st May 2007 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 The carrying value of the Group's listed investments which are classified as held-for-trading is nil (2007 £0 3 million)

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 fair value of long-term borrowings at 31st May 2008 is estimated not to be materially different from its carrying value

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

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 31st May 2008 and 31st May 2007 None of the financial assets and liabilities have been reclassified during the year

	2008 Carrying amount and fair value £m	2007 Carrying amount and fair value £m
Loans and receivables		
Cash and short-term deposits	**44 0**	53 3
Trade and other receivables	**113 6**	85 0
Financial liabilities		
Trade and other payables	**(113 9)**	(95 7)
Bank overdrafts	**(5 9)**	(3 2)
Bank loans	**(70 4)**	(2 6)

19 Trade and other payables

	2008 £m	2007 £m
Trade payables	**50 9**	45 8
Amounts owed to joint ventures	**2 7**	3 5
Overseas income tax	**5 5**	6 1
Other taxation and social security	**4 9**	2 3
Other payables	**11 7**	7 1
Accruals and deferred income	**38 2**	30 9
	113 9	95 7

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 45 days (2007 46 days)

The directors consider the carrying amount of trade and other payables approximates their fair value

20 Other liabilities

	2008 £m	2007 £m
Other payables	**0 9**	1 4
Accruals and deferred income	**0 6**	–
	1 5	1 4

21 Deferred tax

	Property, plant & equipment £m	**Retirement benefit obligations £m**	**Revaluation of property, plant & equipment £m**	**Other timing differences £m**	**Business combinations £m**	**Share based payments £m**	**Total £m**
At 1st June 2006	(9 1)	3 6	(14 7)	4 2	(8 8)	0 2	(24 6)
Charge to income	(1 9)	(0 3)	–	0 5	–	–	(1 7)
Charge to equity	–	2 4	1 7	–	–	–	4 1
Currency translation	0 9	–	0 7	0 5	–	–	2 1
At 31st May 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 31st May 2008	**(11 2)**	**8 5**	**(15 0)**	**6 1**	**(29 3)**	**0 2**	**(40 7)**

21 Deferred tax continued

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

	2008 £m	2007 £m
Deferred tax assets	**6 0**	4 3
Deferred tax liabilities	**(46 7)**	(24 4)
	(40 7)	(20 1)

At the balance sheet date the Group has unused tax losses of £0 4 million (2007 £1 1 million) available for offset against future profits No deferred tax asset (2007 nil) has been recognised in respect of these losses on the basis of future expected profitability Of the £0 4 million (2007 £1 1 million) of unrecognised deferred tax assets nil (2007 £1 1 million) is not expected to expire Temporary differences arising in connection with interests in associates and joint ventures are not significant

22 Provisions

	Retirement benefits and similar obligations £m	Others £m	Total £m
At 1st June 2007	6 1	3 9	10 0
Currency retranslation	0 7	–	0 7
Income statement	2 1	–	2 1
Utilised in the year	(5 1)	(2 2)	(7 3)
At 31st May 2008	**3 8**	**1 7**	**5 5**

Other provisions at 31st May 2008 include UK restructuring and other provisions of £1 7 million (2007 £3 8 million) which are expected to be predominantly utilised in the next 12 months Of the retirement benefits provision £0 4 million (2007 £3 5 million) is expected to be utilised in the next 12 months

Included within '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

23 Retirement benefits

Overview

The Group operates retirement benefit schemes for most of its United Kingdom and overseas subsidiaries On 31st May 2008 the three defined benefit schemes in the United Kingdom were closed to future accrual

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

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 to former directors of £13 331 (2007 nil) in the year ended 31st May 2008

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

The Group's balance sheet at 31st May 2008 reflects a pension surplus of £21 5 million (2007 £23 1 million) in respect of the Expatriate plan and combined deficits in the Staff and Directors' plans of £38 5 million (2007 £28 9 million) and £9 4 million (2007 £8 3 million) respectively

