

**PZ CUSSONS NIGERIA PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2016**

**PZ Cussons Nigeria Plc**  
**Annual Report and Financial Statements**  
**Year ended 31 May 2016**

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**PZ Cussons Nigeria Plc**  
**Board of directors, officers and other corporate information**  
**Year ended 31 May 2016**

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**Directors:**

Chief (Dr.) Kola Jamodu, CFR	Chairman: Non - Executive
Mr. B. Oyelola	Vice Chairman: Non - Executive
Mr. C. Giannopoulos (Greek)	Managing Director/Chief Executive Officer
Mr. L. Batagarawa	Independent
Ms. J. Coker	Executive
Mrs. E. Ebi	Independent
Mr. A. Goma	Executive
Mrs. O.T. Ifaturoti	Executive
Mallam D. Muhammad	Non – Executive
Mr. D. Petzer (South African)	Executive
Mr. P. Usoro, SAN	Non-Executive

**Company secretary:**

Mr. R.A. Alade

**Registered Office:**

45/47 Town Planning Way  
Ilupeju Industrial Estate  
P.M.B. 21132  
Ikeja

**Registration Number:**

RC 693

**Registrars:**

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

**Auditors:**

PricewaterhouseCoopers (Chartered Accountants)  
Landmark Towers  
5B Water Corporation Road  
Victoria Island, Lagos

**PZ Cussons Nigeria Plc  
Notice of meeting  
Year ended 31 May 2016**

**NOTICE IS HEREBY GIVEN** that the 68<sup>th</sup> Annual General Meeting of PZ Cussons Nigeria Plc will be held at Transcorp Hilton , Abuja on Thursday October 6, 2016 at 11.00 for the following purposes:

**Ordinary business**

1. To lay before the members the Report of the Directors, the Consolidated Statement of Financial Position of the Company and of the Group as at 31 May 2016 together with the Consolidated Statement of Comprehensive Income for the year ended on that date and the Reports of the Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To elect Directors
  - a. To elect Mallam Dahiru Muhammad as a Director
  - b. To re- elect Mr Tunde Oyelola as a Director
  - c. To re-elect Ms Joyce Folake Coker as a Director
  - d. To re-elect Mr Paul Usoro, SAN as a Director
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

**Special business**

1. To approve the remuneration of the Directors.
2. To authorize the Company to procure goods and services necessary for its operations from related parties.



**BY ORDER OF THE BOARD**  
Rotimi Alade  
Company Secretary  
FRC/2013/NBA/00000004100  
45/47, Town Planning Way  
Ilupeju Industrial Estate  
Lagos  
2nd August 2016

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

**Dividend Warrants**  
If the dividend recommended by the Directors is approved, dividend warrants will be posted on Monday 5<sup>th</sup> October 2016 to shareholders whose names are on the Register of Members on Friday 11<sup>th</sup> September 2015

**Closure Register**  
The Register of Members and Transfer Books of the company will be closed from Monday 19 September to Friday 23rd

September 2016 (Both dates inclusive) for the purpose of updating the register of members

**Audit Committee**  
The Audit Committee consists of three representatives of the shareholders and three representatives of the Directors. Any member may nominate a shareholder as a

member of the Committee by giving Notice in writing of such nomination To reach the Company Secretary at least 21 days before the Annual General Meeting  
Nominators should bear in mind that the Code of Corporate Governance requires the Board to ensure the constitution of a suitably skilled Audit Committee. Accordingly the nominees should have basic financial literacy and be able to Interpret financial statements

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

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

**My dear fellow shareholders, distinguished ladies and gentlemen,**

On behalf of the Board of Directors, I am delighted to welcome you all to the 68<sup>th</sup> Annual General Meeting of our company to present the Annual Report and Financial Statements for the year ended 31<sup>st</sup> of May 2016. Before I do this, I would like to highlight the key events in the operating environment that impacted on the performance of the company during the year.

#### **Business environment**

The year under review witnessed another challenging operating environment largely caused by the sharp decline in global oil prices. These shocks manifested through various challenges including scarcity of foreign currency, price hikes and weakening consumer demand including down trading. These coupled with the disruptions in the Northern part of the country, particularly in the North East impacted on the company's performance.

The country's GDP growth slowed to 2.79% in 2015 (calendar year) compared to a growth of 6.22% in 2014 (calendar year). Domestic output contracted by 0.36% in quarter one of 2016 (calendar year). The negative impact was more severe on the industrial sector which experienced a contraction of 2.24% in 2015 (calendar year) and the decline accelerated further to 5.49% in quarter one of 2016 (calendar year). The challenges still exist in the economy, however, we are optimistic that the flexible exchange rate policy introduced in June 2016 will result in improved prospects in the coming years.

Despite the deteriorating operating environment, your company remained focused and managed to deliver a relatively fair performance for the year to grow shareholder value.

#### **Operating results and performance**

Consolidated revenue decreased by 4.9% from N73.1 billion to N69.5 billion due to the adverse economic conditions referred to above.

We continued with our strategic initiatives aimed at increasing shareholder value and sustaining long term growth. Innovative projects to improve efficiencies in supply chain continue on track, while increased attention was brought on our core brands. We streamlined our product portfolio to make the business more agile in an increasingly competitive and fast changing market. In addition, we launched key projects to improve our processes and to strengthen our back office and business support systems.

The Family Care business experienced a marginal decrease of 2% in revenue compared to prior year. Improved planning and execution in supply chain and targeted investments in key brands helped to limit the negative impact of scarcity of foreign currency and other adverse factors. The white goods business revenue decreased by 9% as consumers shifted demand from durable consumer goods to foods and other basic necessities. Consequently, and due to an exchange loss of N2.9bn, group Profit before taxation (PBT) dropped by 52% from N6.56 billion to N3.15 billion.

Overall, the company did well to hold its position in the market restricting the negative impact of the prevailing adverse conditions and performed satisfactorily against peers in the sector. The various initiatives I mentioned above give the company a base to improve performance going into the future.

Our balance sheet remains strong with total assets of N74.4 billion compared to N67.4 billion in previous year. The N1.7 billion of export rebates that are receivable from the Nigerian government that we mentioned in prior year report is still included in our total assets.

We maintain a strong cash position which puts us in a flexible and agile position to fund operations and exploit any business opportunities that may arise.

**PZ Cussons Nigeria Plc  
Chairman's statement  
Year ended 31 May 2016**

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**Dividends**

Fellow Shareholders, the Board of Directors is recommending to the shareholders at this AGM, a final dividend pay-out of N1.99 billion representing a payment of 50 kobo per share (2015: 81 kobo). If approved, the dividend will be paid to shareholders on Monday the 10th of October 2016, after deducting the appropriate withholding tax.

**Products**

The business environment for the Fast Moving Consumers Goods (FMCG) sector was extremely challenging during the period under review. Our focus brands in the Personal and Home care categories performed relatively well in line with expectations though we experienced some decline in our traditional trading brands and bulk detergent lines.

In Personal care, we maintained our leadership position in key Baby and toilet soaps categories. The extension into gift packs of the Cussons Baby range continues to drive our growth by creating trial opportunity across the range for consumers. The Cussons Baby soap remains the market leader in the baby soap segment. The Premier range especially Premier Cool Deo continued its strong performance driving our market leadership in toilet soaps category. The Hot Robb variant gained market share with the Robb range also maintaining its overall leadership in the medicaments category. In our drive to improve and increase awareness of consumers on general personal hygiene, we anchored a number of activations and educational programs which resulted in the Carex brand becoming a household name.

In the Home care range, Morning Fresh and Canoe retained their market leadership in the dish wash and laundry bar categories respectively despite the entry of competitive brands. Canoe detergents gained share, playing a key role in us holding our market share in the branded detergent category.

To manage the impact of devaluation, we ran a number of product optimization initiatives to ensure the delivery of quality products at affordable prices and accelerated our Active Distributor Development program.

In the Electricals category, we have retained our leading market positions. The category remains very competitive with a plethora of brands operating across many price points and product features. The increasing cost of forex during the year made it necessary to review our selling prices, which subsequently put pressure on total category volumes. Nevertheless, by continuing to build on Product Innovation and Performance, Customer Network and After Sales Service, we have managed to maximize the available commercial opportunities.

**The Board**

During the course of the financial year 2015/2016, Mallam Dahiru Muhammad, a highly experienced banker and business administrator was appointed Non- Executive Director on the Board and he brings with him several years of diverse experience acquired both in the public and private sectors. Please join me in welcoming Mallam Muhammad to the Board.

**Staff**

The good performance of the Company despite the difficult environment was made possible by our most valued asset, our employees, who continue to diligently serve and deliver on their objectives. The Company invested in leadership training programs for senior managers in addition to several developmental programs at junior levels during the year.

### **Corporate Social Responsibility**

The mission of PZ Cussons's Foundation is to improve the welfare of Nigerians by working in partnership with local communities, government and other NGO's. We aim to deploy sustainable projects with positive impact and ensure these corporate social investments have maximal community involvement and wide geographical spread. Our priority areas of intervention are in the area of health education and potable water. Our host communities remain our partners.

Since inception, the Foundation has implemented 58 projects in the 6 geo political zones. For the current financial year 2015/16 the following projects were commissioned:

- Construction of a Community Health Facility in Gbaiko Community, Niger State
- Donation of Block of classrooms and renovation of a Library at Odo-Ere Community, Kogi State
- 2015 edition of the Annual PZ Carex Chemistry Challenge for Secondary Schools in Lagos State
- Donation of Two Blocks of Classrooms with Teachers Office and Borehole at Wuro Mijiyawa Community, Taraba State
- 2015 Global Hand Washing campaign to schools in the rural communities of Benue and Cross River states
- Donation of a Block of Classrooms at Community Grammar School, Oloko Ikwuano, Abia State
- Construction of PZ Nasara Shea Butter Processing Centre at Kontagora, Niger State
- Construction of a Block of Four Classrooms at Marymount College, Agbor, Delta State

### **The future**

We regard the current economic challenges as transitory and we remain excited about the future of the company. Our confidence has been emboldened by positive policy changes being adopted by the government such as the new foreign exchange regime that has been introduced by the Central Bank of Nigeria.

Our brands remain strong and popular with consumers which put us in good footing to hold our market position and exploit any emerging opportunities. The streamlined product portfolio will give us the required focus and agility in the market place. We continued to invest in our supply chain processes to optimize operational efficiencies. Further, the project we launched to improve and strengthen our business processes and systems will unlock efficiencies, save costs and improve decision making in our businesses. Additionally, as we are part of a global business, we have adapted our management structure to reflect a consumer led organization. The impact of this is that brands which have a global presence will be managed centrally thus reducing the cost of implementing consumer relevant product innovations and offerings and a similar approach will be adopted for regional brands. The supply chain is also being integrated into a single structure across the globe and the sales function will align across defined route to market strategies with consistent ways of working.

These changes will integrate global and local perspective which will have a significant bearing on the New Product Developments (NPD's) to ensure that our consumer needs in the local market is the driving force of our investments. All these innovations and improvements put our company in strong standing for the future.

**PZ Cussons Nigeria Plc  
Chairman's statement  
Year ended 31 May 2016**

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**Conclusion**

In concluding, my appreciation goes to our parent company, PZ Cussons Plc United Kingdom for the continued faith and support in the development of the country and for their unwavering support for our company. My appreciation also goes to all other stakeholders who contributed in one way or the other to the success of our business. I would like to express my appreciation to the distributors for their partnership and loyalty; to the management and staff for their dedication to duty and to the consumers for their trust and use of our brands.

Finally, I would like to thank my colleagues on the Board and members of the Audit committee for their counsel and support during the last financial year. I am confident that together, we will deliver an improved performance in the next financial year.

Once again, I thank you all for listening.



**Chief (Dr.) Kolawole B. Jamodu, CFR**  
**Chairman**  
FRC/2013/ICAN/00000001617  
2<sup>nd</sup> August 2016



**PZ Cussons Nigeria Plc**  
**Directors report**  
**Year ended 31 May 2016**

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**Accounts, results and appropriation**

The Board of Directors of PZ Cussons Nigeria Plc is pleased to present to members the Consolidated Statements of Financial Position as at 31 May 2016 together with the Consolidated Statements of Comprehensive Income for the year ended on that date.

