



**PATERSON
ZOCHONIS**
plc

**ANNUAL REPORT
& ACCOUNTS
2001**

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DIRECTORS

Chairman

A. J. GREEN

Chief executive

C. N. GREEN

A. G. CALDER

D. C. GODWIN*

T. F. G. HARRISON

C. NICOLOULIAS

W. S. ROGERS*

R. H. SELLERS*

J. D. M. SMITH*

P. J. SMYTH

J. SPYRIDOULIAS

*non-executive

Secretary

T. F. G. HARRISON

Registered office

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Registered number

Company registered number 19457

Registrars

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I am delighted to advise shareholders that we have made substantial progress with our strategy of improving profitability and increasing cash resources. The last two years have seen a transformation in the performance of the group, with operating margins nearly doubling and net funds improving from £29m to £121m.

Action plans to further improve profitability continue, however greater emphasis is additionally being given to taking advantage of opportunities for growth, both organic and by acquisition. Significant effort is being made to develop our key brands with innovative and exciting products, and new product ranges are now being introduced into our principal developing markets.

For some years, the company has had approval to purchase its own shares. With the recent improvement in our cash resources and the relatively low rating of our shares, we have decided this year to purchase shares in the market. Details are given within the Report of the Directors.

As reported in the Interim Statement, Panos Giouras retired at the end of May 2001 after 43 years outstanding service to the group. Before joining the board in 1990, Panos had worked for more than 30 years in Nigeria rising to the position of chief executive of our company there. In addition to his role in Manchester of regional director for Africa, he was more recently responsible for the Pacific region for a number of years, and has made a substantial contribution to our success in both regions.

Our administration director and company secretary Fred Harrison, will be retiring at the end of December. Fred joined PZ in 1976, when Odex Racasan group was purchased and for many years has made a large contribution, particularly in handling legal, insurance, pension and property issues.

On behalf of their colleagues, staff and shareholders I should like to take this opportunity to wish Panos and Fred and their wives, Lena and Evelyn, a long and happy retirement.

The last two years have witnessed tremendous change within the group and the successes achieved are down to the efforts of all staff around the PZ world reacting positively to the actions taken. I would like to thank them for their support.

ANTHONY GREEN
Chairman

Highlights

- Operating profits before exceptional items increased by 23.7% from £29.8m to £36.9m
- Pre-tax profits before exceptional items increased by 10.7% from £39.6m to £43.8m
- Earnings per share before exceptional items increased by 11.3% from 50.61p to 56.32p
- Net funds increased by 41.2% from £85.6m to £120.9m
- Dividend increase for year proposed of 10.5% from 21.5p per share to 23.75p per share

Strategy

As previously reported the immediate focus for the group has been to improve profit levels and increase cash resources.

Over the last two years considerable progress has been achieved in the group's three regions in meeting these objectives by developing the major brands, discontinuing less profitable products and implementing cost reduction and efficiency improvement programmes.

These programmes will continue, however, greater emphasis is now being applied to growth, particularly in the key developing markets of Indonesia and Nigeria.

Europe

The units in the United Kingdom, Poland and Greece have successfully achieved improvements in profitability with an ongoing manufacturing efficiency programme being a large contributory factor.

In the UK, there has been an important relaunch of the Imperial Leather range, through an extensive media campaign. The complete range has been repackaged and is being further developed with innovative products emphasising lather delivery. The packaging of the Morning Fresh range has also been radically improved.

In Eastern Europe, export sales have expanded, particularly to Russia, however, the Polish market remains difficult. In a very competitive market, emphasis is being given to support and develop the major brands, namely E (detergents), Luksja (soaps), Makler (men's) and Kwiaty Polskie (skin care) and to continue to rationalise certain of the other product ranges.

Although tight monetary policy is being maintained in Greece, the development and range extension of our principal Minerva and Horio olive oil brands and Fast margarine have resulted in higher profits this year.

Asia

Indonesia has increased sales by 40% year on year, with a similar improvement in profit. The major range of Cussons Baby products has continued to expand and the newer ranges of Cussons Kids and Sweet 17 are proving very successful. The unit continues to open new depots and strengthen distribution throughout the vast group of islands which make up the country.

Thailand also has performed well in the year through extension of the Imperial Leather range and the successful relaunch of the Cussons Baby range.

In Australia, the programme of rationalisation of the product ranges has resulted in a decline in turnover, however, the sales of the principal brands, Radiant, Morning Fresh and Imperial Leather have been strong and profitability has improved.

The two smaller units of the region, namely China and the Middle East have had contrasting results with China continuing to be difficult with competition from low cost counterfeit products and the Middle East attaining growth and higher profitability.

Africa

The economic and political position in Nigeria has continued to be positive and the results for the unit have shown some improvement after a number of years of decline. Considerable group resource is now being given to assist in the development of the locally manufactured brand ranges in soap, detergents and pharmaceutical and cosmetic products. With the successful completion of the rights issue early in the year, a programme of improvements to increase capacity in the four Nigerian factories is now underway. An agreement has now been signed with Haier, a large international manufacturer of white goods based in China, to manufacture refrigerators and air conditioners through a new joint venture company in the Thermocool factory. The new range has been well received in the market.

Results in the other African units, Ghana, Kenya and Cameroun are stronger than last year.

Investments

Cash flow has continued to be positive, through higher profitability and reductions in working capital. In the year net funds have increased from £85.6m to £120.9m, after spending £7.5m on the share buy back programme, and net interest receivable has increased by £4.7m. In the previous year, investment gains were large, when profits were taken on the portfolio taking opportunity of the high level of world stock markets. In the current year, the recent uncertainty in the markets has adversely affected performance.

Purchase of own shares

The company has successfully purchased its own shares through the market in recent months with the objective of improving earnings per share. To date 5.6% of the ordinary shares and 10% of the 'A' ordinary shares have been purchased and it is proposed to ask shareholders for authority to purchase up to a further 15% of the shares now in issue.

Dividend

With continuing improvements in profitability and increases in net funds, the board is recommending a dividend increase of 10.5%.

Outlook

Focus will continue on improving operating margins and developing innovative new products to extend and expand our major brands. There has been an encouraging start to the financial year, although the eventual outcome will inevitably be somewhat dependent on world economic trends. Longer term there are real opportunities for growth, particularly in our major developing markets of Nigeria and Indonesia where we are now experiencing more political and economic stability.

Financing and treasury

Details of the group's financing and treasury position are given in the Report of the Directors on page 8.

A.G. CALDER
Finance Director

The directors submit their report and the audited financial statements of the group for the year ended 31st May 2001.

Principal activities

The principal activities of the group are the manufacture and distribution of soaps, detergents, toiletries, pharmaceuticals, refrigerators and air conditioners.

Further details of these and other group activities are given on pages 36 and 37.

Results and dividends	£000	£000
Profit for the financial year		27,257
Dividends:		
Preference: as shown on page 24 note 9		770
		26,487
Ordinary:		
Interim at 6.50p (2000 - 6.15p)	3,022	
Proposed final at 17.25p (2000 - 15.35p)	7,836	
		10,858
Profit retained		£15,629

Further analysis of the group's results for the year can be found in the operating and financial review on pages 4 and 5.