For the year to 31st May 2008 the total defined benefit pension gain arising from the three schemes amounted to £2 3 million (2007 cost of £2 9 million)

23 Retirement benefits continued

The major financial assumptions used by the actuary were as follows

	2008	2007
Rate of increase in salaries	**4 80%**	4 10%
Rate of increase in retirement benefits in payment	**3 80%**	3 10%
Discount rate	**5 70%**	5 20%
Inflation assumption	**3 80%**	3 10%

The mortality assumptions used were as follows

	2008 Years	2007 Years
Longevity at age 65 for current pensioners		
– men	**21 9**	21 8
– women	**24 8**	24 7
Longevity at age 65 for future pensioners		
– men	**22 5**	22 5
– women	**25 3**	25 3

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

		2008 £m		2007 £m		2006 £m
Equities	**7 00%**	**122 6**	6 90%	130 0	6 70%	117 7
Bonds	**5 10%**	**90 3**	4 70%	90 8	4 50%	93 5
Cash and other	**5 00%**	**12 0**	5 00%	8 4	4 25%	3 8
Total fair value of scheme assets		**224 9**		229 2		215 0
Present value of scheme liabilities		**(251 3)**		(243 3)		(222 1)
Deficit in the schemes		**(26 4)**		(14 1)		(7 1)
Related deferred tax asset		**7 4**		4 2		2 1
Net retirement benefit deficit		**(19 0)**		(9 9)		(5 0)

To develop the expected long-term rate of return on assets assumptions the company 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 £3 2 million (2007 gain of £17 6 million)

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

	2008 £m	2007 £m
Current service cost	**(4 7)**	(4 4)
Past service cost	**–**	(0 2)
Expected return on scheme assets	**13 7**	12 1
Interest cost	**(12 6)**	(11 3)
Curtailment gain	**5 9**	0 9
Net retirement benefit gain / (expense) before taxation	**2 3**	(2 9)

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

23 Retirement benefits continued

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

	2008 £m	2007 £m
Deficit at beginning of year	**(14 1)**	(7 1)
Gain / (expense) recognised in the consolidated income statement	**2 3**	(2 9)
Contributions paid	**6 8**	4 1
Net return on assets / liabilities	**–**	(0 1)
Actuarial loss	**(21 4)**	(8 1)
Net deficit at end of year	**(26 4)**	(14 1)
Analysed between		
Retirement benefit surplus	**21 5**	23 1
Retirement benefit obligation	**(47 9)**	(37 2)

Actuarial gains and losses are recognised directly in the statement of recognised income and expense At 31st May 2008 a cumulative pre-tax loss of £36 9 million (2007 £15 5 million) was recorded directly in the statement of recognised income and expense

Movements in the fair value of plan assets were as follows

	Assets 2008 £m	Assets 2007 £m
1st June	**229 2**	215 0
Expected return on assets	**13 7**	12 1
Actuarial (losses) / gains	**(16 9)**	5 5
Employer contribution	**6 8**	4 1
Member contributions	**1 2**	1 2
Benefits paid	**(9 1)**	(8 7)
31st May	**224 9**	229 2

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

	Obligations 2008 £m	Obligations 2007 £m
1st June	**(243 3)**	(222 1)
Current service cost	**(4 7)**	(4 4)
Interest cost	**(12 6)**	(11 3)
Plan participants contributions	**(1 2)**	(1 2)
Past service cost	**–**	(0 2)
Actuarial losses	**(4 5)**	(13 7)
Curtailment gain	**5 9**	0 9
Benefits paid	**9 1**	8 7
31st May	**(251 3)**	(243 3)
Plans that are wholly or partly funded	**(247 9)**	(240 6)
Plans that are wholly unfunded	**(3 4)**	(2 7)
	(251 3)	(243 3)