	<b>N'000</b>
Group profit after taxation and non-controlling interest	<u>1,863,013</u>

**Dividend**

The Directors are pleased to recommend to the shareholders the payment of a final dividend of 50 kobo per share amounting to N1,985 million (2015:81 kobo per share amounting to N3,216 million).

**Principal activities**

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

**Directors and their interests**

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

**Directors interest in ordinary shares**

Name	2016	2015
	Unit of shares	Unit of shares
Chief K. B. Jamodu, CFR	3,416,880	3,416,880
Mr. C. Giannopoulos – MD/CEO	Nil	Nil
Mr. B. Oyelola	244,336	244,336
Mr. L. Batagarawa	20,706	20,706
Mrs. E. Ebi	Nil	Nil
Ms. J.F Coker	3,889	3,889
Mr. A. Goma	25,000	25,000
Mrs. O.T. Ifaturoti	22,245	22,245
Mallam D. Muhammad	7,500	Nil
Mr. D. Petzer	Nil	Nil
Mr. P. Usoro	1,000,000	1,000,000

There was no change in the above holdings as at 2<sup>nd</sup> August, 2016.

**Directors' interest in contracts**

In accordance with Section 277 of the Companies and Allied Matters Act, none of the directors has notified the company of any declarable interest in any contract in which he was involved with the company during the year.

**Directors for re-election**

In accordance with Article 90 of the Company's Articles of Association and Section 259 (1) of the Companies and Allied matters Act, one third of the number of Directors, based on the length of stay in the office must retire at the Annual General Meeting. They may offer themselves for re-election.

**PZ Cussons Nigeria Plc**  
**Directors report**  
**Year ended 31 May 2016**

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Accordingly, Mr. T. Oyelola, Ms J. F. Coker and Mr. P. Usoro will be retiring at the meeting and, being eligible, they have offered themselves for re-election.

Mr. Dahiru Muhammad was appointed to the Board after the last Annual General Meeting. The appointment is now being presented for shareholders' approval at the Annual General Meeting.

**Record of directors' attendance at board meetings**

In compliance with Section 258 (2) of the Companies and Allied Matters Act, the Record of Directors' Attendance at Board Meetings in 2015/2016 will be made available at the Annual General Meeting for inspection by members.

**Meetings of the board of directors**

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

At every quarterly meeting, the directors are provided with comprehensive reports of the activities of the various business units as well as important corporate events. They are also briefed on all business developments between meetings. The Board met five times during the 2016 financial year.

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

**Attendance at meetings**

In line with the Code of Corporate Governance (the Code) published by the Securities and Exchange Commission, the table below shows the frequency of the Board meetings during the year and members attendance at the meetings:

Director	Number of meetings held	Number of meetings attended
Chief (Dr.) Kola Jamodu - Chairman	5	5
Mr. C. Giannopoulos – MD/CEO	5	5
Mr. B. Oyelola	5	4
Mr. L. Batagarawa	5	4
Ms. J.F. Coker	5	5
Mrs. E. Ebi	5	3
Mr. A. Goma	5	4
Mrs. O.T Ifaturoti	5	4
Mr. D. Petzer	5	5
Mr. P. Usoro, SAN	5	4

The meetings were held on 20<sup>th</sup> August 2015, 29<sup>th</sup> September 2015, 26<sup>th</sup> January 2016, 17<sup>th</sup> March 2016 and 12<sup>th</sup> May 2016.

**Major shareholdings**

According to the Register of members as at 31 May 2016, PZ Cussons ( Holdings) Limited UK held 2,889,467,241 shares. This represents 73.03% of the paid-up capital of the Company.

**PZ Cussons Nigeria Plc**  
**Directors report**  
**Year ended 31 May 2016**

**Analysis of shareholdings**

The shareholding pattern of the company as at 31 May 2016 as advised by the Registrar is as stated below:

Range	Number of holders	Holders %	Units	Units %
1 - 1,000	23,993	31.48	10,434,625	0.26
1,001 - 5,000	23,688	31.08	58,638,031	1.48
5,001 - 10,000	11,784	15.46	90,161,250	2.27
10,001 - 50,000	14,511	19.04	297,163,950	7.48
50,001 - 100,000	1,213	1.59	85,044,136	2.14
100,001 - 500,000	866	1.15	169,767,937	4.28
500,001 - 1,000,000	77	0.10	54,153,214	1.36
1,000,001 - 5,000,000	68	0.09	147,652,641	3.72
5,000,001 - 10,000,000	2	0.00	15,344,411	0.39
10,000,001 - 50,000,000	7	0.01	142,649,609	3.59
50,000,001-3,970,477,045	1	0.00	2,899,467,241	73.03
	<b>76,210</b>	<b>100.00</b>	<b>3,970,477,045</b>	<b>100.00</b>

Apart from PZ Cussons (Holdings) Limited UK, no other shareholder held more than 5% of the paid up capital of the company as at 31 May 2016.

**Board committees**

The Board has established standing committees whose terms of reference clearly spelt out their roles, responsibilities and scope of authorities. To ensure compliance with the Best Practice in Corporate Governance, each Committee is chaired by a Non- Executive Director. The standing committees are as follows:

**Audit committee**

The Committee is established to perform the functions listed in Section 359(5) of the Companies and Allied Matters Act.

The Committee consists of six members made up of three representatives of the shareholders elected at the last Annual General Meeting for a tenure of one year and three representatives of the Board of Directors. The meetings of the Committee were attended by the Head of Internal Control and representatives of PricewaterhouseCoopers, the Company's and Group's external auditors.

The following Directors served on the Committee during the year:

- Mr. L. Batagarawa
- Mr. B. Oyelola
- Mrs. O.T. Ifaturoti

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

Name	Number of meetings held	Number of meetings attended
Professor A. Osuntogun	3	3
Mr. O.I. Obarinde	4	4
Mr. E.A. Akinduro	4	4
Mr. B. Oyelola	4	3
Mr. L. Batagarawa	4	3
Mrs. O. T. Ifaturoti	4	3

The meetings were held on 19<sup>th</sup> August 2015, 12<sup>th</sup> January 2016, 15<sup>th</sup> March 2016 and 12<sup>th</sup> May 2016.

**PZ Cussons Nigeria Plc**  
**Directors report**  
**Year ended 31 May 2016**

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**Risk management committee**

The Risk management committee has responsibility for:

- Review of the company's risk management policies and the adequacy and effectiveness of controls.
- Review of the company's compliance level with relevant regulations that may impact the company's risk profile.
- Review of the changes in business environment and other factors relevant to the company's risk profile.

The Risk management committee is made up of six members namely:

- Mr. L. Batagarawa – Chairman
- Mr. C. Giannopoulos
- Mr. B. Oyelola
- Mrs. E. Ebi
- Mr. D. Petzer
- Mr. A. Goma

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

Name	Number of meetings held	Number of meetings attended
Mr. L. Batagarawa	3	3
Mr. C. Giannopoulos	3	3
Mr. B. Oyelola	3	3
Mrs. E. Ebi	3	3
Mr. D. Petzer	3	3
Mr. A. Goma	3	3

The meetings were held on 16 October 2015, 19<sup>th</sup> January 2016 and 15<sup>th</sup> March 2016.

**Governance/People committee**

The Governance/People committee advises the board on appointment of directors, corporate governance and best practices matters, staff welfare and remuneration, talent management and other strategic employee relations matters. The members are:

- Mr. P. Usoro, SAN – Chairman
- Mr. B. Oyelola
- Mr. C. Giannopoulos
- Mrs. O.T. Ifaturoti
- Ms. J.F. Coker

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

Name	Number of meetings held	Number of meetings attended
Mr. P. Usoro, SAN	4	3
Mr. B. Oyelola	4	4
Mr. C. Giannopoulos	4	4
Mrs O.T. Ifaturoti	4	4
Ms. J.F. Coker	4	4

The meetings were held on 28<sup>th</sup> October 2015, 19<sup>th</sup> January 2016, 8<sup>th</sup> March 2016 and 4<sup>th</sup> May 2016.

**PZ Cussons Nigeria Plc**  
**Directors report**  
**Year ended 31 May 2016**

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**Corporate governance report**

The board is committed to meeting the standard of best practices set out in the Code of Corporate Governance ("the Code") published by the Securities and Exchange Commission. This report describes how the board has been complying with the Code as well as best practices in corporate governance.

**Board composition**

The Company's Articles of Association provides for a maximum of fifteen Directors. At the date of this report, the Board consists of eleven Directors: six Non -Executive Directors and five Executive Directors.

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

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

**Independent directors**

In compliance with the Code, Two (2) of the Six (6) Non- executive Directors are Independent Directors having no significant shareholding interest or any special business relationship with the company.

**Board operations**

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

The specific issues reserved for the Board include:

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

The board has delegated to management the day-to-day running of the business and the Chief Executive Officer who is the head of the management team is answerable to the board.

**Board appointment and induction**

Directors are appointed to the Board following a declaration of a vacancy at a Board meeting.

New Directors are selected through carefully articulated selection guideline that place emphasis on integrity, skills and competences relevant to the Company's goals and aspirations. The Policy confers on the Governance/People Committee the responsibility of identifying individuals with track record of outstanding achievements and potentials for value enhancement. The Committee's recommendation is subjected to further scrutiny by the Board before a decision is taken. The Appointed director is made to undergo induction programme to equip and familiarize him/her with requisite knowledge and

**PZ Cussons Nigeria Plc  
Directors report  
Year ended 31 May 2016**

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information about the Company and its business. The appointed Director is presented to the next Annual general meeting for election.

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

**Board evaluation**

The Board has established a system to undertake a formal annual evaluation of its performance, that of its Committees and the individual directors.

**Internal control**

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

**Communication with shareholders**

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

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

**Insider dealings**

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

**E- Dividend**

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

**Fixed assets**

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

**Distributors and suppliers**

The group has 26 distribution depots across the country with over 1000 distributors.

The group also obtains its requirements from both local and overseas suppliers. The principal overseas suppliers are associated companies in the PZ Cussons group. The major local suppliers include the company's subsidiary - HPZ Limited. The transactions are carried out at arm's length.

**PZ Cussons Nigeria Plc**  
**Directors report**  
**Year ended 31 May 2016**

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**Research and development**

The group's research and development efforts, supported through licensing and technical services agreement with overseas associated companies in the PZ Cussons group are designed to ensure a constant programme of product improvement and new product introduction.

**Employment and employees**

***Employment of disabled persons***

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

***Health, safety and welfare***

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

***Employee involvement and training.***

The group is committed to keeping employees informed regarding the group's performance and progress through regular briefings and meetings. Their views are sought wherever practicable on matters which affect them as employees.

The group believes that professional and technical expertise of its managers constitutes a major asset, and investment in developing such skills continues to receive attention. The group's skill base has been steadily expanding with the range of training provided for career development within the group.

**Statement of compliance**

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


**Complaint management policy**

The Complaint Management Policy sets out the broad framework of how the Company and its Registrars attend to issues and concerns raised by shareholders and provides the opportunity for shareholders to give feedback to the Company. The Company is dedicated to ensuring great standard of services to its shareholders by:

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

**Independent auditors**

Messers PricewaterhouseCoopers were reappointed at the last Annual General meeting as independent auditors and having indicated willingness, will continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act. A resolution will be proposed authorising the directors to fix their remuneration.