Directors

The present directors of the company are shown on page 2.

Mr. J. R. L. Lee resigned from the board on 31st December 2000 and Mr. R. H. Sellers was appointed a non-executive director on 1st January 2001.

Mr. P. Giouras resigned from the board on 31st May 2001.

In accordance with the company's Articles of Association, Mr. R. H. Sellers now retires as a director and, being eligible, offers himself for election at the Annual General Meeting.

The directors retiring by rotation are Mr. A. J. Green, Mr. D. C. Godwin, Mr. T. F. G. Harrison and Mr. J. Spyridoulis who, being eligible, offer themselves for re-election.

Non-executive directors

Mr. W. S. Rogers

Was for many years a partner of London solicitors, Theodore Goddard.

Appointed to the board of Paterson Zochonis plc on 1st January 1997, Mr. Rogers is the senior non-executive director.

Mr. D. C. Godwin

A qualified mechanical engineer and a former senior corporate partner of Cazenove & Co., the London stockbrokers.

Appointed to the board of Paterson Zochonis plc on 1st October 1998.

Mr. J. D. M. Smith

Was for many years, an executive director of BTR plc.

Appointed to the board of Paterson Zochonis plc on 1st March 2000.

Mr. R. H. Sellers

A chartered accountant and formerly the chief executive and deputy chairman of British Vita plc.

Appointed to the board of Paterson Zochonis plc on 1st January 2001.

Directors' interests

The directors' interests in the share capital of the company at 31st May 2001 (1st June 2000 or date of appointment if later) were as follows:

Beneficial	Ordinary shares		'A' ordinary shares		7½% cumulative preference shares		10% cumulative preference shares	
A. J. Green	3,565,570	3,565,570	2,318,244	2,318,244	3,871	3,871	100	100
C. N. Green	3,566,352	3,566,352	2,305,243	2,300,243	3,870	3,870	9,300	9,300
A. G. Calder	10,000	10,000	3,500	3,500	-	-	-	-
P. Giouras	21,500	21,500	9,801	9,801	-	-	-	-
D. C. Godwin	5,000	5,000	10,500	10,500	-	-	-	-
T. F. G. Harrison	1,955	1,955	1,090	1,090	-	-	74	74
C. Nicoloulis	1,000	1,000	-	-	-	-	-	-
W. S. Rogers	8,600	3,000	6,000	3,000	-	-	-	-
R. H. Sellers	2,000	2,000	2,000	2,000	-	-	-	-
J. D. M. Smith	8,000	3,000	-	-	-	-	-	-
P. J. Smyth	2,000	2,000	1,000	1,000	-	-	-	-
J. Spyridoulis	3,000	3,000	2,000	2,000	-	-	100	100
Sub-total	7,194,977	7,184,377	4,659,378	4,651,378	7,741	7,741	9,574	9,574
Less duplication (see note 1)	3,461,172	3,461,172	2,251,078	2,251,078	3,000	3,000	-	-
Total	3,733,805	3,723,205	2,408,300	2,400,300	4,741	4,741	9,574	9,574
Non-beneficial								
A. J. Green	333,215	333,215	326,072	326,072	334	334	-	-
C. N. Green	-	-	15,000	15,000	-	-	-	-
A. G. Calder	4,288,750	4,288,750	206,279	206,279	-	-	-	-
P. Giouras	42,350	42,350	20,316	20,316	-	-	-	-
Sub-total	4,664,315	4,664,315	567,667	567,667	334	334	-	-
Less duplication (see note 1)	-	-	15,000	15,000	-	-	-	-
Total	4,664,315	4,664,315	552,667	552,667	334	334	-	-

Notes:

1. Certain of the directors' beneficial and non-beneficial interests appear more than once where such directors are either, within each category, co-beneficiaries or co-trustees. The totals show the total interests of the directors excluding this duplication.
2. The figures in the table above do not include 82,000 ordinary shares and 82,000 'A' ordinary shares purchased by the Paterson Zochonis Employee Trust (the ESOT). The ESOT is a discretionary trust under which the class of beneficiaries who may benefit comprises certain employees and former employees of the company and its subsidiaries including members of such employees' and former employees' immediate families. Some or all of the shares held in the ESOT may be the subject of awards to executive directors of the company (excluding the chairman) under the Deferred Annual Share Bonus Scheme, details of which are given in the Report on Directors' Remuneration on page 12. Accordingly those executive directors are included in the class of beneficiaries and are deemed to have a beneficial interest in all the shares acquired by the ESOT.

The directors' interests at 10th September 2001 were unchanged save that, pursuant to and subject to the terms and conditions of the Paterson Zochonis plc Deferred Annual Share Bonus Scheme, the executive directors (excluding the chairman) will each receive awards in respect of 6,000 ordinary shares and 6,000 'A' ordinary shares. The effect of these awards is that those directors will be granted conditional non-transferable rights to receive from the ESOT those shares three years after the grant of the awards.

Directors' interests continued

The register recording the directors' interests will be open for inspection at the annual general meeting. No director had any beneficial interest during the year in shares or debentures of any subsidiary company. There were no contracts of significance subsisting during or at the end of the financial year with the company or any of its subsidiaries in which a director of the company was materially interested.

During the year, the company maintained liability insurance for its directors and officers.

Other substantial interests

The register maintained by the company under Section 211 of the Companies Act 1985 disclosed the following interests in the voting shares of the company held at 10th September 2001:

	Number of voting shares	%
J. B. Zochonis	2,683,845	11.64
British Telecom Pension Scheme	1,081,216	4.69
Paterson Zochonis Provident Trust Ltd.	910,395	3.95
Post Office Pension Scheme	790,292	3.43

Special business at the annual general meeting

Shareholders' approval is being sought at the annual general meeting to renew the general authority for the company to make market purchases of its own ordinary and 'A' (non-voting) ordinary shares for cancellation.

The renewed authority, in respect of approximately 15% of the company's issued ordinary and 'A' (non-voting) ordinary share capital, would run until the conclusion of the 2002 annual general meeting. If granted, the authority would only be exercised if an improvement in earnings per share was expected to result.

Purchase of own shares

During the year, the company commenced the purchase of its own shares through the market with the aim of improving earnings per share on an ongoing basis.

Details of shares purchased prior to and since the year-end are as follows:

	Number of shares	Consideration £m	Percentage of class
1st June 2000 to 31st May 2001			
Ordinary	523,000	£2.35	2.1%
'A' ordinary	1,370,000	£5.17	6.0%
1st June 2001 to 10th July 2001			
Ordinary	865,000	£4.30	3.5%
'A' ordinary	929,000	£3.86	4.0%

The average price paid for ordinary and 'A' ordinary shares during the period 1st June 2000 to 10th July 2001 was £4.79 and £3.93 respectively. The nominal value of shares purchased was £0.37m.