23 Retirement benefits continued

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

	2008	2007	2006	2005
Difference between expected and actual return on scheme assets				
Amount (£m)	**(16 9)**	5 5	11 6	10 5
Percentage of scheme assets	**(8%)**	2%	5%	5%
Experience gains and losses on scheme liabilities				
Amount (£m)	**1 5**	(1 6)	3 5	0 1
Percentage of scheme liabilities	**1%**	(1%)	2%	0%
Total amount recognised in statement of recognised income and expense				
Amount net of deferred tax (£m)	**(15 4)**	(5 6)	(3 8)	3 6
Percentage of scheme liabilities	**(6%)**	(2%)	(2%)	(2%)

During the year ending 31st May 2009 the Group currently expects to make cash contributions of £2 7 million (2008 £3 4 million) to funded defined benefit plans This includes mandatory and discretionary payments In addition, a further £4 4 million (2007 £2 1 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 1 million (2007 £1 8 million)

Other significant schemes

In addition to the UK schemes the Group previously operated a significant post-employment scheme in Nigeria the Nigerian Gratuity scheme This scheme allowed eligible members to accrue benefits over their employment based on their final salary The scheme ceased operating in March 2008 The Group provides for the liability in accordance with IAS 19 The provision at 31st May 2008 was £0 4 million (2007 £3 5 million) and has been included in provisions in the Group balance sheet

24 Share capital

	2008		2007	
	Number 000	**Amount £m**	Number 000	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

25 Statement of changes in shareholders' equity

	Share capital £m	Revaluation reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Other reserve £m	Minority interests £m	Total £m
At 1st June 2006	4 3	27 3	3 3	0 7	259 3	(2 9)	46 4	338 4
Net income recognised for the period	–	–	–	–	42 4	–	7 0	49 4
Currency retranslation	–	0 1	(2 4)	–	–	–	(1 7)	(4 0)
Ordinary dividends	–	–	–	–	(16 7)	–	–	(16 7)
Share-based payments	–	–	–	–	(0 1)	–	–	(0 1)
Realisation of revaluation surplus	–	(0 3)	–	–	0 3	–	–	–
Release of deferred tax provision on disposed properties	–	0 1	–	–	–	–	–	0 1
Change in deferred tax liability on revalued properties	–	2 4	–	–	–	–	(0 8)	1 6
Shares purchased for ESOT	–	–	–	–	–	(0 5)	–	(0 5)
Shares to be awarded from ESOT	–	–	–	–	–	0 4	–	0 4
Minority interest dividend paid	–	–	–	–	–	–	(3 3)	(3 3)
Actuarial losses on defined benefit schemes	–	–	–	–	(8 3)	–	–	(8 3)
Tax on actuarial losses on defined benefit schemes	–	–	–	–	2 4	–	–	2 4
At 31st May 2007	4 3	29 6	0 9	0 7	279 3	(3 0)	47 6	359 4
Net income recognised for the period	–	–	–	–	47 0	–	8 3	55 3
Currency retranslation	–	2 7	22 1	–	–	–	4 4	29 2
Ordinary dividends	–	–	–	–	(18 5)	–	–	(18 5)
Share-based payments	–	–	–	–	0 3	–	–	0 3
Realisation of revaluation surplus	–	(1 1)	–	–	1 1	–	–	–
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 31st May 2008	**4 3**	**29 8**	**23 0**	**0 7**	**293 5**	**(2 6)**	**57 2**	**405 9**

The revaluation reserve arises from the Group s decision to adopt the transitional provisions of IFRS 1 'First-time adoption of IFRS' and to treat the previous revalued amounts in relation to properties as deemed cost at 1st June 2004 the date of transition to IFRS This should be considered to be part of retained earnings

26 Other reserve

	Shares held in trust Number (000)	Cost £m	Charged to income statement £m	Net book value £m
At 31st May 2006	4 970	7 0	(4 1)	2 9
Compensatory bonus issue	320	0 5	–	0 5
Shares transferred out	(1,380)	–	–	–
Shares to be awarded	–	–	(0 4)	(0 4)
At 31st May 2007	3 910	7 5	(4 5)	3 0
Shares purchased	130	0 2	–	0 2
Shares transferred out	(1 910)	–	–	–
Shares to be awarded	–	–	(0 6)	(0 6)
At 31st May 2008	**2,130**	**7 7**	**(5 1)**	**2 6**