  
**BY ORDER OF THE BOARD**  
**R. A. Alade**  
**Company Secretary**  
FRC/2013/NBA/00000004100  
Lagos, Nigeria  
2 August 2016

**PZ Cussons Nigeria Plc**  
**Statement of directors' responsibilities**  
**Year ended 31 May 2016**

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The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. This responsibility includes:


- a. ensuring that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act;
- b. designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c. preparing the company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

  
Chief (Dr) Kola Jamodu, CFR  
Chairman  
FRC/2013/ICAN/00000001617  
2 August 2016

  
Mr. Christos Giannopoulos  
Chief Executive Officer  
FRC/2013/IODN/00000004206  
2 August 2016



**PZ Cussons Nigeria Plc  
Report of the audit committee  
Year ended 31 May 2016**

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**To the members of PZ Cussons Nigeria Plc**

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

- a) Reviewed the scope and planning of the audit requirements and found them adequate;
- b) Reviewed the financial statements for the year ended 31 May 2016 and are satisfied with the explanations obtained
- c) Reviewed the external auditors' management letter for the year ended 31 May 2016 and are satisfied that management is taking appropriate steps to address the issues raised; and
- d) Ascertained that the accounting and reporting policies for the year ended 31 May 2016 are in accordance with legal requirements and agreed ethical practices

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



**Professor C.A. Osuntogun, OFR**  
Chairman, Audit Committee  
29 July 2016

**Members of the Audit Committee**

Professor C.A. Osuntogun (Chairman) -	Shareholders representative
Mr. O.I. Obarinde -	Shareholders representative
Mr. E.A. Akinduro -	Shareholders representative
Mr. B. Oyelola -	Director
Mr. L. Batagarawa -	Director
Mrs. O.T. Ifaturoti -	Director



## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PZ CUSSONS NIGERIA PLC**

### **Report on the financial statements**

We have audited the accompanying financial statements of PZ Cussons Nigeria Plc (the company) and its subsidiaries (together, the group). These financial statements comprise the statement of financial position as at 31 May 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Directors' responsibility for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 May 2016 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.



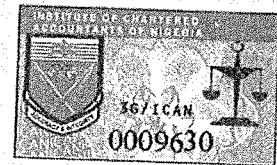
**Report on other legal requirements**

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statements of financial position and comprehensive income are in agreement with the books of account.

*Osere Alakhume*  
For: PricewaterhouseCoopers  
Chartered Accountants  
Lagos, Nigeria

Engagement Partner: Osere Alakhume  
FRC/2013/ICAN/00000000647



11 August 2016

**PZ Cussons Nigeria Plc**  
**Results at a glance**  
**For the year ended 31 May 2016**

	<i>The Group</i>		% Increase/ (decrease)
	2016 N'000	2015 N'000	
Revenue	69,527,537	73,126,070	(4.9)
Operating profit	3,249,523	6,651,022	(51.1)
Profit before taxation	3,148,196	6,556,814	(52.0)
Taxation	(1,018,507)	(1,986,027)	(48.7)
Profit for the year	2,129,689	4,570,787	(53.4)
Non controlling interest	266,676	517,503	(48.5)
Profit attributable to equity holders of parent company	1,863,013	4,053,284	(54.0)
<b>At year end:</b>			
Share capital	1,985,238	1,985,238	
Shareholders' fund	40,900,644	41,436,794	
<b>Per 50k share data:</b>			
Based on 3,970,477,046 ordinary shares of 50k each:			
<i>Basic and diluted earnings per share (Naira)</i>	0.47	1.02	
<i>Adjusted earnings per share (Naira)</i>	0.47	1.02	
<b>Number of employees</b>	1,786	1,869	
<b>Stock exchange quotations in Naira (Company):</b>			
<b>As at 31 May</b>	21.66	28.66	

**PZ Cussons Nigeria Plc**  
**Consolidated statement of comprehensive income**  
**For the year ended 31 May 2016**

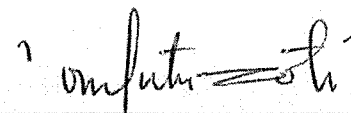
	Notes	Group	Group	Company	Company
		2016	2015	2016	2015
		N'000	N'000	N'000	N'000
Revenue	16a	69,527,537	73,126,070	69,527,537	73,126,070
Cost of sales		(52,209,703)	(52,672,138)	(57,487,627)	(59,884,674)
<b>Gross profit</b>		<b>17,317,834</b>	<b>20,453,932</b>	<b>12,039,910</b>	<b>13,241,396</b>
Selling and distribution costs		(8,825,636)	(9,248,099)	(6,358,556)	(6,412,591)
Administrative expenses		(5,242,675)	(4,554,811)	(4,547,281)	(4,061,998)
<b>Operating profit</b>		<b>3,249,523</b>	<b>6,651,022</b>	<b>1,134,073</b>	<b>2,766,807</b>
Other income	16b	286,084	121,861	487,694	1,011,694
Interest income	25	210,256	228,794	8,417	94,802
Interest cost	25	(597,667)	(444,863)	(853,304)	(725,903)
Net finance cost		(387,411)	(216,069)	(844,887)	(631,101)
<b>Profit before taxation</b>		<b>3,148,196</b>	<b>6,556,814</b>	<b>776,880</b>	<b>3,147,400</b>
Taxation	14	(1,018,507)	(1,986,027)	(386,881)	(978,533)
<b>Profit for the year</b>		<b>2,129,689</b>	<b>4,570,787</b>	<b>389,999</b>	<b>2,168,867</b>
<b>Total comprehensive income for the year</b>		<b>2,129,689</b>	<b>4,570,787</b>	<b>389,999</b>	<b>2,168,867</b>
<b>Total comprehensive income for the year attributable to:</b>					
Equity holders of the parent company		1,863,013	4,053,284	389,999	2,168,867
Non controlling interest		266,676	517,503	-	-
		<b>2,129,689</b>	<b>4,570,787</b>	<b>389,999</b>	<b>2,168,867</b>
Basic and diluted EPS (Naira)	18	0.47	1.02	0.10	0.55

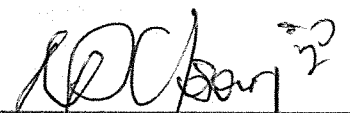
The notes on pages 25 to 51 are an integral part of these financial statements


**PZ Cussons Nigeria Plc**  
**Consolidated statement of financial position**  
**At 31 May 2016**

	Notes	Group		Company	
		31 May 2016 N'000	31 May 2015 N'000	31 May 2016 N'000	31 May 2015 N'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	26,504,924	25,217,847	25,339,722	19,239,673
Investments in subsidiaries	5	-	-	504,406	526,406
		<b>26,504,924</b>	<b>25,217,847</b>	<b>25,844,128</b>	<b>19,766,079</b>
<b>Current assets</b>					
Inventories	6	19,278,455	21,012,631	14,342,118	13,241,598
Trade and other receivables	7	15,587,350	17,912,325	11,358,182	13,085,927
Deposits for letters of credit	8	191,791	916,639	191,791	439,431
Cash and cash equivalents	9	12,867,654	2,328,472	4,524,881	1,573,626
		<b>47,925,250</b>	<b>42,170,067</b>	<b>30,416,972</b>	<b>28,340,582</b>
<b>Total assets</b>		<b>74,430,174</b>	<b>67,387,914</b>	<b>56,261,100</b>	<b>48,106,661</b>
<b>Equity</b>					
Ordinary share capital	10	1,985,238	1,985,238	1,985,238	1,985,238
Share premium		6,878,269	6,878,269	6,878,269	6,878,269
Retained earnings		32,037,137	32,573,287	24,928,782	17,721,422
Equity attributable to equity holders of parent company		40,900,644	41,436,794	33,792,289	26,584,929
Non controlling interest		2,502,326	2,235,650	-	-
<b>Total equity</b>		<b>43,402,970</b>	<b>43,672,444</b>	<b>33,792,289</b>	<b>26,584,929</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred taxation	11	3,694,005	3,903,589	4,108,185	3,757,845
Provisions	12	237,544	248,900	-	-
		<b>3,931,549</b>	<b>4,152,489</b>	<b>4,108,185</b>	<b>3,757,845</b>
<b>Current liabilities</b>					
Trade and other payables	13	25,716,237	17,834,536	18,034,963	17,129,501
Current taxation payable	14	1,289,711	1,671,311	325,663	634,386
Provisions	12	89,707	57,134	-	-
		<b>27,095,655</b>	<b>19,562,981</b>	<b>18,360,626</b>	<b>17,763,887</b>
<b>Total liabilities</b>		<b>31,027,204</b>	<b>23,715,470</b>	<b>22,468,811</b>	<b>21,521,732</b>
<b>Total equity and liabilities</b>		<b>74,430,174</b>	<b>67,387,914</b>	<b>56,261,100</b>	<b>48,106,661</b>

The financial statements on pages 20 to 53 were approved by the board of directors on 2 August 2016 and signed on its behalf by:

  
Chief (Dr.) Kola Jamodu, CFR  
Chairman  
FRC/2013/ICAN/00000001617

  
Mr. Oluwasoyun Agbekeye  
Head of Finance  
FRC/2013/ICAN/00000004098

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

The notes on pages 25 to 51 are an integral part of these financial statements

**PZ Cussons Nigeria Plc**  
**Statement of changes in equity**  
**For the year ended 31 May 2016**

Year ended 31 May 2016	Group				
	Attributable to owners				
	Share capital N'000	Share premium N'000	Retained earnings N'000	Non controlling Interest N'000	Total N'000
At 1 June 2015	1,985,238	6,878,269	32,573,287	2,235,650	43,672,444
Profit for the year	-	-	1,863,013	266,676	2,129,689
Total comprehensive income for the year	-	-	1,863,013	266,676	2,129,689
<b>Transactions with owners:</b>					
Final dividend paid relating to year ended 31 May 2015	-	-	(2,421,991)	-	(2,421,991)
Unclaimed dividend forfeited	-	-	22,828	-	22,828
Total transactions with owners	-	-	(2,399,163)	-	(2,399,163)
<b>At 31 May 2016</b>	<b>1,985,238</b>	<b>6,878,269</b>	<b>32,037,137</b>	<b>2,502,326</b>	<b>43,402,970</b>

Year ended 31 May 2015	Group				
	Attributable to owners				
	Share capital N'000	Share premium N'000	Retained earnings N'000	Non controlling Interest N'000	Total N'000
At 1 June 2014	1,985,238	6,878,269	31,711,254	1,963,821	42,538,582
Profit for the year	-	-	4,053,284	517,503	4,570,787
Total comprehensive income for the year	-	-	4,053,284	517,503	4,570,787
<b>Transactions with owners:</b>					
Dividend paid relating to year ended 31 May 2014	-	-	(2,421,991)	(245,674)	(2,667,665)
Interim dividend paid relating to year ended 31 May 2015	-	-	(794,096)	-	(794,096)
Unclaimed dividend forfeited	-	-	24,836	-	24,836
Total transactions with owners	-	-	(3,191,251)	(245,674)	(3,436,925)
<b>At 31 May 2015</b>	<b>1,985,238</b>	<b>6,878,269</b>	<b>32,573,287</b>	<b>2,235,650</b>	<b>43,672,444</b>

The notes on pages 25 to 51 are an integral part of these financial statements

**PZ Cussons Nigeria Plc**  
**Statement of changes in equity**  
**For the year ended 31 May 2016**

Year ended 31 May 2016	Company			
	Attributable to owners			
	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
At 1 June 2015	1,985,238	6,878,269	17,721,422	26,584,929
Profit for the year	-	-	389,999	389,999
Total comprehensive income for the year	-	-	389,999	389,999
<b>Transactions with owners:</b>				
Excess of net assets acquired over purchase consideration arising from the merger of PZ Tower Limited and PZ Power Company Limited with the company (Note 5)	-	-	9,216,524	9,216,524
Final dividend paid relating to year ended 31 May 2015	-	-	(2,421,991)	(2,421,991)
Unclaimed dividend forfeited	-	-	22,828	22,828
Total transactions with owners	-	-	6,817,361	6,817,361
<b>At 31 May 2016</b>	<b>1,985,238</b>	<b>6,878,269</b>	<b>24,928,782</b>	<b>33,792,289</b>

Year ended 31 May 2015	Company			
	Attributable to owners			
	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
At 1 June 2014	1,985,238	6,878,269	18,743,806	27,607,313
Profit for the year	-	-	2,168,867	2,168,867
Total comprehensive income for the year	-	-	2,168,867	2,168,867
<b>Transactions with owners:</b>				
Dividend paid relating to year ended 31 May 2014	-	-	(2,421,991)	(2,421,991)
Interim dividend paid relating to year ended 31 May 2015	-	-	(794,096)	(794,096)
Unclaimed dividend forfeited	-	-	24,836	24,836
Total transactions with owners	-	-	(3,191,251)	(3,191,251)
<b>At 31 May 2015</b>	<b>1,985,238</b>	<b>6,878,269</b>	<b>17,721,422</b>	<b>26,584,929</b>