Financing and treasury

The group maintains a centralised treasury function which operates on a non-speculative basis in accordance with policies and procedures approved by the board of directors. The aim of this function is to mitigate the effects of any adverse movements in exchange rates and interest rates on the group's financial results.

Financing and interest rate risk

The group maintains a substantial net funds position. Net funds at 31st May 2001 were £120.9m (2000 - £85.6m), an analysis of which is provided in notes 25(iii) and 26. These principally comprise short and medium term deposits and borrowing as well as a portfolio of listed investments. This mix of funds allows the group flexibility in optimising its central funding position and the ability to act promptly to counteract any adverse movements in interest rates in its overseas territories.

Financing and treasury continued

Foreign currency risk

The international range of the group's activities gives rise to both transactional exchange rate risk and translation exposure when the results and net assets of foreign subsidiaries are translated into sterling.

The group requires its operating units to hedge their material transaction exposures on sales and purchases conducted in currencies other than their functional currencies. The group's main foreign currency exposure relates to US dollar deposits and investments, details of which are given in note 26.

The group does not actively hedge its translation exposures as these are of an accounting rather than a cash nature, however the international spread of the group's operations itself reduces dependence on individual currencies.

Political and charitable contributions

Charitable contributions in the United Kingdom during the year amounted to £50,000 (2000 - £50,000). No political contributions were made (2000 - Nil).

Research and development

The group maintains inhouse facilities for research and development in the United Kingdom, Poland, Indonesia, West Africa and Australia; in addition, research and development is sub-contracted to approved external organisations. All such expenditure is charged against profits in the year in which it is incurred.

Payment of suppliers

It is the responsibility of the management of each operating unit within the group to agree appropriate terms of business with suppliers upon entering into binding contracts, and to adhere to these payment terms provided the relevant goods or services have been supplied in accordance with the contracts. As the parent company does not trade it has no trade creditors and accordingly no year end creditor days disclosure is made.

Employment of disabled persons

During the year the group has maintained its policy of providing equal opportunity for the appropriate employment, training and development of disabled persons.

Employee information

The group recognises the benefits of keeping employees informed of the progress of the business and of involving them in their company's performance. The methods of achieving such involvement are different in each company and country and have been developed over the years by local management working with local employees in ways which suit their particular needs and environment, with the active encouragement of the parent organisation.

Auditors

The auditors Deloitte & Touche have signified their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

By order of the board of directors
T. F. G. HARRISON - Secretary
11th September 2001

In June 1998, the Committee on Corporate Governance issued the Combined Code which was incorporated into the Listing Rules of the UK Listing Authority. The code covers four principal areas which are dealt with below.

The board

The board of directors has eleven members comprising the chairman, the chief executive, five other executive directors and four non-executive directors. All of the non-executive directors are independent within the meaning of the Combined Code.

The differing roles of the chairman and chief executive are acknowledged. The chairman is primarily responsible for the running of the board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The chief executive is responsible for co-ordinating the running of the business and implementing group strategy. Agreed procedures are in place for all directors to receive appropriate training and to take independent professional advice if necessary.

Further details of directors are given on pages 2 and 6.

The board meets on a regular basis and has a formal schedule of matters reserved to it for decision making, including the approval of annual and interim results, annual budgets, acquisitions and disposals, material agreements and major capital commitments.

The board has established a number of standing committees to which various matters are delegated according to defined terms of reference. The principal committees are the nominations committee, the remuneration committee and the audit committee.

The nominations committee makes recommendations to the board on all new board appointments. The committee members are the chairman (also committee chairman), the chief executive and the non-executive directors.

Directors' remuneration

Details of directors' remuneration are set out in the report on directors' remuneration on pages 12 and 13.

Relations with shareholders

The company has periodic discussions with institutional shareholders on a range of issues affecting the group's performance. All shareholders, including private investors, have an opportunity to present questions to the board at the annual general meeting.

Accountability and audit

Directors' responsibilities in relation to financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the profit or loss of the group for that period. The directors are responsible for ensuring that suitable accounting policies are consistently applied supported by reasonable and prudent judgements and estimates and that applicable accounting standards are followed.

The directors have responsibility for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Going concern

After making an appropriate review the directors believe that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Accountability and audit continued

Internal control

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

The board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks, that it has been in place for the year ended 31st May 2001 and up to the date of the annual report and accounts, that it is regularly reviewed by the board and that it accords with the Turnbull guidance for directors on the Combined Code.

The process includes:

- Frequent communication between the board and subsidiary management on all critical business issues
- Regular visits to operating units by the board, head office management and internal audit
- A detailed system of budgeting, reporting and forecasting
- Regular review by the board of a risk management document produced by a risk committee

At its September 2001 meeting, the board carried out the annual assessment for the year to 31st May 2001 by considering documentation from the executive committee, risk committee and internal audit, and taking account of events since the year-end.

The company continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the attention of management and the board.

Audit committee

The audit committee, chaired by Mr. J. D. M. Smith, comprises the non-executive directors, and meets regularly with the external auditors to monitor the adequacy of the group's internal controls, accounting policies and financial reporting.

Compliance statement

The directors consider that, throughout the accounting period, the company complied with the provisions of Section 1 of the Combined Code.

The remuneration committee

The members of the committee during the year were Messrs. D. C. Godwin, J. R. L. Lee (to 31st December 2000), W. S. Rogers (chairman), R. H. Sellers (from 1st January 2001) and J. D. M. Smith. The members are all non-executive directors of the company. They are independent, have no conflicts of interest and no day-to-day involvement in running the business. The remuneration of the non-executive directors is determined by the executive directors.

Policy on executive directors' remuneration

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

The elements of the remuneration package are salary, bonus, benefits in kind and pension entitlements. Salaries are reviewed annually by the remuneration committee. The review takes account of individual performance, company performance, external surveys and remuneration levels in a range of companies of comparable size, geographical spread and market sector.

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

As part of the group focus on improved operating performance a Deferred Annual Share Bonus Scheme has been introduced with effect from 1st June 2000, for main board executive directors (excluding the chairman) and certain key subsidiary directors. The award of a bonus is dependent upon the achievement of operating profit targets and will normally be received by the directors following three years of continuing employment from the date of the award. The award will be made in ordinary and 'A' ordinary shares which are purchased in the market and retained in an employee trust.

Bonuses to be awarded for achievement of targets for the current financial year are included in the table below and are calculated using market values at 31st May 2001 as follows: ordinary shares - £5.04, 'A' ordinary shares - £4.35.

Further details of the employee trust are given in note 14.

The following table shows remuneration of individual directors for the year ended 31st May 2001.