The Group s other reserve relates to the Employee Share Option Trust (ESOT)

The ESOT purchases shares to fund the deferred annual share bonus scheme details of which are provided in the report on directors remuneration These shares are to be awarded for the achievement of annual targets and are normally received by directors after three years of continuing employment from the date of grant At 31st May 2008 the trust held 2 130 236 (2007 3 913 299) ordinary shares with a market value of £4 1 million (2007 £6 7 million) 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

	2008 £m	2007 £m
Profit before tax	**76 5**	67 9
Adjustment for finance income	**(0 1)**	(2 1)
Operating profit	**76 4**	65 8
Depreciation	**15 7**	14 5
Profit on sale of tangible fixed assets	**(5 5)**	(7 2)
Profit on sale of intangible fixed assets	**(4 3)**	–
Share of results from joint ventures	**0 2**	0 8
Loss on sale or termination of operations	**–**	0 5
Charge for ESOT shares to be awarded	**0 6**	0 4
Operating cash flows before movements in working capital	**83 1**	74 8
Movements in working capital		
Inventories	**(3 8)**	(12 6)
Receivables	**(13 7)**	(11 0)
Payables	**(7 6)**	7 2
Provisions	**(5 0)**	0 3
Cash generated from operations	**53 0**	58 7

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

	2008 £m	2007 £m
Within one year	**2 7**	1 1
In the second to fifth years inclusive	**5 9**	2 0
Over five years	**6 0**	–

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

29 Share-based payments

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 the share option scheme was £0 3 million (2007 £0 1 million) and the deferred annual bonus scheme was £0 6 million (2007 £0 4 million)

For those share option awards that were granted in the years ended 31st May 2008 and 31st May 2007 the assumptions used in the calculation of the fair values were as follows

	2008	2007
Vesting period	**3 yrs**	3 yrs
Expected volatility	**24 6%**	24 6%
Expected option life after anticipated lapses	**3 yrs**	3 yrs
Risk-free rate	**4 5%**	3%
Expected dividend yield	**2 22%**	2 68%
Fair value per share (p)	**23 6**	22 5

The expected volatility assumption for the share options granted in the year ended 31st May 2007 has been restated from 12 0% to 24 6% This has resulted in an increase in the fair value per share option granted in the year to 31st May 2007 from 6 8p to 22 5p The impact of this restatement has not been significant and therefore has been accounted for in the current year

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 AGM at the time the accounts were published

29 Share-based payments continued

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 1st June 2006	5 487 190	1 0
Granted	1 444 990	1 4
Exercised	(67 641)	0 8
Outstanding at 31st May 2007	6,864 539	1 1
Exercisable at 31st May 2007	245 110	0 7
Outstanding at 1st 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 31st May 2008	**5,922,822**	**1 5**
Exercisable at 31st May 2008	**1,960,797**	**1 0**

	Price / share £	Weighted average exercise price £
Range of prices		
31st May 2008	**0 7-1 7**	**1 2**
31st May 2007	0 7-1 4	1 1

	Number of share options	Weighted average contract term (years)
Weighted average contractual remaining life		
31st May 2008	**5,922,822**	**2 6**
31st May 2007	6,864 539	2 6

There were no options outstanding at 31st May 2008 or 31st May 2007 that are outside of the scope of IFRS 2 Share-based payments'

30 Acquisition

On 29th 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 acquired business contributed revenues of £5 3 million and operating profit of £1 0 million to the Group for the period from 29th January 2008 to 31st May 2008 If the acquisition had occurred on 1st June 2007 Group revenue would have increased by £26 4 million and operating profit would have increased by £5 7 million These amounts have been calculated using the Groups accounting policies together with the consequential tax effects

Details of the preliminary fair value assessment of assets and liabilities acquired and goodwill are as follows

Purchase consideration	£m
- Cash paid	73 5
- Direct costs relating to the acquisition	0 9
Total purchase consideration	**74 4**