The notes on pages 25 to 51 are an integral part of these financial statements



**PZ Cussons Nigeria Plc**  
**Statement of cash flows**  
**For the year ended 31 May 2016**

	Notes	Group		Company	
		2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>Cash flows from operating activities</b>	19	18,385,369	6,938,709	9,924,033	4,769,208
Tax paid	14	(1,609,691)	(2,640,549)	(592,686)	(1,063,810)
<b>Net cash generated from operating activities</b>		<b>16,775,678</b>	<b>4,298,160</b>	<b>9,331,347</b>	<b>3,705,398</b>
<b>Cash flows from investing activities</b>					
Purchase of fixed assets	4	(3,453,991)	(2,783,166)	(3,159,691)	(2,084,259)
Proceeds from sale of fixed assets		26,897	13,759	24,477	10,475
Change in investment in subsidiaries	5	-	-	22,000	-
Interest income		210,256	228,794	8,417	94,802
<b>Net cash used in investing activities</b>		<b>(3,216,938)</b>	<b>(2,540,613)</b>	<b>(3,104,797)</b>	<b>(1,978,982)</b>
Dividend paid to equity holders of parent		(2,421,991)	(3,216,087)	(2,421,991)	(3,216,087)
Dividend paid to non-controlling interest		-	(245,674)	-	-
Interest expense		(597,667)	(444,863)	(853,304)	(725,903)
<b>Net cash used in financing activities</b>		<b>(3,019,658)</b>	<b>(3,906,624)</b>	<b>(3,275,295)</b>	<b>(3,941,990)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,539,182</b>	<b>(2,149,077)</b>	<b>2,951,255</b>	<b>(2,215,574)</b>
<b>Cash and cash equivalents at 1 June</b>		<b>2,328,472</b>	<b>4,477,549</b>	<b>1,573,626</b>	<b>3,789,200</b>
<b>Cash and cash equivalents at 31 May</b>	9	<b>12,867,654</b>	<b>2,328,472</b>	<b>4,524,881</b>	<b>1,573,626</b>

The notes on pages 25 to 51 are an integral part of these financial statements

**PZ Cussons Nigeria Plc**  
**Notes to the consolidated financial statements**  
**For the year ended 31 May 2016**

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**1 General information**

**The Group**

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

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

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

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

**2 Summary of significant accounting policies of the company and the group.**

**2.1 Basis of preparation**

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

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

The financial statements have been prepared on a historical cost basis and the accounting policies set out below have been consistently applied to all the years presented.

**2.1.1 Going concern**

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

**2.1.2 Changes in accounting policy and disclosures**

***New and amended standards adopted by the group***

The group adopted the following standard for the first time

Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative: These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendment merely clarify the existing requirements, they do not affect the group's accounting policies or any of the disclosures.

***New accounting standards issued but not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 June 2016, and have not been applied in preparing these financial statement. None of these is expected to have an effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is assessing IFRS 9's full impact.

**PZ Cussons Nigeria Plc**  
**Notes to the consolidated financial statements**  
**For the year ended 31 May 2016**

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**Summary of significant accounting policies of the company and the group (continued)**

***New accounting standards issued but not yet adopted (continued)***

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

IFRS 16, 'Lease' eliminates the classification of leases as either operating or finance leases for a lessee. All leases are treated in a similar way to finance leases under IAS 17. Leases are capitalised by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 does not require a lessee to recognise assets and liabilities for short term leases and leases of low-value assets. The standard is effective for accounting periods beginning on or after 1 January 2019 and earlier adoption is permitted. The Company is assessing the impact of IFRS.

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

**2.2 Basis of consolidation**

***Subsidiaries***

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

***Disposal of subsidiaries***

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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**Summary of significant accounting policies of the company and the group (continued)**

**2.2 Basis of consolidation (continued)**

***Common control transactions***

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination (and where that control is not transitory) are referred to as common control transactions. The accounting policy for the acquiring entity would be to account for the transaction at book values in its consolidated financial statements. The book values of the acquired entity are the book values of its assets and liabilities on the date of acquisition. The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions, will be allocated to the existing business combination reserve in equity. Where comparative periods are presented, the financial statements and financial information are not restated.

**2.3 Segment reporting**

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

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

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

**2.4 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. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Sales of goods are recognised when title has passed and the significant risks and rewards of ownership have been

The group manufactures and sells a range of consumer products and electrical products in the wholesale market.

Sales of goods are recognised when a group entity has despatched products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped from the local group depot, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Interest is recognised using the effective interest method.

**2.5 Leases**

***Operating lease***

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**PZ Cussons Nigeria Plc**  
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**Summary of significant accounting policies of the company and the group (continued)**

**2.6 Foreign currencies**

*Functional and presentation currency*

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

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, are included in other comprehensive income.

**2.7 Finance income and expense**

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

Interest income is recognised using the effective interest method.

**2.8 Employee benefits**

**2.8.1 Gratuity scheme**

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

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

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

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

**2.8.2 Defined contribution scheme**

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

The contributions are recognised as employee benefit expenses when they are due. The group has no further payment obligation once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The group and employees each contribute 15% and 10% respectively.

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**Summary of significant accounting policies of the company and the group (continued)**

**2.8.3 Incentive and bonus scheme**

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

**2.9 Export Expansion Grant**

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

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

**2.10 Current and deferred income tax**

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

**2.11 Property, plant and equipment**

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

Land and buildings comprise mainly of factories and offices.

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

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**Summary of significant accounting policies of the company and the group (continued)**

**2.11 Property, plant and equipment (continued)**

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

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

Freehold land	Nil
Freehold Buildings	2%
Leasehold buildings	2%
- Over 50 years	2%
- Under 50 years	Over the lease period
Plant and machinery	4-8%
Motor vehicles	25%
Computer/IT equipments	33%
Office furniture and fittings	20%

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

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

Minor items of furniture and fittings are not capitalised but expensed on acquisition. The annual rates of depreciation are consistent with those of prior year.

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 recognized in the income statement for the period.

**2.12 Warranty**

Provision for products warranty is made at the time of revenue recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by the group with respect to the products. Initial recognition is based on historical experience.

**2.13 Non-financial assets**

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

**2.14 Financial assets**

**2.14.1 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. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

**2.14.2 Cash and cash equivalents**

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

**2.15 Financial liabilities**

**2.15.1 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

**PZ Cussons Nigeria Plc**  
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**Summary of significant accounting policies of the company and the group (continued)**

**2.16 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.

**2.17 Provisions**

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

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the specific risk relating to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.18 Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. In respect of interim dividends these are recognised once paid. Unclaimed dividend for twelve years and above is treated as statute barred and it is written-back to retained earnings.

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

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

**2.20 Deposits for letters of credit**

Deposits for letters of credit are recognised at fair value less impairment losses.

**2.21 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 significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is as follows:

**Revenue recognition**

The Group recognises revenue generally at the time of despatch of goods, which represents the point at which the significant risk 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 a time as the consideration has been fully earned. Revenue is measured at the fair value of the consideration received or receivable and represents the amount 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 investment is recognised when the right to receive payment is established.

**Impairment of financial assets**

The group assesses at the end of the reporting period whether there was an impairment loss on a financial asset. At the reporting date, financial assets were assessed for evidence of impairment triggers, and a default in payments was identified. Subsequently, an impairment testing was carried out using the rate that reflects time value of money and risks associated with the asset as the discount rate for determining the present value of future cash flows.



**PZ Cussons Nigeria Plc**  
**Notes to the consolidated financial statements**  
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**Summary of significant accounting policies of the company and the group (continued)**

**Impairment of non-financial assets**

The group reviews non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Following the impairment charge as disclosed in note 15, management believe that no further write down is required.

**Useful lives of Plant Property and Equipment**

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

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**3 Financial risk management**

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

**3.1 Credit risk**

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

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

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

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

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

**Company**

**31 May 2016**

Financial assets:	Neither past	Up to 90	91 - 180	Over 180	Total
	due nor Impaired N'000				
Cash and cash equivalents (Note 9)	4,524,881	-	-	-	4,524,881
Trade receivables (Note 7)	2,795,632	-	-	-	2,795,632
Receivables from subsidiary companies (Note 7)	1,381,316	-	-	-	1,381,316
Receivables from related party companies (Note 7)	2,360,759	-	-	-	2,360,759
Export rebate receivable (Note 7)	-	-	-	1,643,658	1,643,658
Negotiable duty credit certificates (Note 7)	-	-	-	271,913	271,913
Other receivables (Note 7)	617,462	-	-	-	617,462
Deposit for letters of credit (Note 8)	191,791	-	-	-	191,791
<b>Total</b>	<b>11,871,841</b>	<b>-</b>	<b>-</b>	<b>1,915,571</b>	<b>13,787,412</b>

**31 May 2015**

Financial assets:	Neither past	Up to 90	91 - 180	Over 180	Total
	due nor Impaired N'000				
Cash and cash equivalents (Note 9)	1,573,626	-	-	-	1,573,626
Trade receivables (Note 7)	2,789,609	5,713	-	-	2,795,322
Receivables from subsidiary companies (Note 7)	3,999,808	-	-	-	3,999,808
Receivables from related party companies (Note 7)	2,565,709	-	-	-	2,565,709
Export rebate receivable (Note 7)	59,840	133,440	187,604	1,262,774	1,643,658
Negotiable duty credit certificates (Note 7)	-	-	-	271,913	271,913
Other receivables (Note 7)	592,893	-	-	-	592,893
Deposit for letters of credit (Note 8)	439,431	-	-	-	439,431
<b>Total</b>	<b>12,020,916</b>	<b>139,153</b>	<b>187,604</b>	<b>1,534,687</b>	<b>13,882,360</b>

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**Financial risk management (continued)**

**Credit risk (continued)**

**Group**

**31 May 2016**

Financial assets:	Neither past	Up to 90	91 - 180	Over 180	Total
	due nor impaired N'000				
Cash and cash equivalents (Note 9)	12,867,654	-	-	-	12,867,654
Trade receivables (Note 7)	6,166,858	28,592	-	-	6,195,450
Receivables from related party companies (Note 7)	3,996,759	-	-	-	3,996,759
Export rebate receivable (Note 7)	-	-	-	1,663,117	1,663,117
Negotiable duty credit certificates (Note 7)	-	-	-	297,491	297,491
Other receivables (Note 7)	778,078	-	-	-	778,078
Deposit for letters of credit (Note 8)	191,791	-	-	-	191,791
<b>Total</b>	<b>23,808,349</b>	<b>28,592</b>	<b>-</b>	<b>1,960,608</b>	<b>25,798,549</b>

**31 May 2015**

Financial assets:	Neither past	Up to 90	91 - 180	Over 180	Total
	due nor impaired N'000				
Cash and cash equivalents (Note 9)	2,328,472	-	-	-	2,328,472
Trade receivables (Note 7)	7,860,198	375,224	15,210	177	8,250,809
Receivables from related party companies (Note 7)	5,414,239	-	-	-	5,414,239
Export rebate receivable (Note 7)	59,840	133,440	187,604	1,282,233	1,663,117
Negotiable duty credit certificates (Note 7)	-	-	-	297,491	297,491
Other receivables (Note 7)	780,621	-	-	-	780,621
Deposit for letters of credit (Note 8)	916,639	-	-	-	916,639
<b>Total</b>	<b>17,380,009</b>	<b>508,664</b>	<b>202,814</b>	<b>1,579,901</b>	<b>19,651,388</b>

Provision for impairment as disclosed in Note 7 relates to specific provision for trade receivables that are doubtful of recovery. Provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

An analysis of the international long term credit ratings by Augusto & Co and Fitch Rating of counterparties where cash and cash equivalents are held is as follows:

Credit rating	Company	
	2016 N'000	2015 N'000
<b>B</b>	<b>4,524,881</b>	<b>1,573,626</b>
	<b>4,524,881</b>	<b>1,573,626</b>

Credit rating	Group	
	2015 N'000	2014 N'000
<b>B</b>	<b>12,867,654</b>	<b>2,328,472</b>
	<b>12,867,654</b>	<b>2,328,472</b>

**PZ Cussons Nigeria Plc**  
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**Financial risk management (continued)**

**3.2 Liquidity risk**

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

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

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

Included in the group's trade and other payables as at the 31 May 2016 and 31 May 2015 are balances due to related parties of N17.4 billion and N9.5 billion respectively while that of the company is N11.0 billion and N10.0 billion respectively.