	Salary/ fees £	Bonus £	Taxable benefits £	2001 Total £	2000 Total £
Executive directors					
A. J. Green (chairman)	184,508	-	23,423	207,931	199,309
C. N. Green	224,950	56,340	23,198	304,488	221,999
A. G. Calder	184,654	56,340	17,045	258,039	183,808
P. Giouras *	227,333	56,340	21,056	304,729	725,597
T. F. G. Harrison	155,199	56,340	17,344	228,883	164,372
C. Nicoloulis (from 1st June 2000)	176,902	56,340	12,252	245,494	-
P. J. Smyth	171,599	56,340	16,814	244,753	175,525
J. Spyridoulis	151,306	56,340	17,160	224,806	163,284
Non-executive directors					
D. C. Godwin	17,083	-	-	17,083	15,000
J. R. L. Lee (to 31st December 2000)	8,750	-	-	8,750	15,000
W. S. Rogers	17,083	-	-	17,083	15,000
R. H. Sellers (from 1st January 2001)	8,333	-	-	8,333	-
J. D. M. Smith (from 1st March 2000)	17,083	-	-	17,083	3,750
	<u>£1,544,783</u>	<u>£394,380</u>	<u>£148,292</u>	<u>£2,087,455</u>	<u>£1,882,644</u>
Payments to former directors for continuing services	£17,083	-	£689	£17,772	£85,000

* The figures shown above for the year to 31st May 2000 in respect of Mr. P. Giouras include a bonus of £500,000 acknowledging the very special contribution he made to the group's success in Africa and the taking on of additional duties in China, Indonesia and the rest of South East Asia.

Pension benefits

The executive directors' pension scheme provides benefits of up to two thirds salary, dependants' pensions and lump sum payments in the event of death in service. Benefits in kind are not pensionable. All the executive directors at 31st May 2001 are members of the scheme. Benefits in respect of each executive director are given in the table below:

	Increase in accrued pension during the year	Total accrued pension as at 31st May 2001	Transfer value of the increase in accrued pension during the year
	£	£	£
A. J. Green	3,557	89,477	32,159
C. N. Green	11,486	100,947	109,860
A. G. Calder	7,672	83,313	91,472
P. Giouras	11,870	151,095	181,738
T. F. G. Harrison	4,079	102,189	54,383
C. Nicoloulias	4,848	111,116	55,665
P. J. Smyth	5,696	68,194	48,374
J. Spyridoulis	4,115	86,705	54,766

Notes:

1. Mr. Nicoloulias became a member of the executive directors' pension scheme on 26th July 2000 and it is from this date that his accrued pension has been calculated.
2. The pension entitlements shown are those which would be paid annually on retirement based on service to the end of the year.
3. The increase in accrued pension during the year is net of any increase for inflation.
4. The total accrued pension as at 31st May 2001 includes benefits arising from transfers received by the plan.
5. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less directors' contributions.
6. The directors have the option to pay additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.
7. The company provides unfunded, unapproved pension benefits for executive directors whose benefits are subject to the Inland Revenue earnings cap, introduced by the Finance Act 1989.

Service contracts

No executive director including those proposed for re-election has a service contract with a notice period in excess of one year or containing any provision for pre-determined compensation on termination exceeding one year's salary and benefits in kind. Non-executive directors do not have service contracts but are appointed for initial periods of three years, normally renewable on a similar basis.

By order of the board of directors

A. J. GREEN

We have audited the financial statements on pages 15 to 37 which have been prepared under the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 10 preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement on page 11 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

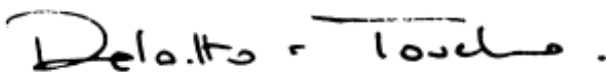
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st May 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants
and Registered Auditors.

201 Deansgate
Manchester M60 2AT

11th September 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year to 31st May 2001

	Notes	2001 £000	2000 £000
Turnover	1,2	406,062	409,074
Operating profit before exceptional income		36,859	29,796
Exceptional income	3	-	5,979
Operating profit	2	36,859	35,775
Net investment income / interest payable	6	6,935	9,760
Profit on ordinary activities before taxation	1	43,794	45,535
Taxation on profit on ordinary activities	7	(13,564)	(13,903)
Profit on ordinary activities after taxation		30,230	31,632
Equity minority interests		(2,973)	(2,667)
Profit for the financial year		27,257	28,965
Preference dividends	9	(770)	(770)
Profit attributable to ordinary capital		26,487	28,195
Ordinary dividends	9	(10,858)	(10,201)
Profit for the financial year retained	24	£15,629	£17,994
Basic earnings per ordinary share after exceptional item	10	56.32p	59.43p
Basic earnings per ordinary share before exceptional item	10	56.32p	50.61p
Diluted earnings per ordinary share after exceptional item	10	56.12p	59.43p
Diluted earnings per ordinary share before exceptional item	10	56.12p	50.61p

The results for both years arise from continuing operations

R E C O G N I S E D G A I N S A N D L O S S E S
M O V E M E N T S I N S H A R E H O L D E R S ' F U N D S

Year to 31st May 2001

Statement of total recognised gains and losses	2001	2000
	£000	£000
Profit for the financial year	27,257	28,965
Currency retranslation	(3,707)	(7,474)
Reversal of taxation on Nigeria revaluation surplus	-	1,765
Total recognised gains and losses for the year	<u>£23,550</u>	<u>£23,256</u>

	2001	2000
	£000	£000
Reconciliation of movement in shareholders' funds		
Total recognised gains and losses for the year	23,550	23,256
Dividends	(11,628)	(10,971)
Purchase of own shares	(7,522)	-
Net increase in shareholders' funds	<u>4,400</u>	<u>12,285</u>
Opening shareholders' funds	257,323	245,038
Closing shareholders' funds	<u>£261,723</u>	<u>£257,323</u>

Note of historical cost profits and losses

Reported profit on ordinary activities before taxation	43,794	45,535
Realisation of property revaluation gains of previous years	1,825	-
Adjustment of depreciation to historical cost basis	1,027	1,222
Historical cost profit on ordinary activities before taxation	<u>£46,646</u>	<u>£46,757</u>
Historical cost profit for the year retained after taxation, minority interests and dividends	<u>£18,103</u>	<u>£18,755</u>

BALANCE SHEETS

31st May 2001

	Notes	The group		Parent company	
		2001 £000	2000 £000	2001 £000	2000 £000
Fixed assets					
Intangible assets:	11				
Goodwill		511	539	-	-
Negative goodwill		(2,519)	-	-	-
		(2,008)	539	-	-
Tangible assets	12	167,849	179,873	-	-
Investments:					
Subsidiary companies	13	-	-	92,559	81,323
Other investments	14	-	-	-	-
		165,841	180,412	92,559	81,323
Current assets					
Stocks	15	92,066	92,906	-	-
Debtors	16	55,585	56,142	41,668	54,311
Investments	17	131,290	102,388	40,101	43,474
Cash at bank and in hand		8,586	10,799	-	-
		287,527	262,235	81,769	97,785
Creditors – amounts falling due within one year	18	(119,342)	(112,735)	(46,710)	(37,405)
Net current assets		168,185	149,500	35,059	60,380
Total assets less current liabilities		334,026	329,912	127,618	141,703
Creditors – amounts falling due after one year	18	(19,206)	(19,744)	(9,008)	(9,625)
Provisions for liabilities and charges	20	(10,171)	(7,718)	-	(195)
Net assets	1	£304,649	£302,450	£118,610	£131,883
Capital and reserves					
Equity ordinary share capital	23	4,555	4,744	4,555	4,744
Non-equity preference share capital	23	7,898	7,898	7,898	7,898
Total called up share capital	23	12,453	12,642	12,453	12,642
Reserves attributable to equity interests:					
Capital redemption reserve	24	189	-	189	-
Revaluation reserve	24	43,688	46,911	-	-
Profit and loss account	24	205,393	197,770	105,968	119,241
Total shareholders' funds		261,723	257,323	118,610	131,883
Equity minority interests		42,926	45,127	-	-
		£304,649	£302,450	£118,610	£131,883