The assets and liabilities acquired as of 29th January 2008 arising from the acquisition are as follows

	Provisional fair value £m	Acquiree's carrying amount £m
Property plant and equipment (note 11)	3 5	3 5
Brand (included in intangibles) (note 10)	75 3	–
Inventories	2 0	2 2
Trade and other receivables	2 1	2 3
Trade and other payables	(8 2)	(7 1)
Deferred tax liabilities	(0 3)	(0 3)
Net assets acquired	**74 4**	**0 6**
Purchase consideration settled in cash		74 4
Cash outflow on acquisition		**74 4**

Under IFRS 3 "Business Combinations" a deferred tax provision is recognised on the difference between the fair value of an acquired asset and its equivalent tax value The effect of this difference is an increase in deferred tax liabilities by £21 0 million as at 31st May 2008 (2007 nil) This has resulted in the creation of goodwill of £21 0 million (2007 nil)

Fair value adjustments relate to provisions for inventory receivables and tax

There were no acquisitions in the year ended 31st May 2007

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 31st May 2008 the outstanding balance receivable from Milk Ventures (UK) Ltd was £23 2 million (2007 £13 3 million) At 31st May 2008 the Group had no outstanding balance payable to Milk Ventures (UK) Ltd (2007 nil)

The Group sourced and then sold fixed assets and raw materials to Nutricima Ltd to the value of £43 8 million (2007 £30 7 million) At 31st May 2008 the amount outstanding from Nutricima Ltd was £4 4 million (2007 £2 8 million)

Nutricima Ltd sold £43 4 million (2007 £34 9 million) of goods to PZ Cussons Nigeria Plc The amount outstanding from PZ Cussons Nigeria Plc at 31st May 2008 was £2 7 million (2007 £3 5 million)

All trading balances will be settled in cash

There were no provisions for doubtful related party receivables at 31st May 2008 (2007 nil) and no charges to the income statement in respect of doubtful related party receivables (2007 nil)

32 Subsidiaries, joint ventures and non-current asset investments

Details of the company's principal subsidiaries at 31st May 2008 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	Holding company	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	†46%	†46%
PZ Cussons Nigeria Plc[2]	Manufacturing	Nigeria	†61%	†61%
PZ Cussons Polska SA	Manufacturing	Poland	†99%	†99%
PZ Cussons (Thailand) Ltd	Manufacturing	Thailand	†100%	†100%

[1]HPZ Ltd is 75% owned by PZ Cussons Nigeria Plc and is therefore consolidated

[2]PZ Cussons Nigeria Plc was formerly called Paterson Zochonis Industries Plc

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

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

*Shares held by the parent company

†Shares held by a subsidiary

FIVE YEAR FINANCIAL RECORD

Year to 31st May	**IFRS 2008 £m**	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP 2004 £m
Operating profit before exceptional items	**76 4**	66 2	60 2	53 5	54 1
Net investment income	**0 1**	2 1	3 4	4 6	4 7
Profit before taxation and exceptional items	**76 5**	68 3	63 6	58 1	58 8
Exceptional items	**–**	(0 4)	(2 4)	(4 7)	1 2
Profit before taxation	**76 5**	67 9	61 2	53 4	60 0
Taxation	**(21 2)**	(18 5)	(18 6)	(18 3)	(18 2)
Profit for the year	**55 3**	49 4	42 6	35 1	41 8
Attributable to					
Equity holders of the parent	**47 0**	42 4	35 4	28 8	38 3
Minority interests	**8 3**	7 0	7 2	6 3	3 5
Net assets attributable to ordinary shareholders	**348 7**	311 8	292 0	291 0	259 6
Per ordinary share					
Basic earnings	**11 04p**	9 99p	8 33p	6 60p	8 86p
Adjusted basic earnings	**10 78p**	9 78p	8 90p	7 85p	8 15p
Dividend (interim and final declared post year-end)	**4 70p**	4 27p	3 88p	3 53p	3 20p
Times cover – after exceptional items	**2 3**	2 3	2 1	1 9	2 8
Times cover – before exceptional items	**2 3**	2 3	2 3	2 2	2 5
Net assets	**81 33p**	72 72p	68 10p	71 40p	63 70p