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

**Company**

**31 May 2016**

Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total N'000
Trade and other payables - excluding other taxation and social security (Note 13)	2,088,729	15,824,560	17,893,289
	<u>2,088,729</u>	<u>15,824,560</u>	<u>17,893,289</u>

**31 May 2015**

Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total N'000
Trade and other payables - excluding other taxation and social security (Note 13)	1,175,743	15,870,740	17,046,483
	<u>1,175,743</u>	<u>15,870,740</u>	<u>17,046,483</u>

**Group**

**31 May 2016**

Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total
Trade and other payables - excluding other taxation and social security (Note 13)	2,127,142	23,431,157	25,558,299
	<u>2,127,142</u>	<u>23,431,157</u>	<u>25,558,299</u>

**31 May 2015**

Financial liabilities:	Up to 90 days N'000	Up to 180 days N'000	Total
Trade and other payables - excluding other taxation and social security (Note 13)	1,315,787	16,300,026	17,615,813
	<u>1,315,787</u>	<u>16,300,026</u>	<u>17,615,813</u>

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**3.3 Market risk**

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

**3.4 Foreign exchange risk**

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

	Group		Company	
	31 May 2016 N'000	31 May 2015 N'000	31 May 2016 N'000	31 May 2015 N'000
US dollar - 15% increase	1,203,429	209,160	423,781	300,480
US dollar - 15% decrease	(1,203,429)	(209,160)	(423,781)	(300,480)

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

**3.5 Fair value of financial assets and liabilities**

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

**3.6 Capital risk management**

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

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

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

The group reports to the parent company the net cash/net debt ratio. This is summarised as follows:

	Group		Company	
	31 May 2016 N'000	31 May 2015 N'000	31 May 2016 N'000	31 May 2015 N'000
Cash and cash equivalents	12,867,654	2,328,472	4,524,881	1,573,626
Short term borrowing	-	-	-	-
Long term borrowing	-	-	-	-
<b>Net fund</b>	<b>12,867,654</b>	<b>2,328,472</b>	<b>4,524,881</b>	<b>1,573,626</b>

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**4 Property, plant and equipment**

**Group - 2015**

	Freehold land and buildings N'000	Leasehold land and buildings N'000	Plant and Machinery N'000	Office furniture and computers N'000	Motor vehicles N'000	Capital Work in progress N'000	Total N'000
<b>Cost</b>							
At 1 June 2014	29,048	15,726,157	16,949,320	1,964,150	810,892	1,672,424	37,151,991
Additions	-	-	-	-	-	2,783,166	2,783,166
Transfers	-	216,186	1,458,119	237,991	-	(1,912,296)	-
Disposals	-	-	-	(100,611)	(92,412)	-	(193,023)
<b>At 31 May 2015</b>	<b>29,048</b>	<b>15,942,343</b>	<b>18,407,439</b>	<b>2,101,530</b>	<b>718,480</b>	<b>2,543,294</b>	<b>39,742,134</b>
<b>Depreciation</b>							
At 1 June 2014	5,736	2,209,028	8,113,848	1,622,283	715,960	-	12,666,855
Charge for the year	655	286,278	1,523,122	183,525	51,341	-	2,044,921
On disposals	-	-	-	(100,424)	(87,065)	-	(187,489)
<b>At 31 May 2015</b>	<b>6,391</b>	<b>2,495,306</b>	<b>9,636,970</b>	<b>1,705,384</b>	<b>680,236</b>	<b>-</b>	<b>14,524,287</b>
<b>Net book value</b>							
<b>At 31 May 2015</b>	<b>22,657</b>	<b>13,447,037</b>	<b>8,770,469</b>	<b>396,146</b>	<b>38,244</b>	<b>2,543,294</b>	<b>25,217,847</b>

**Group - 2016**

	Freehold land and buildings N'000	Leasehold land and buildings N'000	Plant and Machinery N'000	Office furniture and computers N'000	Motor vehicles N'000	Capital Work in progress N'000	Total N'000
<b>Cost</b>							
At 1 June 2015	29,048	15,942,343	18,407,439	2,101,530	718,480	2,543,294	39,742,134
Additions	-	-	-	-	-	3,453,991	3,453,991
Transfers	-	1,728,781	1,630,990	293,424	-	(3,653,195)	-
Write offs	-	-	(1,209,967)	(333,114)	(17,426)	-	(1,560,507)
Disposals	-	-	(127,044)	(19,239)	(79,589)	-	(225,872)
<b>At 31 May 2016</b>	<b>29,048</b>	<b>17,671,124</b>	<b>18,701,418</b>	<b>2,042,601</b>	<b>621,465</b>	<b>2,344,090</b>	<b>41,409,746</b>
<b>Depreciation</b>							
At 1 June 2015	6,391	2,495,306	9,636,970	1,705,384	680,236	-	14,524,287
Charge for the year	581	301,672	1,628,729	207,942	16,202	-	2,155,126
Write offs	-	-	(1,200,559)	(333,005)	(17,427)	-	(1,550,991)
On disposals	-	-	(127,044)	(19,237)	(77,319)	-	(223,600)
<b>At 31 May 2016</b>	<b>6,972</b>	<b>2,796,978</b>	<b>9,938,096</b>	<b>1,561,084</b>	<b>601,692</b>	<b>-</b>	<b>14,904,822</b>
<b>Net book value</b>							
<b>At 31 May 2016</b>	<b>22,076</b>	<b>14,874,146</b>	<b>8,763,322</b>	<b>481,517</b>	<b>19,773</b>	<b>2,344,090</b>	<b>26,504,924</b>
<b>At 31 May 2015</b>	<b>22,657</b>	<b>13,447,037</b>	<b>8,770,469</b>	<b>396,146</b>	<b>38,244</b>	<b>2,543,294</b>	<b>25,217,847</b>

Depreciation expense of N1.22 billion (2015: N1.10 billion) has been charged in 'cost of sales', N0.29 billion (2015: NG0.30 billion) in 'selling and distribution expenses' and NGN0.65 billion (2015: NGN0.64 billion) in 'administrative expenses'.

Construction work in progress as at 31 May 2016 mainly comprise of building development and installation of new factory lines

Depreciation on freehold land and buildings relates to depreciation charged on buildings constructed on freehold land.

There was no capitalised borrowing cost during the years ended 31 May 2015 and 31 May 2016

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**4 Property, plant and equipment**

**Company - 2015**

	Freehold land and buildings N'000	Leasehold land and buildings N'000	Plant and Machinery N'000	Office furniture and computers N'000	Motor vehicles N'000	Capital Work in progress N'000	Total N'000
<b>Cost</b>							
At 1 June 2014	29,048	14,054,085	11,148,644	1,663,624	664,774	1,161,865	28,722,040
Additions	-	-	-	-	-	2,084,259	2,084,259
Transfers	-	59,421	921,494	224,071	-	(1,204,986)	-
Intercompany transfer	-	-	(6,997)	-	-	-	(6,997)
Disposals	-	-	-	(100,428)	(52,313)	-	(152,741)
<b>At 31 May 2015</b>	<b>29,048</b>	<b>14,113,506</b>	<b>12,063,141</b>	<b>1,787,267</b>	<b>612,461</b>	<b>2,041,138</b>	<b>30,646,561</b>
<b>Depreciation</b>							
At 1 June 2014	5,736	2,083,576	6,040,080	1,464,144	615,256	-	10,208,792
Charge for the year	655	254,187	923,353	132,487	34,805	-	1,345,487
On disposals	-	-	-	(100,241)	(47,150)	-	(147,391)
<b>At 31 May 2015</b>	<b>6,391</b>	<b>2,337,763</b>	<b>6,963,433</b>	<b>1,496,390</b>	<b>602,911</b>	<b>-</b>	<b>11,406,888</b>
<b>Net book value</b>							
<b>At 31 May 2015</b>	<b>22,657</b>	<b>11,775,743</b>	<b>5,099,708</b>	<b>290,877</b>	<b>9,550</b>	<b>2,041,138</b>	<b>19,239,673</b>

**Company - 2016**

	Freehold land and buildings N'000	Leasehold land and buildings N'000	Plant and Machinery N'000	Office furniture and computers N'000	Motor vehicles N'000	Capital Work in progress N'000	Total N'000
<b>Cost</b>							
At 1 June 2015	29,048	14,113,506	12,063,141	1,787,266	612,462	2,041,138	30,646,561
Additions	-	-	-	-	-	3,159,691	3,159,691
Transfers	-	1,514,562	1,302,532	285,525	-	(3,102,619)	-
Intercompany transfer	-	1,665,585	5,604,268	66,191	2,079	141,046	7,479,169
Write-offs	-	-	(1,182,590)	(291,278)	(17,427)	-	(1,491,295)
Disposals	-	-	(127,044)	(11,809)	(62,405)	-	(201,258)
<b>At 31 May 2016</b>	<b>29,048</b>	<b>17,293,653</b>	<b>17,660,307</b>	<b>1,835,895</b>	<b>534,709</b>	<b>2,239,256</b>	<b>39,592,868</b>
<b>Depreciation</b>							
At 1 June 2015	6,391	2,337,763	6,963,433	1,496,390	602,911	-	11,406,888
Charge for the year	581	275,887	1,172,564	157,731	5,027	-	1,611,790
Intercompany transfer	-	168,400	2,697,281	49,447	2,079	-	2,917,207
Write-offs	-	-	(1,173,344)	(291,243)	(17,427)	-	(1,482,014)
On disposals	-	-	(127,044)	(11,808)	(61,873)	-	(200,725)
<b>At 31 May 2016</b>	<b>6,972</b>	<b>2,782,050</b>	<b>9,532,890</b>	<b>1,400,517</b>	<b>530,717</b>	<b>-</b>	<b>14,253,146</b>
<b>Net book value</b>							
<b>At 31 May 2016</b>	<b>22,076</b>	<b>14,511,603</b>	<b>8,127,417</b>	<b>435,378</b>	<b>3,992</b>	<b>2,239,256</b>	<b>25,339,722</b>
<b>At 31 May 2015</b>	<b>22,657</b>	<b>11,775,743</b>	<b>5,099,708</b>	<b>290,876</b>	<b>9,551</b>	<b>2,041,138</b>	<b>19,239,673</b>

Depreciation expense of NGN1.12 billion (2015: N0.82 billion) has been charged in 'cost of sales', N0.26 billion (2015: N0.29 billion) in 'selling and distribution expenses' and N0.23 billion (2015: N0.24 billion) in 'administrative expenses'.

Construction work in progress as at 31 May 2016 mainly comprise of building development and installation of new factory lines

Intercompany transfer relates mainly to fixed assets transferred from PZ Tower and PZ Power upon merger with PZ Cussons Nigeria Plc during the year ended 31 May 2016

Depreciation on freehold land and buildings relates to depreciation charged on buildings constructed on freehold land.

There was no capitalised borrowing cost during the years ended 31 May 2015 and 31 May 2016

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5 Investments in subsidiaries	Company	
	2016 N'000	2015 N'000
<b>The Company</b>		
At 1 June	526,406	526,406
Decrease arising from merger of PZ Tower and PZ Power with the company	(20,000)	-
Decrease arising from impairment of investment in Robbert Pharmaceutical	(2,000)	-
<b>Total</b>	<b>504,406</b>	<b>526,406</b>

Decrease in investment in subsidiaries relates to elimination of investments of N10 million each in PZ Tower Limited and PZ Power Company Limited due to the merger of the two entities with PZ Cussons Nigeria Plc during the year ended 31 May 2016. Also, during the year ended 31 May 2016, previous investment of N2 million in Robbert Pharmaceutical Company - a dormant company was impaired.