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

A. J. GREEN

C. N. GREEN

11th September 2001

GROUP CASH FLOW STATEMENT

Year to 31st May 2001

	Notes	2001 £000	2000 £000
Cash flow from operating activities	(i)	66,705	72,321
Returns on investments and servicing of finance	(ii)	5,067	6,604
Taxation		(14,454)	(9,124)
Capital expenditure and financial investment	(ii)	(4,773)	(6,869)
Acquisitions and disposals	(ii)	1,488	(5,133)
Equity dividends paid		(10,305)	(9,394)
Cash inflow before use of liquid resources and financing		43,728	48,405
Management of liquid resources	(ii)	(29,649)	(15,555)
Financing	(ii)	(14,561)	(24,119)
(Decrease) / increase in cash in the period		£(482)	£8,731
		2001 £000	2000 £000
Reconciliation of net cash flow to movement in net funds	(iii)		
(Decrease) / increase in cash in the period		(482)	8,731
Cash outflow from financing		6,723	24,119
Cash outflow from management of liquid resources		29,649	15,555
Change in net funds resulting from cash flows		35,890	48,405
Currency retranslation		(652)	29
Deposits and loans in former associate now consolidated as a subsidiary		-	8,263
Movement in net funds in the period		35,238	56,697
Opening net funds		85,623	28,926
Closing net funds		£120,861	£85,623

The notes to the cash flow statement are given in note 25

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention adjusted to include the periodic revaluation of properties.

Consolidation

(a) The consolidated accounts incorporate the accounts of Paterson Zochonis plc and all its subsidiaries. Where appropriate the accounts of overseas subsidiaries are adjusted to conform to the group's accounting policies. No credit is taken for the group's share of profits on intra-group sales of goods until such goods have been sold to third parties.

(b) The total profits or losses of subsidiaries are included in the consolidated profit and loss account and the proportion of profit or loss after taxation applicable to minority interests in subsidiaries is excluded in arriving at the profit attributable to the shareholders of Paterson Zochonis plc. Movements in reserves are shown net of taxation and of minority interests where appropriate.

(c) The total assets and liabilities of subsidiary companies are included in the consolidated balance sheet and the interests of minority shareholders in the net assets of subsidiaries are stated separately.

(d) The accounts of all subsidiary companies wherever possible are made up to 31st May annually.

(e) Prior to the year ended 31st May 1999, goodwill, including negative goodwill and that arising on consolidation, was set off against or added to reserves in the year of acquisition as a matter of accounting policy. With effect from 1st June 1998, in accordance with Financial Reporting Standard 10 "Goodwill and Intangible Assets", goodwill is capitalised and amortised on a straight line basis over its useful economic life subject to a maximum of twenty years. Negative goodwill, up to the value of non-monetary assets acquired, is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered. Any negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised in the profit and loss account in the periods expected to benefit. As permitted by the current accounting standard, goodwill previously set off against or added to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill would be included in determining the profit or loss on disposal.

(f) The results of subsidiary companies acquired during the year are included from the effective date of acquisition.

Exchange rates

The group has previously translated the profit and loss accounts of its foreign subsidiaries using closing rates. With effect from the current financial year, the group has changed its accounting policy to use average rates, on the basis that this more fairly reflects the group's profits and losses as they arise throughout the accounting period. This change does not materially affect the results for either the current or prior period.

Exchange rates used to translate overseas currency assets and liabilities (other than shares held by the parent company in overseas companies) are the rates ruling at the balance sheet date.

Currency gains and losses are included in operating profit or investment income as appropriate except that the difference arising on the retranslation of the group's share, at the beginning of the year, of the net assets of overseas subsidiaries is treated as a movement in reserves.

Gains and losses on financial instruments that are hedging existing assets or liabilities are included in the carrying amounts of those assets and liabilities. Gains and losses on financial instruments that are hedging firm commitments or anticipated transactions are deferred and are recognised when the hedged transaction occurs.

Turnover

Turnover represents the amount derived from sales of goods and services (including interest receivable on sales on extended credit and income from the provision of technical services and licensing agreements) to external customers of the group, to the extent that the goods have been sold to third parties.

Profit on ordinary activities

Profit on ordinary activities for the year is arrived at after charging or crediting all operating expenditure and revenue, whether normal or exceptional, including interest payable and receivable.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation. Land and buildings are revalued at least every 5 years in accordance with Financial Reporting Standard 15 “Tangible Fixed Assets”.

In the case of leasehold properties, leases which at the balance sheet date have more than 50 years to run, inclusive of options exercisable by the group, are designated as long leaseholds.

Depreciation is provided mainly on a straight line basis. The annual rates used, which are expected to write off the assets over their anticipated useful lives, are:

Freehold land	Nil
Freehold buildings at rates not less than	2%
Leasehold land and buildings at rates which will reduce the book value to nil on or before the termination of the leases, inclusive of options exercisable by the group, with a minimum of	2%
Plant and machinery not less than	10%
Fixtures, fittings, vehicles not less than	20%

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

Government grants related to expenditure on tangible fixed assets are reflected in the balance sheet as deferred income and are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grants relate.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost in the case of the manufacturing subsidiaries includes an appropriate addition for manufacturing overheads.

Liquid resources, current asset investments and investment income

Liquid resources comprise term deposits of less than one year and current asset investments which are valued at the lower of cost and market value. Investment income takes account of profit or loss on redemption or sale of current asset investments.

Research and development

Research and development expenditure is charged against profits in the year in which it is incurred.

Pensions and retirement benefits

The group operates retirement benefit schemes in the United Kingdom and for most overseas countries in which it carries on business. Those in the United Kingdom are defined benefit schemes; overseas schemes vary in detail depending on local practice.

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees’ services. The difference between the charge to the profit and loss account and the contributions paid to the schemes is reflected in the balance sheet in debtors, creditors or provisions.

Taxation and deferred taxation

Taxation is computed at current rates on the profit for the year. No provision is made for any additional taxation which may arise on the undistributed reserves of overseas subsidiaries, unless it is foreseen that they are likely to be distributed.

Deferred taxation is provided except where there is reasonable probability that such taxation will not become payable in the foreseeable future. Deferred taxation takes account of:

- (a) the estimated taxation liability which would arise were the tangible fixed assets to be realised at their net book value at the balance sheet date
- (b) taxation on inter-company profits on stock eliminated on consolidation and other timing differences.