The amounts disclosed for 2004 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS The significant changes on adoption of IFRS can be found on the Group website www pzcussons com

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 31st May 2008 which comprise the Balance Sheet and the related notes These parent company financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Report on Directors' Remuneration that is described as having been audited

We have reported separately on the Group financial statements of PZ Cussons Plc for the year ended 31st May 2008

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements and the part of the Report on Directors Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report including the opinion has been prepared for and only for the company s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not in giving this opinion 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

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Report on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the parent company financial statements

In addition we report to you if in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises only the Introduction, the Chairman's Statement the Group Structure and Principal Activities the Report of the Directors the Report on Directors' Remuneration the Corporate Governance Statement and the Five Year Financial Record We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Report on Directors Remuneration to be audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements and of whether the accounting policies are appropriate to the company's circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Report on Directors' Remuneration to be audited are free from material misstatement whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Report on Directors' Remuneration to be audited

Opinion

In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31st May 2008
- the parent company financial statements and the part of the Report on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Report of the Directors is consistent with the parent company financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester United Kingdom
29th July 2008

COMPANY BALANCE SHEET

At 31st May 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Investments			
Subsidiary companies	3	**119 1**	120 1
		119 1	120 1
Current assets			
Debtors falling due within one year	4	**118 5**	45 1
Investments	5	**2 0**	10 1
Cash at bank and in hand		**4 4**	–
		124 9	55 2
Creditors – amounts falling due within one year	6	**(129 5)**	(104 0)
Net current liabilities		**(4 6)**	(48 8)
Total assets less current liabilities		**114 5**	71 3
Creditors – amounts falling due after one year	6	**(66 1)**	(7 0)
Net assets		**48 4**	64 3
Capital and reserves			
Equity ordinary share capital	7	**4 3**	4 3
Reserves attributable to equity interests			
Capital redemption reserve	8	**0 7**	0 7
Profit and loss account	8	**46 0**	62 3
Other reserve	9	**(2 6)**	(3 0)
Total shareholders' funds		**48 4**	64 3

Approved by the board of directors and signed on its behalf by

A J GREEN G A KANELLIS
29th July 2008

1 Basis of preparation

The accounts have been prepared in accordance with the Companies Act 1985 and United Kingdom Generally Accepted Accounting Practice (UK GAAP) under the historical cost convention As permitted by section 230 of the Companies Act 1985 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 £2 2 million (2007 £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 (2007 nil) No costs were incurred by the company in respect of employees or directors (2007 nil) Amounts paid to the company's auditors in respect of the statutory audit were £6 000 (2007 £5 000)

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

Foreign currencies

Assets and liabilities are translated at exchange rates prevailing at the date of the company balance sheet

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 accrual 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

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

Investments in subsidiaries

Investments in subsidiaries are held at cost less any provision for impairment

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

	2008 £m	2007 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise		
Final dividend for the year ended 31st May 2007 of 3 27p (2006 2 95p) per ordinary share	**13 9**	12 5
Interim dividend for the year ended 31st May 2008 of 1 075p (2007 1 00p) per ordinary share	**4 6**	4 2
	18 5	16 7
Proposed final dividend for the year ended 31st May 2008 of 3 625p (2007 3 27p) per share	**15 4**	13 9

The proposed final dividends for the years ended 31st May 2007 and 31st May 2008 were subject to approval by shareholders at the annual general meeting and hence have not been included as liabilities in these financial statements at 31st May 2007 and 31st May 2008 respectively

At 31st May 2008 the Employee Share Option Trust held 2 130 236 ordinary shares (2007 3,913 299 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 1st June 2007	120 3	4 4	124 7
Acquisition	0 4	–	0 4
Repayment of loan	–	(1 4)	(1 4)
Cost at 31st May 2008	120 7	3 0	123 7
Provisions at 1st June 2007 and 31st May 2008	(4 6)	–	(4 6)
Net book value at 31st May 2008	**116 1**	**3 0**	**119 1**
Net book value at 1st June 2007	115 7	4 4	120 1