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

There are no restrictions in transfer of funds within the entities in the group.

**Integration of PZ Tower Limited and PZ Power Company Limited**

On 31 December 2015, a restructuring of the PZ Cussons Nigeria Plc Group structure was carried out. The effect of this was that the operations of PZ Tower Limited and PZ Power Company Limited was integrated into the operations of PZ Cussons Nigeria Plc. PZ Tower Limited and PZ Power Company Limited thus ceased to exist from the date of the integration.

This transaction was deemed to be a reorganisation of an existing Group and thus, the net assets of PZ Tower Limited and PZ Power Company Limited were combined with PZ Cussons Nigeria Plc using the book values as at that date. This business combination has been accounted for as a common control transaction where PZ Cussons Nigeria Plc (the acquirer) has applied predecessor accounting as the basis in recognising the assets acquired and the liabilities assumed of PZ Tower Limited and PZ Power Company Limited. Any difference between the purchase consideration and the net assets acquired has been accounted for in retained earnings.

In line with the accounting policy on common control transactions accounted for using the predecessor accounting method, PZ Cussons Nigeria Plc chose to incorporate the results from the operations of PZ Tower Limited and PZ Power Company Limited prospectively effective from the date of integration. On the integration date of 31 December 2015, the net assets of PZ Tower Limited and PZ Power Company Limited acquired by PZ Cussons Nigeria Plc are as follows:

**Assets acquired**

	PZ Power Company Ltd N'000	PZ Tower Ltd N'000	Total N'000
*Property, plant and equipment (Net Book Value)	1,264,886	3,297,076	4,561,962
Inventory	347,751	-	347,751
Sundry debtors	1,646	12,008	13,654
Cash and bank	1,425	3,275	4,700
Inter company balances	1,524,643	3,139,018	4,663,661
<b>Assets</b>	<b>3,140,351</b>	<b>6,451,377</b>	<b>9,591,728</b>
<b>Liabilities assumed</b>			
Accruals and other liabilities	3,007	104,775	107,782
Current tax liabilities	80,393	-	80,393
Deferred tax liability	167,029	-	167,029
<b>Liabilities</b>	<b>250,429</b>	<b>104,775</b>	<b>355,204</b>
Net assets acquired	2,889,922	6,346,602	9,236,524
Purchase consideration	(10,000)	(10,000)	(20,000)
Excess of net assets acquired over purchase consideration	<b>2,879,922</b>	<b>6,336,602</b>	<b>9,216,524</b>

\* Property, plant and equipment (Net Book Value) represents the sum of N7,479,169,000 and N2,917,207,000 being cost and accumulated depreciation respectively of fixed assets acquired from PZ Power Company Limited and PZ Tower Limited upon their merger with PZ Cussons Nigeria Plc



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**6 Inventories**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Raw materials	10,958,734	12,236,662	9,192,746	8,053,017
Finished goods and goods for resale	6,095,554	7,148,479	3,111,617	3,828,686
Engineering spares and other stocks	2,224,167	1,627,490	2,037,755	1,359,895
<b>Total</b>	<b>19,278,455</b>	<b>21,012,631</b>	<b>14,342,118</b>	<b>13,241,598</b>

During the year ended 31 May 2016, N281.5m (2015: N866.4m) was charged to income statement for obsolete, damaged and missing inventories identified during the monthly stock count exercises. Also recognised as expense in the financial statements are engineering spares used for production - 2016: N577.3m (2015: N557.2m).

**7 Trade and other receivables**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Receivables due within one year:				
Trade receivables	7,683,784	9,416,359	3,712,705	3,571,948
Less: provision for impairment of trade receivables	(1,488,334)	(1,185,550)	(917,073)	(776,626)
Net trade receivables	6,195,450	8,250,809	2,795,632	2,795,322
Receivables from subsidiary companies (Note 25)	-	-	1,381,316	3,999,808
Receivables from related party companies (Note 25)	3,996,759	5,414,239	2,360,759	2,565,709
Export rebate receivable	1,663,117	1,663,117	1,643,658	1,643,658
Prepayments	125,913	189,014	117,192	117,258
Negotiable duty credit certificates	297,491	297,491	271,913	271,913
WHT credit note receivable	73,663	73,663	73,663	73,663
Advances to suppliers	2,456,879	1,243,371	2,096,587	1,025,703
Other receivables	778,078	780,621	617,462	592,893
<b>Total</b>	<b>15,587,350</b>	<b>17,912,325</b>	<b>11,358,182</b>	<b>13,085,927</b>

WHT credit note receivable of N73.7 million as at 31 May 2015 remained the same as at 31 May 2016 because the related WHT credit note is yet to be received from the tax authority.

Export rebate receivable is recognised at the rate of 20% on the related export proceeds. The weighted eligibility criteria has 3 bands: 20%, 15% and 10%. Approval of the rebate is subject to meeting threshold of the following eligibility criteria: local value added, local content, employment (Nigerians), priority sector, export growth and capital investment.

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Movements in the provision for impairment of trade receivables are as follows:				
At 1 June	(1,165,550)	(1,179,589)	(776,626)	(700,768)
(Provision for)/reversal of receivable impairment	(322,784)	14,039	(140,447)	(75,858)
<b>Closing</b>	<b>(1,488,334)</b>	<b>(1,165,550)</b>	<b>(917,073)</b>	<b>(776,626)</b>

All trade receivables are denominated in Nigerian Naira.

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

The group operates in twenty six depots across Nigeria with over one thousand distributors.

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

**8 Deposits for letters of credit(LCs)**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
	191,791	916,639	191,791	439,431

LCs represent committed cash no longer available for another purpose other than the purpose it has been designated for.

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**9 Cash and cash equivalents**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Cash at bank and in hand	12,867,654	2,328,472	4,524,881	1,573,626
<b>Cash and cash equivalents</b>	<b>12,867,654</b>	<b>2,328,472</b>	<b>4,524,881</b>	<b>1,573,626</b>

**10 Ordinary share capital**

Group and company	2016		2015	
	Number in thousands	Amount N'000	Number in thousands	Amount N'000
<b>Authorised:</b>				
Ordinary shares of 50k each	4,000,000	2,000,000	4,000,000	2,000,000
<b>Total authorised share capital</b>	<b>4,000,000</b>	<b>2,000,000</b>	<b>4,000,000</b>	<b>2,000,000</b>
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 50k each	3,970,477	1,985,238	3,970,477	1,985,238
<b>Total called up share capital</b>	<b>3,970,477</b>	<b>1,985,238</b>	<b>3,970,477</b>	<b>1,985,238</b>

**11 Deferred taxation**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
The analysis of deferred tax liabilities is as follows:				
- Deferred tax liability to be recovered after more than 12 months	3,694,005	3,903,589	4,108,185	3,757,845
- Deferred tax liability to be recovered within 12 months	-	-	-	-
	<b>3,694,005</b>	<b>3,903,589</b>	<b>4,108,185</b>	<b>3,757,845</b>

The movement in deferred tax liability is as follows:

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
At start of year	3,903,589	4,365,881	3,757,845	3,374,580
<i>Changes during the year:</i>				
- Deferred tax balance inherited on merger of PZ Power and PZ Tower with the company (Note 5)	-	-	167,029	-
- (Credited)/charged to income statement (Note 14)	(209,584)	(462,292)	183,311	383,265
<b>At end of year</b>	<b>3,694,005</b>	<b>3,903,589</b>	<b>4,108,185</b>	<b>3,757,845</b>

	Group			Company			
	Property, plant and equipment N'000	Provisions N'000	Total N'000	Property, plant and equipment N'000	Provisions N'000	Total N'000	Total N'000
At 1 June 2014	3,662,841	703,040	4,365,881	3,133,557	241,023	3,374,580	
- Charged/(credited) to income statement	110,000	(572,292)	(462,292)	126,726	256,539	383,265	
<b>At 31 May 2015</b>	<b>3,772,841</b>	<b>130,748</b>	<b>3,903,589</b>	<b>3,133,557</b>	<b>241,023</b>	<b>3,374,580</b>	
- DT acquired from merger of entities	-	-	-	167,029	-	167,029	
- (Credited)/charged to income statement	(1,022,065)	812,481	(209,584)	360,048	(176,737)	183,311	
<b>At 31 May 2016</b>	<b>2,750,776</b>	<b>943,229</b>	<b>3,694,005</b>	<b>3,660,634</b>	<b>64,286</b>	<b>4,108,185</b>	

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**12 Warranty provisions**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>Warranty provisions</b>				
At beginning of the year	306,034	299,861	-	-
Charged to the income statement	89,707	57,134	-	-
Utilised in the year	(68,490)	(50,961)	-	-
<b>At 31 May</b>	<b>327,251</b>	<b>306,034</b>	<b>-</b>	<b>-</b>
The ageing of the provisions are as follows:				
Within 12 months	89,707	57,134	-	-
Greater than 12 months	237,544	248,900	-	-
<b>Total</b>	<b>327,251</b>	<b>306,034</b>	<b>-</b>	<b>-</b>

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

**13 Trade and other payables**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Trade payables	2,127,142	1,315,787	2,068,729	1,175,743
Other taxation and social security	157,938	218,723	141,674	83,018
Unclaimed Dividend	1,956,555	1,518,734	1,956,555	1,518,734
Accruals	3,768,061	3,966,832	2,478,029	3,157,216
Amounts owed to subsidiaries (Note 25)	-	-	-	3,876,984
Amounts owed to related parties (Note 25)	17,392,753	9,542,080	10,984,038	6,159,333
Other payables	313,788	1,272,380	405,938	1,158,473
<b>Total</b>	<b>25,716,237</b>	<b>17,834,536</b>	<b>18,034,963</b>	<b>17,129,501</b>
	<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>
Average credit period taken for trade purchases	90	90	90	90

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider the carrying amount of trade and other payables to approximate their fair value.

**14 Taxation**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>Income tax expense</b>				
Company income tax	1,115,747	2,281,672	160,979	503,358
Education tax	112,344	166,647	42,591	91,910
<b>Total current tax</b>	<b>1,228,091</b>	<b>2,448,319</b>	<b>203,570</b>	<b>595,268</b>
<b>Deferred tax</b>				
(Reversal)/origination of temporary differences	(209,584)	(462,292)	183,311	383,265
<b>Total deferred tax (Note 11)</b>	<b>(209,584)</b>	<b>(462,292)</b>	<b>183,311</b>	<b>383,265</b>
<b>Income tax expense</b>	<b>1,018,507</b>	<b>1,986,027</b>	<b>386,881</b>	<b>978,533</b>

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**14 Taxation (continued)**

**Effective tax reconciliation**

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

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>Profit before tax</b>	3,148,196	6,556,814	776,880	3,147,400
Income tax using the domestic corporation tax rate of 30% (2015:30%)	944,459	1,967,044	233,064	944,220
Tax effects of:				
Non-deductible expenses	539,712	1,214,243	386,368	1,301,209
Education tax levy	112,344	166,647	42,591	91,910
Tax exempt income	(578,008)	(1,361,907)	(275,142)	(1,358,806)
<b>Total income tax expense in income statement</b>	<b>1,018,507</b>	<b>1,986,027</b>	<b>386,881</b>	<b>978,533</b>

The current tax charge has been computed at the applicable rate of 30% (31 May 2015: 30%) plus education levy of 2% (31 May 2015: 2% ) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income for the company is mainly made up of dividend income and other items not subject to tax while tax exempt income for the group is mainly made up of profit of a subsidiary currently under pioneer status. The impact of the franked investment income recognised in the company has been eliminated in the group.

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

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
At start of the year	1,671,311	1,863,541	634,386	1,102,928
Tax charge for the year	1,228,091	2,448,319	203,570	595,268
- Current tax balance inherited from merger of PZ Power and PZ Tower with the company (Note 5)	-	-	80,393	-
Tax paid during the year	(1,609,691)	(2,640,549)	(592,686)	(1,063,810)
At end of the year	<b>1,289,711</b>	<b>1,671,311</b>	<b>325,663</b>	<b>634,386</b>

At the statement of financial position date, the group and the company have no unused tax losses available for offset against future profits. There was no offset of deferred tax assets and deferred tax liabilities.