1 Segmental reporting

	Third party turnover		Profit before taxation		Net assets	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Geographical areas - by origin						
Europe	198,092	203,482	16,296	12,752	89,235	108,305
Asia	88,247	84,660	5,907	3,895	50,654	54,856
Africa	119,723	120,932	14,656	13,149	75,189	88,458
	<u>£406,062</u>	<u>£409,074</u>	36,859	29,796	215,078	251,619
Investment income / investments			8,941	14,616	131,290	102,388
Interest payable / overdrafts & loans			(2,006)	(4,856)	(19,015)	(27,564)
			43,794	39,556	327,353	326,443
Exceptional item (note 3)			-	5,979		
			<u>£43,794</u>	<u>£45,535</u>		
Tax and dividends					(22,704)	(23,993)
					<u>£304,649</u>	<u>£302,450</u>

	Third party turnover		Inter-segment turnover		Total turnover	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Turnover - by origin						
Europe	198,092	203,482	69,402	61,900	267,494	265,382
Asia	88,247	84,660	466	285	88,713	84,945
Africa	119,723	120,932	1,214	158	120,936	121,090
	<u>£406,062</u>	<u>£409,074</u>	<u>£71,082</u>	<u>£62,343</u>	<u>£477,143</u>	<u>£471,417</u>

	Third party turnover	
	2001 £000	2000 £000
Turnover - by destination		
Europe	195,361	196,291
Asia	89,905	91,131
Africa	120,796	121,652
	<u>£406,062</u>	<u>£409,074</u>

2 Turnover and operating profit

Analysis of turnover and operating profit

	2001	2000
	£000	£000
Turnover	406,062	409,074
Cost of sales	(248,107)	(254,516)
Gross profit	157,955	154,558
Selling & distribution expenses	(80,198)	(83,886)
Administration expenses	(40,898)	(40,876)
	36,859	29,796
Other operating income	-	5,979
	£36,859	£35,775

Operating profit

	2001	2000
	£000	£000
Is after charging / (crediting):		
Depreciation	16,214	16,191
Amortisation of goodwill	(70)	22
Profit on disposal of tangible fixed assets	(2,282)	(686)
Government grants	(424)	(431)
Research and development	3,238	3,192
Auditors' remuneration – audit fees	379	379
– other services	118	66
Exceptional income (note 3)	-	(5,979)
	-	(5,979)

3 Exceptional item

Exceptional income arising on the recognition of technical fees and royalties due from the Nigerian companies was included within operating profit in the year to 31st May 2000. The effect of the exceptional item on retained profit for that year is shown below:

	2000
	£000
Exceptional income before taxation	5,979
Taxation	(1,794)
Effect on retained profit	£4,185

4 Staff numbers and costs

	2001	2000
	Number	Number
The average number employed by the group, including directors, within each category was:		
Production	6,701	6,904
Selling and distribution	2,505	2,271
Administration	1,627	1,622
	10,833	10,797
The costs incurred in respect of the above were:	£000	£000
Wages and salaries	48,892	46,658
Social security and other costs	6,278	5,882
Pension costs	1,997	1,463
	£57,167	£54,003

Further information on pension costs is given in note 22

5 Directors' emoluments

Details of individual directors' remuneration and pension benefits required by the Companies Act 1985 and those specified for audit by the UK Listing Authority are given in the report on directors' remuneration on pages 12 and 13 and form part of these financial statements.

6 Investment income & interest payable

	2001	2000
	£000	£000
Current asset investment income:		
Investment gains less provisions	3,092	10,703
Interest and dividends receivable	5,849	3,913
	8,941	14,616
Interest payable – bank loans and overdrafts	(2,006)	(4,856)
	£6,935	£9,760

7 Taxation on profit on ordinary activities

	2001		2000	
	£000	£000	£000	£000
United Kingdom corporation tax at 30% (2000 - 30%)	7,310		7,241	
Adjustments in respect of prior periods	(577)		308	
	<u>6,733</u>		<u>7,549</u>	
Double taxation relief	(2,258)		(3,320)	
		4,475		4,229
Overseas taxation	10,334		7,087	
Adjustments in respect of prior periods	277		666	
		10,611		7,753
Deferred taxation	(1,873)		229	
Adjustments in respect of prior periods	351		(102)	
		(1,522)		127
Taxation on exceptional item		-		1,794
		<u>£13,564</u>		<u>£13,903</u>

8 Profit of the parent company

As permitted by section 230 of the Companies Act 1985, as amended, the company has not presented a separate profit and loss account. The profit for the financial year dealt with in the accounts of the parent company is £5,877,000 (2000 - £7,872,000).

9 Dividends

	2001	2000
	£000	£000
On non-equity capital		
7½% cumulative preference shares	59	59
10% cumulative preference shares	711	711
	<u>£770</u>	<u>£770</u>
On equity capital		
Ordinary and 'A' ordinary shares:		
Interim at 6.50p per share (2000 - 6.15p)	3,022	2,918
Proposed final at 17.25p per share payable 6th November 2001 (2000 - 15.35p)	7,836	7,283
	<u>£10,858</u>	<u>£10,201</u>
Total dividends	<u>£11,628</u>	<u>£10,971</u>

At 31st May 2001, the Paterson Zochonis Employee Trust held 82,000 ordinary shares and 82,000 'A' ordinary shares. The trust has waived any entitlement to the dividends on these shares.

10 Earnings per ordinary share

	2001	2000
	Number	Number
Shares	000	000
Basic weighted average ordinary and 'A' ordinary shares in issue during the year	47,032	47,445
Dilutive effect of Deferred Annual Share Bonus Scheme	164	-
	<hr/>	<hr/>
Diluted weighted average ordinary and 'A' ordinary shares	47,196	47,445
	<hr/>	<hr/>
Earnings (for basic and diluted earnings per share)	£000	£000
Profit attributable to ordinary capital:		
After exceptional item	26,487	28,195
Effect of exceptional item (note 3)	-	(4,185)
	<hr/>	<hr/>
Before exceptional item	£26,487	£24,010
	<hr/>	<hr/>
Earnings per share	per share	per share
Basic earnings per ordinary and 'A' ordinary share		
After exceptional item	56.32p	59.43p
Before exceptional item	56.32p	50.61p
Diluted earnings per ordinary and 'A' ordinary share		
After exceptional item	56.12p	59.43p
Before exceptional item	56.12p	50.61p

For the year to 31st May 2000, two calculations of earnings per share are presented to reflect the impact of the exceptional item.