Details of the company's direct subsidiaries at 31st May 2008 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

	2008 £m	2007 £m
Amounts owed by Group companies	**116 7**	44 1
United Kingdom corporation tax recoverable	**0 4**	0 6
Overseas taxation recoverable	**0 1**	0 1
Prepayments and accrued income	**1 3**	0 3
	118 5	45 1

5 Current asset investments

	2008 £m	2007 £m
Unlisted	**0 3**	0 3
Deposits	**1 7**	9 8
	2 0	10 1

6 Creditors

	2008 £m	2007 £m
Due within one year		
Amounts owed to Group companies	**117 0**	100 7
United Kingdom corporation tax payable	**0 8**	–
Other creditors	**1 0**	0 8
Bank loan and overdraft	**10 6**	1 0
Accruals and deferred income	**0 1**	1 5
	129 5	104 0
Due after one year		
Amounts owed to Group companies	**6 2**	6 2
Bank loan	**59 9**	–
Other creditors	**–**	0 8
	66 1	7 0

At 31st May 2008 the company had undrawn overdraft facilities of £40 0 million (2007 £40 0 million) available to it There are no committed facilities at 31st May 2008 (2007 nil)

Financial instruments and risk management
The company is not exposed to significant levels of financial risk The company does not enter into derivative financial instruments

Financial instruments utilised by the company during the years ended 31st May 2008 and 31st May 2007 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

7 Share capital

	2008 Number 000	2008 Amount £m	2007 Number 000	2007 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	Other reserve £m	Total £m
At 1st June 2007	4 3	0 7	62 3	(3 0)	64 3
Profit for the financial year	–	–	2 2	–	2 2
Shares purchased for ESOT	–	–	–	(0 2)	(0 2)
Shares to be awarded from ESOT	–	–	–	0 6	0 6
Dividends paid	–	–	(18 5)	–	(18 5)
At 31st May 2008	**4 3**	**0 7**	**46 0**	**(2 6)**	**48 4**

9 Other reserve

	Shares held in trust Number 000	Cost £m	Charged to profit and loss account £m	Net book value £m
At 31st May 2006	4 970	7 0	(4 1)	2 9
Shares purchased	320	0 5	–	0 5
Shares transferred out	(1 380)	–	–	–
Shares to be awarded	–	–	(0 4)	(0 4)
At 31st May 2007	3 910	7 5	(4 5)	3 0
Shares purchased	130	0 2	–	0 2
Shares transferred out	(1 910)	–	–	–
Shares to be awarded	–	–	(0 6)	(0 6)
At 31st May 2008	**2,130**	**7 7**	**(5 1)**	**2 6**

The company s other reserve relates to the Employee Share Option Trust (ESOT)

The ESOT purchases shares to fund the deferred annual share bonus scheme, details of which are provided in the report on directors remuneration These shares are to be awarded for the achievement of annual targets and are normally received by directors after three years of continuing employment from the date of grant At 31st May 2008 the trust held 2 130 236 (2007 3 913 299) ordinary shares with a market value of £4 1 million (2007 £6 7 million)

The trust has waived any entitlement to dividends in respect of all the shares it holds

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

During the year Deloitte & Touche LLP resigned as auditors and PricewaterhouseCoopers LLP was appointed to fill the casual vacancy 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 1985 the report of the directors of PZ Cussons Plc for the year ended 31st May 2008 comprises this page and the information contained in the report of the directors on pages 6 to 37 and the report on directors remuneration on pages 38 to 42

Registered office
PZ Cussons House
Bird Hall Lane
Stockport SK3 0XN

Registered number
Company registered number 19457

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Company secretary
B H Leigh

Information about PZ Cussons Plc and a full copy of the Annual Report and Financial Statements can be found on our website **www.pzcussons.com**