**15 Expense by nature**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Changes in inventories of finished goods and work in progress	41,724,002	45,184,957	50,458,310	55,587,681
Foreign exchange loss	2,883,528	574,509	718,705	14,163
Personnel cost (Note 20.5)	7,437,705	6,617,878	6,153,877	4,702,538
Fuel and gas	2,575,824	2,238,223	1,689,281	1,183,096
Depreciation (Note 4)	2,155,126	2,044,921	1,611,790	1,345,487
Auditors remuneration	40,112	36,599	30,084	24,528
Directors emoluments (Note 20.1)	218,774	169,844	218,774	169,844
Rent and rates	389,870	270,697	183,592	178,357
Insurance	492,288	483,639	492,288	483,639
Freight/carriage cost	2,888,800	2,623,161	1,836,490	1,556,765
Vehicle repairs and maintenance	617,873	474,640	453,453	367,000
Technical and management fees (Note 25.2)	2,886,025	3,252,437	2,886,025	3,252,437
Advertising and market promotions	1,312,851	1,804,263	928,695	902,268
General and other expenses	855,237	699,280	732,101	591,460
	<b>66,278,014</b>	<b>66,475,048</b>	<b>68,393,464</b>	<b>70,359,263</b>

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**15 Expense by nature (continued)**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Cost of sales	52,209,703	52,672,138	57,487,627	59,884,674
Selling and distribution expenses	8,825,636	9,248,099	6,358,556	6,412,591
Administrative expenses	5,242,675	4,554,811	4,547,281	4,061,998
	<b>66,278,014</b>	<b>66,475,048</b>	<b>68,393,464</b>	<b>70,359,263</b>

**16a Revenue**

	Group		Company	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Components of revenue is as follows:				
Sales of goods	69,527,537	73,126,070	69,527,537	73,126,070
Revenue by geographical location of Customers:				
Domestic (within Nigeria)	66,139,834	69,773,183	66,139,834	69,773,183
Export (outside Nigeria)	3,387,703	3,352,887	3,387,703	3,352,887
	<b>69,527,537</b>	<b>73,126,070</b>	<b>69,527,537</b>	<b>73,126,070</b>

**16b Other income**

	Group		Company	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Sales of scraps and sundry items	261,459	113,636	402,803	269,939
Profit on disposal of fixed assets (Note 19)	24,625	8,225	23,944	5,125
Write-off of intercompany payable no longer required	-	-	60,947	-
Dividend income from subsidiary	-	-	-	736,630
	<b>286,084</b>	<b>121,861</b>	<b>487,694</b>	<b>1,011,694</b>

**17 Segment analysis**

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

The Executive Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate.

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

As at May	2016			
	Branded consumer goods	Durable electrical appliances	Eliminations	Total
Total gross segment revenue	45,956,946	23,570,591	-	69,527,537
Intersegment revenue	-	-	-	-
Revenue	<b>45,956,946</b>	<b>23,570,591</b>	<b>-</b>	<b>69,527,537</b>
Segment operating profit	1,134,073	2,115,450	-	3,249,523
Depreciation (Note 4)	1,611,790	543,336	-	2,155,126
Interest income	8,417	457,495	(255,656)	210,256
Interest cost	853,323	-	(255,656)	597,667
Profit before taxation	776,880	2,371,316	-	3,148,196
Taxation	386,881	631,626	-	1,018,507
Profit after taxation	<b>389,999</b>	<b>1,739,690</b>	<b>-</b>	<b>2,129,689</b>
Property plant and equipments	25,339,722	1,165,202	-	26,504,924
Total assets	<b>56,261,100</b>	<b>18,169,074</b>	<b>-</b>	<b>74,430,174</b>

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As at May	2015			
	Branded consumer goods	Durable electrical appliances	Eliminations	Total
Total gross segment revenue	47,116,946	26,009,124	-	73,126,070
Intersegment revenue	-	-	-	-
<b>Revenue</b>	<b>47,116,946</b>	<b>26,009,124</b>	<b>-</b>	<b>73,126,070</b>
Segment operating profit	3,946,861	2,704,161	-	6,651,022
Depreciation (Note 4)	1,902,031	142,890	-	2,044,921
Interest income	94,802	429,173	(295,181)	228,794
Interest cost	725,981	14,063	(295,181)	444,863
Profit before taxation	3,527,543	3,029,271	-	6,556,814
Taxation	1,025,940	960,087	-	1,986,027
<b>Profit after taxation</b>	<b>2,501,603</b>	<b>2,069,184</b>	<b>-</b>	<b>4,570,787</b>
Property plant and equipments	23,997,008	1,220,839	-	25,217,847
<b>Total assets</b>	<b>48,592,125</b>	<b>18,795,789</b>	<b>-</b>	<b>67,387,914</b>

**Entity-wide information**

	2016	2015
	N'000	N'000
Breakdown of revenue is as follows:		
Sales of goods	69,527,537	73,126,070

The group is domiciled in Nigeria. The result of its revenue from external customers in Nigeria is N66.1 billion (2015: N69.8), and the total of revenue from external customers from other countries is N3.4 billion (2015: N3.3billion).

The total of non-current assets located in Nigeria is N26.5 billion (2015: N25.2 billion), and the total of such non-current assets located in other countries is Nil (2015: Nil).

No single external customer either within Nigeria or outside of Nigeria contributes up to 10% of revenue for the year.

**18 Earnings per share**

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

	Group		Company	
	2016	2015	2016	2015
	N'000	N'000	N'000	N'000
Profit attributable to equity holders of parent company	1,863,013	4,053,284	389,999	2,168,867
Weighted average number of ordinary shares in issue	3,970,477	3,970,477	3,970,477	3,970,477
Basic earnings per share (Naira)	0.47	1.02	0.10	0.55

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

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**19 Cash generated from operating activities**

	Notes	Group		Company	
		2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>Cash flows from operating activities</b>					
Profit before taxation		3,148,196	6,556,814	776,880	3,147,400
<b>Adjustment to reconcile net income to cash provided:</b>					
Depreciation	4	2,155,126	2,044,921	1,611,790	1,345,487
Profit on disposal of fixed assets		(24,625)	(8,225)	(23,944)	(5,125)
NBV of PPE transferred (from)/to related parties		-	-	(4,561,962)	6,997
NBV of PPE written-off		9,516	-	9,281	-
Excess of net assets acquired over purchase consideration (Note 5)		-	-	9,216,524	-
Deferred tax balance inherited on merger of PZ Power and PZ Tower with the company	11	-	-	167,029	-
Current tax balance inherited on merger of PZ Power and PZ Tower with the company	14	-	-	80,393	-
Unclaimed dividend forfeited		22,828	24,836	22,828	24,836
Interest expense		597,667	444,863	853,304	725,903
Interest income		(210,256)	(228,794)	(8,417)	(94,802)
		5,698,452	8,834,415	8,143,706	5,150,696
<b>Changes in assets and liabilities</b>					
Decrease in trade and other receivables		2,324,975	2,767,665	1,727,745	572,326
Decrease in deposit for letters of credit		724,848	113,865	247,640	527,949
Decrease/(increase) in inventories		1,734,176	(720,075)	(1,100,520)	998,081
Increase/(decrease) in trade, other payables and provisions		7,902,918	(4,057,161)	905,462	(2,479,844)
<b>Cash flows from operating activities</b>		<b>18,385,369</b>	<b>6,938,709</b>	<b>9,924,033</b>	<b>4,769,208</b>
<b>Analysis of profit on disposal of fixed assets</b>					
Cost of assets disposed(note 4)		(225,872)	(193,023)	(201,258)	(152,741)
Accumulated depreciation of assets disposed(note 4)		223,600	187,489	200,725	147,391
Proceeds on disposal of assets		26,897	13,759	24,477	10,475
<b>Profit on disposal (Note 16b)</b>		<b>24,625</b>	<b>8,225</b>	<b>23,944</b>	<b>5,125</b>

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**20 Directors and employees emoluments**

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>20.1 Chairman and director's emoluments:</b>				
Chairman	1,780	1,630	1,780	1,630
Directors	216,994	168,214	216,994	168,214
<b>Total</b>	<b>218,774</b>	<b>169,844</b>	<b>218,774</b>	<b>169,844</b>
As fees (As per Non Executive Directors)	6,900	8,030	6,900	8,030
Other emoluments(As per Executive Directors)	211,874	161,814	211,874	161,814
<b>Total</b>	<b>218,774</b>	<b>169,844</b>	<b>218,774</b>	<b>169,844</b>

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

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

	Group		Company	
	2016 Number	2015 Number	2016 Number	2015 Number
<b>Executive Directors</b>				
10,000,000 - 20,000,000	1	2	1	2
20,000,001 - 30,000,000	1	1	1	1
30,000,001 - 40,000,000	1	-	1	-
40,000,001 - 50,000,000	-	1	-	1
50,000,001 - 60,000,000	-	1	-	1
60,000,001 - 70,000,000	2	-	2	-
<b>Directors with salaries and allowances as emoluments</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

**20.2.2 Non Executive Directors**

1,000,000 - 2,000,000	5	7	5	7
<b>Directors with fees as emoluments</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>7</b>

**20.2.3 Directors with no emoluments**

	1	-	1	-
<b>Total</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>7</b>

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>20.3 Highest paid director received</b>	<b>69,449</b>	<b>56,282</b>	<b>69,449</b>	<b>56,282</b>

**20.4 The number of employees in receipt of emolument excluding allowances and pension cost within the following ranges were:**

	Group		Company	
	2016 Number	2015 Number	2016 Number	2015 Number
300,001 - 400,000	7	11	7	7
400,001 - 500,000	71	81	10	29
500,001 - 600,000	160	350	144	233
600,001 - 700,000	546	558	437	388
700,001 - 800,000	342	253	255	142
800,001 - 900,000	114	87	66	33
900,001 - 1,000,000	59	43	24	14
1,000,001 - 1,100,000	33	92	18	61
1,100,001 - 1,200,000	71	25	52	17
1,200,001 - 1,300,000	34	40	30	31
1,300,001 - 1,400,000	31	14	23	9
1,400,001 - 1,500,000	12	18	8	17
1,500,001 and above	306	297	256	237
<b>Total</b>	<b>1,786</b>	<b>1,869</b>	<b>1,330</b>	<b>1,218</b>



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**Directors and employees emoluments (continued)**

20.5 The average number of persons employed during the year and the related staff costs are as follows:

	Group		Company	
	2016 Number	2015 Number	2016 Number	2015 Number
Production	1,035	1,081	796	644
Sales and distribution	609	642	404	434
Administration	142	146	130	140
<b>Total</b>	<b>1,786</b>	<b>1,869</b>	<b>1,330</b>	<b>1,218</b>
The aggregate cost of these employees was:	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Wages and salaries	6,933,677	6,143,401	5,749,932	4,386,640
Pension costs - defined contribution plan	196,360	187,144	137,932	109,515
Pension costs - gratuity scheme	307,668	287,333	266,013	206,383
<b>Total</b>	<b>7,437,705</b>	<b>6,617,878</b>	<b>6,153,877</b>	<b>4,702,538</b>

**21 Financial commitments**

The directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the group's state of affairs, have been taken into account in the preparation of these financial statements.

**21.1 Capital commitments**

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

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Authorised and contracted	1,176,245	209,721	1,171,421	147,851
Authorised but not contracted	787,334	1,444,865	735,634	596,824
<b>Total</b>	<b>1,963,579</b>	<b>1,654,586</b>	<b>1,907,055</b>	<b>744,675</b>

**21.2 Contingent liabilities**

There are legal actions against the company pending in various courts of law. According to the lawyers acting on behalf of the company, the liabilities arising, if any, are not likely to be significant.