11 Intangible fixed assets

	Goodwill	Negative	Total
	£000	goodwill	£000
		£000	
The group			
Cost			
At 31st May 2000	569	-	569
Additions	-	(2,617)	(2,617)
	<hr/>	<hr/>	<hr/>
At 31st May 2001	£569	£(2,617)	£(2,048)
	<hr/>	<hr/>	<hr/>
Amortisation			
At 31st May 2000	30	-	30
Charge for the year	28	(98)	(70)
	<hr/>	<hr/>	<hr/>
At 31st May 2001	£58	£(98)	£(40)
	<hr/>	<hr/>	<hr/>
Net book values			
At 31st May 2001	£511	£(2,519)	£(2,008)
	<hr/>	<hr/>	<hr/>
At 31st May 2000	£539	-	£539
	<hr/>	<hr/>	<hr/>

Additions in the year arose as a result of an increase in the group's interest in the companies in Nigeria on completion of the rights issue. Net assets of £14,024,000 were acquired at a cost of £11,407,000 generating negative goodwill of £2,617,000. The directors consider that the book value of assets acquired represents fair value.

12 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, vehicles £000	Assets in course of construction £000	Total £000
The group					
Cost or valuation					
At 31st May 2000	108,561	127,476	22,101	3,217	261,355
Currency retranslation	(1,368)	(2,725)	(35)	(144)	(4,272)
Additions	138	2,356	4,852	2,811	10,157
Disposals	(2,280)	(1,326)	(2,377)	-	(5,983)
Reclassifications	614	2,449	437	(3,500)	-
At 31st May 2001	£105,665	£128,230	£24,978	£2,384	£261,257
Depreciation					
At 31st May 2000	3,653	62,697	15,132	-	81,482
Currency retranslation	(105)	(1,249)	(23)	-	(1,377)
Charge for the year	2,442	10,347	3,425	-	16,214
Disposals	(305)	(851)	(1,755)	-	(2,911)
At 31st May 2001	£5,685	£70,944	£16,779	-	£93,408
Net book values					
At 31st May 2001	£99,980	£57,286	£8,199	£2,384	£167,849
At 31st May 2000	£104,908	£64,779	£6,969	£3,217	£179,873

	The group	
	2001 £000	2000 £000
Land and buildings		
Cost or valuation		
Freehold land	11,469	13,071
Freehold buildings	25,124	26,436
Long leasehold	53,908	52,029
Short leasehold	15,164	17,025
	<u>£105,665</u>	<u>£108,561</u>
Accumulated depreciation		
Freehold buildings	2,311	1,926
Long leasehold	2,233	1,078
Short leasehold	1,141	649
	<u>£5,685</u>	<u>£3,653</u>
Land and buildings at cost or valuation are stated:		
At open market valuation 1989	279	290
At open market valuation 1994	3,800	3,800
At open market valuation 1998	7,170	7,314
At open market valuation 1999	91,845	95,025
At cost	2,571	2,132
	<u>£105,665</u>	<u>£108,561</u>

12 Tangible fixed assets continued

The majority of the group's properties were revalued at 31st May 1999 by Knight Frank, international property consultants, on the basis of open market value subject to existing use. The properties included at valuation as at 31st May 1998 are the group properties in Australia, valued by JLW Advisory Services, corporate property consultants, which under a previous requirement of Australian corporations law were revalued every three years. This requirement no longer exists and therefore these properties will be incorporated in the next group-wide revaluation. The directors are not aware of any material change in the value of revalued properties during the year. Land and buildings shown at cost represent additions since the previous revaluations.

All other tangible fixed assets are stated at cost.

	The group	
	2001	2000
	£000	£000
If stated under historical cost principles the comparable amounts for the total of land and buildings would be:		
Cost	55,003	53,864
Accumulated depreciation	10,884	9,764
Historical cost net value	£44,119	£44,100
Future capital expenditure		
Commitments placed at year-end	£2,468	£2,672

13 Subsidiary companies

	Shares	Loans	Total
	£000	£000	£000
Parent company			
Cost at 31st May 2000	94,255	4,384	98,639
Additions in the year	11,407	-	11,407
Cost at 31st May 2001	£105,662	£4,384	£110,046
Provisions at 31st May 2000	17,316	-	17,316
Provided in the year	171	-	171
Provisions at 31st May 2001	£17,487	-	£17,487
Net book value at 31st May 2001	£88,175	£4,384	£92,559
Net book value at 31st May 2000	£76,939	£4,384	£81,323

Details of principal group companies are given in note 27

Additions in the year represent participation in the rights issue of the Nigerian subsidiary.

14 Other investments

The group and parent company

	Shares held in trust	Cost	Charged to profit and loss account	Net book value
	Number	£000	£000	£000
At 1st June 2000	-	-	-	-
Shares purchased	164,000	657	-	657
Shares to be awarded	-	-	(657)	(657)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st May 2001	164,000	£657	£(657)	-
	<hr/>	<hr/>	<hr/>	<hr/>

Shares purchased represents the cost of shares purchased during the year and held by the Paterson Zochonis Employee Trust to fund the Deferred Annual Share Bonus Scheme, details of which are provided in the Report on Directors' Remuneration on page 12.

These shares are to be awarded for achievement of targets for the year to 31st May 2001, normally to be received after three years of continuing employment.

At 31st May 2001, the trust held 82,000 ordinary shares and 82,000 'A' ordinary shares with market values of £413,280 and £356,700 respectively. The trust has waived any entitlement to dividends in respect of all its holding of the company's shares.

15 Stocks

	The group		Parent company	
	2001 £000	2000 £000	2001 £000	2000 £000
Raw materials and consumables	47,337	52,224	-	-
Work in progress	5,561	5,916	-	-
Finished goods and goods for resale	39,168	34,766	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£92,066	£92,906	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

16 Debtors

Trade debtors	40,456	39,898	-	-
Amounts owed by group companies	-	-	38,772	49,042
Overseas taxation recoverable	373	1,051	-	-
Other debtors, including deposits	5,741	4,823	4	10
Prepayments and accrued income	4,930	6,146	944	1,035
Pension fund prepayment	3,956	4,224	1,755	4,224
Deferred taxation (note 21)	129	-	193	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£55,585	£56,142	£41,668	£54,311
	<hr/>	<hr/>	<hr/>	<hr/>

Included above, but falling due after more than one year:

Other debtors	9	10	-	-
Prepayments and accrued income	2	8	-	-
Pension fund prepayment	3,956	4,224	1,755	4,224
Deferred taxation (note 21)	129	-	193	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£4,096	£4,242	£1,948	£4,224
	<hr/>	<hr/>	<hr/>	<hr/>

17 Current asset investments

	The group		Parent company	
	2001 £000	2000 £000	2001 £000	2000 £000
At cost less amounts written off:				
Listed	23,436	18,503	9,874	9,883
Unlisted	196	195	195	195
Deposits	107,658	83,690	30,032	33,396
	<u>£131,290</u>	<u>£102,388</u>	<u>£40,101</u>	<u>£43,474</u>
Market value of listed investments	<u>£29,004</u>	<u>£28,862</u>	<u>£12,427</u>	<u>£16,816</u>

If the listed investments had been realised at 31st May 2001 at market value, there would have been a liability to taxation estimated at £500,000 (2000 - £2,918,000) none of which relates to the parent company (2000 - £1,772,000).