**22 Technical services agreements**

Amounts payable under the technical services and licensing agreements are based on applicable turnover or 4% of PBT (as applicable). The charge in these financial statements amounted to N2,886,024,980 (2015: N3,252,436,590). The amount charged is supported by the approval of National Office for Technology Acquisition and Promotion (NOTAP) certificates 005603, 005604, 005606 and 005617. All the certificates are with maturity profile of three (3) years from 01 June 2013 to 31 May 2016. Also included in the technical service charge for the year is Value Added Tax (VAT) at 5% paid on the technical service fee.

**23 Post balances sheet events**

A final dividend in respect of the year ended 31 May 2016 of 50 kobo per share amounting to a total dividend of N1,985,238,523 was declared at the board meeting held on 2 August 2016. No provision for the dividend is recognised in the financial statements for the year then ended because, dividend is recognised as a liability in the period it is approved by shareholders.

There are no other post-balance sheet events which would have had any material effect on the statement of financial position as at 31 May 2016 and on the profit for the year then ended.

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**24 Export expansion grant scheme(EEG)**

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

The grant is recognised as a credit to cost of sales and as a receivable from the Government (Note 7). The related receivable balances with respect to the EEG scheme are:

	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Export expansion grant receivable	1,663,117	1,663,117	1,643,658	1,643,658
Negotiable Duty Credit Certificate (NDCC)	297,491	297,491	271,913	271,913

Negotiable Duty Credit Certificate (NDCC): This is instrument of the government for settling of the EEG receivable. The NDCC is used for the payment of Import and Excise duties in lieu of cash. In the last three years, the group and other industry players have not been able to use the certificates in settlement of customs duties. No NDCC (physical certificates) was received during the years ended 31 May 2016 and 31 May 2015.

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

	EEG ≤1 year	1 ≥ EEG ≤ 2 years	EEG > 2 years	Total
	N'000	N'000	N'000	N'000
Group - 31 May 2016	-	445,889	1,217,228	1,663,117
Group - 31 May 2015	445,889	521,625	695,603	1,663,117
Company - 31 May 2016	-	445,889	1,197,769	1,643,658
Company - 31 May 2015	445,889	521,625	676,144	1,643,658

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

**25 Related party transactions**

**25.1 Group and company**

The group and company are controlled by PZ Cussons (Holdings) Limited, incorporated in the UK, which owns 73.03% (2015: 70.95%) of the group and company's shares. The remaining 26.97% (2015: 29.05%) of the shares are widely held. The group's ultimate parent is PZ Cussons (Holdings) Limited (incorporated in the UK).

All trading balances are settled in cash. There was no provision for doubtful related party receivables at 31 May 2016 (31 May 2015: Nil) and no charges to the income statement in respect of doubtful related party receivables for the years then ended.

The company controls a number of subsidiaries. These are detailed in note 5.

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**25 Related party transactions (continued)**

**25.2 Transactions with related parties**

Purchase of goods and services	Group		Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Purchases of goods from subsidiaries:				
- HPZ Limited	-	-	23,570,591	26,009,124
- PZ Power Company Limited	-	-	487,316	1,426,430
- PZ Tower Limited	-	-	5,676,995	8,431,493
<b>Transactions with subsidiaries ( a )</b>	-	-	<b>29,734,902</b>	<b>35,867,047</b>
Purchases of goods from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company):				
- PZ Cussons International Limited	34,531,411	37,915,410	22,889,569	22,299,518
Purchases of services from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company):				
- Royalties - PZ Cussons International Limited	474,939	487,375	474,939	487,375
- Technical fees - PZ Cussons International Limited	2,158,465	2,287,539	2,158,465	2,287,539
- Trade Mark - PZ Cussons International Limited	226,161	232,083	226,161	232,083
- Management fees - PZ Cussons International Limited	26,460	245,440	26,460	245,440
	<b>2,886,025</b>	<b>3,252,437</b>	<b>2,886,025</b>	<b>3,252,437</b>
Transactions with joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company) ( b )	37,417,436	41,167,847	25,775,594	25,551,955
<b>Total ( a ) + ( b )</b>	<b>37,417,436</b>	<b>41,167,847</b>	<b>55,510,496</b>	<b>61,419,002</b>
Sales of goods/services and advances for purchases				
Services recharged to subsidiaries:				
- HPZ Limited (Subsidiary)	-	-	2,347,076	2,586,547
- PZ Tower Limited (Subsidiary)	-	-	-	-
- PZ Power Limited (Subsidiary)	-	-	28,073	49,867
<b>Transactions with subsidiaries</b>	-	-	<b>2,375,149</b>	<b>2,636,414</b>
Services recharged to joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company)	1,735,114	2,126,067	1,735,114	2,126,067
Sales of goods to joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company)	709,677	595,117	-	-
Advances for purchases to joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company)	14,805,773	21,739,851	11,016,662	8,987,835
Transactions with joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (ultimate parent company)	17,250,564	24,461,035	12,751,776	11,113,902
<b>Total</b>	<b>17,250,564</b>	<b>24,461,035</b>	<b>15,126,925</b>	<b>13,750,316</b>

**Note: Transactions during the year with PZ Power Company Limited and PZ Tower Limited relates to transactions for seven months up to 31 December 2015.**

**Key management compensation**

Key management have been determined as directors (executive and non-executive) and the chairman. Details of their compensation is as shown in note 20. No loans were advanced to any key management during the year.

**PZ Cussons Nigeria Plc**  
**Notes to the consolidated financial statements**  
**Year ended 31 May 2016**

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

	Group		Company	
	2016 N'000	2015 N'000	2016	2015 N'000
<b>Due to:</b>				
- Subsidiaries of PZ Cussons Nigeria Plc	-	-	-	3,876,984
- Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK	17,392,753	9,542,080	10,984,038	6,159,333
<b>Total</b>	<b>17,392,753</b>	<b>9,542,080</b>	<b>10,984,038</b>	<b>10,036,317</b>
<b>Due from:</b>				
- Subsidiaries of PZ Cussons Nigeria Plc	-	-	1,381,316	3,999,808
- Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK	3,996,759	5,414,239	2,360,759	2,565,709
<b>Total</b>	<b>3,996,759</b>	<b>5,414,239</b>	<b>3,742,075</b>	<b>6,565,517</b>

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

Included in the joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK balances are balances arising from transactions with or due to/due from Harefield Industrial Nigeria Limited, Nutricima Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited.

**Interest on advances from related entities**

During the year, the company and the group obtained and gave short-term advances at 13% p.a. from and to related parties. The advances have been fully liquidated at 2016 and 2015 year end and they are not included in the closing balances of the amount due to and the amount due from related parties by the company and the group. Also, the advances were drawn down or disbursed in various amounts and they did not run throughout the twelve months duration of the financial year ended 2016 and 2015.

The company and the group incurred interest cost of N853.3 million (2015: N725.9 million) and N597.7 million (2015: N444.9 million) as well as earned N8.4 million (2015: N94.8 million) and N210.3 million (2015: N228.8 million) respectively on short-term advances to related parties. All inter-company interest have been eliminated on consolidation. The uneliminated interest income and interest expense on consolidation relates to interest earned and interest paid on transactions with other related parties (i.e. Nutricima Limited, Harefield Industrial Nigeria Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited) outside of the PZ Cussons Nigeria Plc group.

**26 Dividends**

**Amounts recognised as dividends to ordinary shareholders in the year:**

**Final dividend for the year ended 31 May 2015 of 61 kobo (31 May 2014: 61 kobo) per ordinary share of 50 kobo**

Final dividend for the year ended 31 May 2015 was paid during the year ended 31 May 2016 while final dividend for the year ended 31 May 2014 was paid during the year ended 31 May 2015. This is consistent with the group's policy of recognising dividend as a liability in the period it is approved by the shareholders. As disclosed in Note 23, final dividend in respect of the year ended 31 May 2016 of 50 kobo per share amounting to a total dividend of N1,985,238,523 is subject to the approval of the shareholders at the Annual General Meeting of the company for the year then ended. Accordingly, there is no provision for the dividend in these financial statements. This dividend is being funded from retained earnings of N1,353,846,054 from 2011 financial year and retained earnings of N631,392,469 from 2013 financial year.

**PZ Cussons Nigeria Plc**  
**Statement of value added**  
**Year ended 31 May 2016**

	Group				Company			
	2016 N'000	%	2015 N'000	%	2016 N'000	%	2015 N'000	%
Turnover	69,527,537		73,126,070		69,527,537		73,126,070	
Other operating income	286,084		121,861		487,694		1,011,694	
Interest income	210,256		228,794		8,417		94,802	
Brought-in-materials and services:								
- Imported	(46,111,376)		(41,499,580)		(47,856,948)		(46,179,132)	
- Local	(10,573,807)		(16,312,670)		(12,770,849)		(18,132,107)	
<b>VALUE ADDED</b>	<b>13,338,694</b>	<b>100</b>	<b>15,664,476</b>	<b>100</b>	<b>9,395,851</b>	<b>100</b>	<b>9,921,328</b>	<b>100</b>

**APPLIED AS FOLLOWS:**

**To pay employees:**

- Salaries, wages and other benefits	7,437,705	56	6,617,878	42	6,153,877	65	4,702,538	47
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**To pay government:**

- Income and education taxes	1,228,091	9	2,448,319	16	203,570	2	595,268	6
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**To pay providers of capital:**

- Interest cost	597,667	4	444,863	3	853,304	9	725,903	7
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**Retained for replacement of assets and business growth:**

- Deferred taxation	(209,584)	(2)	(462,292)	(3)	183,311	2	383,265	4
- Depreciation	2,155,126	16	2,044,921	13	1,611,790	17	1,345,487	14
- Non controlling interest	266,676	2	517,503	3	-	-	-	-
- Profit attributable to equity holders of parent company	1,863,013	13	4,053,284	26	389,999	4	2,168,867	22
	<b>13,338,694</b>	<b>100</b>	<b>15,664,476</b>	<b>100</b>	<b>9,395,851</b>	<b>100</b>	<b>9,921,328</b>	<b>100</b>

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

*Note: Statement of value added is not a required disclosure under IFRS*

**PZ Cussons Nigeria Plc**  
**Five year financial summary - Group**  
**Year ended 31 May**

	IFRS 2016 N'000	IFRS 2015 N'000	IFRS 2014 N'000	IFRS 2013 N'000	IFRS 2012 N'000
Non-current assets	26,504,924	25,217,847	24,485,136	24,370,445	24,360,347
Current assets	<u>47,925,250</u>	<u>42,170,067</u>	<u>46,480,599</u>	<u>47,925,975</u>	<u>40,046,450</u>
<b>Total assets</b>	<b><u>74,430,174</u></b>	<b><u>67,387,914</u></b>	<b><u>70,965,735</u></b>	<b><u>72,296,420</u></b>	<b><u>64,406,797</u></b>
Equity attributable to equity holders of parent	40,900,644	41,436,794	40,574,761	44,116,061	40,929,117
Non-controlling interest	2,502,326	2,235,650	1,963,821	2,320,796	1,938,925
Non-current liabilities	3,931,549	4,152,489	4,475,105	4,462,476	4,426,381
Current liabilities	<u>27,095,655</u>	<u>19,562,981</u>	<u>23,952,048</u>	<u>21,397,087</u>	<u>17,112,374</u>
<b>Total equity and liabilities</b>	<b><u>74,430,174</u></b>	<b><u>67,387,914</u></b>	<b><u>70,965,735</u></b>	<b><u>72,296,420</u></b>	<b><u>64,406,797</u></b>
	IFRS 2016 N'000	IFRS 2015 N'000	IFRS 2014 N'000	IFRS 2013 N'000	IFRS 2012 N'000
Turnover	69,527,537	73,126,070	72,905,679	71,343,088	72,154,601
Profit before taxation	3,148,196	6,556,814	6,949,985	7,650,265	4,306,863
Profit after taxation (attributable to members)	<u>1,863,013</u>	<u>4,053,284</u>	<u>4,591,399</u>	<u>4,875,040</u>	<u>2,410,498</u>
<b>Per 50K Share</b>					
Earnings per share (Naira)	<u>0.47</u>	<u>1.02</u>	<u>1.16</u>	<u>1.23</u>	<u>0.61</u>

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

*Note: Five year financial summary is not a required disclosure under IFRS*