18 Creditors

	The group		Parent company	
	2001 £000	2000 £000	2001 £000	2000 £000
Due within one year				
Bank loans and overdrafts (note 19)	19,015	27,564	5,593	4,817
Trade creditors	38,467	27,456	-	-
Amounts owed to group companies	-	-	31,009	22,388
United Kingdom corporation tax	7,596	9,539	1,801	1,783
Overseas income tax	7,774	6,309	252	370
Other taxation and social security	3,156	4,014	-	-
Other creditors	11,310	10,194	44	17
Accruals and deferred income	24,188	20,376	175	747
Proposed dividends	7,836	7,283	7,836	7,283
	<u>£119,342</u>	<u>£112,735</u>	<u>£46,710</u>	<u>£37,405</u>
Due after one year				
Other creditors	1,217	1,478	-	-
Accruals and deferred income	3,276	3,921	-	-
Pension fund accrual and deferred income	14,713	14,345	9,008	9,625
	<u>£19,206</u>	<u>£19,744</u>	<u>£9,008</u>	<u>£9,625</u>

19 Bank loans and overdrafts

Bank loans and overdrafts due within one year	<u>£19,015</u>	<u>£27,564</u>	<u>£5,593</u>	<u>£4,817</u>
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The interest rate profile of borrowings is given in note 26

20 Provisions for liabilities and charges

	Deferred taxation (note 21) £000	Pensions and similar obligations £000	Others £000	Total £000
The group				
At 31st May 2000 *	1,913	4,466	1,339	7,718
Currency retranslation	(520)	(299)	(1)	(820)
Profit and loss account	(1,522)	3,157	1,563	3,198
Transferred from creditors due within one year	-	263	-	263
Utilised during the year	-	(317)	-	(317)
Included in debtors at 31st May 2001 (note 16)	129	-	-	129
	<u>-</u>	<u>£7,270</u>	<u>£2,901</u>	<u>£10,171</u>
Parent company				
At 31st May 2000	195	-	-	195
Profit and loss account	(388)	-	-	(388)
Included in debtors at 31st May 2001 (note 16)	193	-	-	193
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* An amount of £3,692,000, included within other provisions at 31st May 2000, has been reclassified to pensions and similar obligations as the directors consider that this more fairly reflects the nature of the liability. The figures shown above for 31st May 2000 have been restated accordingly.

21 Deferred taxation

	The group		Parent company	
	2001 £000	2000 £000	2001 £000	2000 £000
Dealt with in the accounts:				
Tangible fixed assets	6,552	7,111	-	-
Other timing differences	(6,681)	(5,198)	(192)	195
	<u>£(129)</u>	<u>£1,913</u>	<u>£(192)</u>	<u>£195</u>
Not dealt with in the accounts:				
Tangible fixed assets	£6,703	£4,854	-	-

22 Pensions and retirement benefits

The company and most of its operating subsidiaries in the United Kingdom and overseas have retirement benefit plans.

For United Kingdom employees the plans all provide defined benefits based on employees' years of service and final remuneration and are funded through separate trustee-administered schemes. The schemes are normally valued triennially by independent professional actuaries. The last formal actuarial valuation, as at 1st June 2000, reported asset values of £127m and surpluses of £21m. These surpluses are being credited to profit over the estimated remaining service lives of the existing employees. In arriving at these figures the actuaries have used the projected unit method, and have assumed an annual rate of investment return of 5.4% (modified to 4.65% post-retirement for the directors' plan), annual earnings inflation of 4.4%, and present and future annual inflation related pension increases of 2.4%. The combined level of funding for these schemes is 120%.

22 Pensions and retirement benefits continued

For the United Kingdom staff plan, a refund of surplus was paid to the company on 10th March 2000. The amount of the refund after tax was £10,242,000 and was provided as part of an overall pensions package that included benefit improvements for the plan members. The overall package was designed to bring the funding of the staff plan to within the limits prescribed by the Pension Scheme Surpluses (Valuation) Regulations 1987. The formal actuarial assessment of the staff plan as at 1st June 2000 took into account the full impact of this pensions package. The net refund has not been taken to the profit and loss account but is being credited over the remaining estimated service lives of the existing employees.

Overseas employees are covered by a number of schemes which depend on a variety of local circumstances. The more significant of these schemes are defined benefit, funded, in surplus, and are valued triennially by independent professional actuaries. None of the overseas schemes individually is material on a group basis. In addition, certain overseas subsidiaries provide for lump sum benefits payable on retirement, or date of leaving if earlier. These amounts are provided based on number of years service and are included within provisions in note 20.

The total pension charge for the group for the year to 31st May 2001 amounted to £1,997,000 (2000 – £1,463,000). This comprised a regular charge of £5,798,000 (2000 – £4,001,000) reduced by the credit for past service surpluses of £3,801,000 (2000 – £2,538,000).

23 Called up share capital

	2001		2000	
	Number 000	Amount £000	Number 000	Amount £000
Authorised:				
Attributable to equity interests:				
Ordinary shares of 10p each	25,000	2,500	25,000	2,500
'A' (non-voting) ordinary shares of 10p each	25,000	2,500	25,000	2,500
	<u>50,000</u>	<u>£5,000</u>	<u>50,000</u>	<u>£5,000</u>
Attributable to non-equity interests:				
7½% cumulative preference shares of £1 each	800	800	800	800
10% cumulative preference shares of £1 each	7,500	7,500	7,500	7,500
	<u>8,300</u>	<u>£8,300</u>	<u>8,300</u>	<u>£8,300</u>
Total authorised share capital		<u>£13,300</u>		<u>£13,300</u>
Allotted, called up and fully paid:				
Attributable to equity interests:				
Ordinary shares of 10p each	23,922	2,392	24,445	2,444
'A' (non-voting) ordinary shares of 10p each	21,629	2,163	22,999	2,300
	<u>45,551</u>	<u>£4,555</u>	<u>47,444</u>	<u>£4,744</u>
Attributable to non-equity interests:				
7½% cumulative preference shares of £1 each	782	782	782	782
10% cumulative preference shares of £1 each	7,116	7,116	7,116	7,116
	<u>7,898</u>	<u>£7,898</u>	<u>7,898</u>	<u>£7,898</u>
Total called up share capital		<u>£12,453</u>		<u>£12,642</u>

23 Called up share capital continued

The 'A' (non-voting) ordinary shares do not confer on the holders thereof the right to receive notices of general meetings of the company or to attend or vote thereat. In all other respects the 'A' (non-voting) ordinary shares rank *pari-passu* with the ordinary shares.

The preference shares do not entitle the holders:

- 1) to vote on any resolution (other than resolutions for winding up the company or reducing its share capital or varying any special rights attached to these shares) unless at the date of notice of meeting at which such resolution is to be proposed the dividend on these shares is six months in arrears.
- 2) to receive notice of or attend any general meeting unless the business of the meeting includes the consideration of a resolution on which such holders are entitled to vote. On a poll in respect of such resolution the holders will have one vote for each preference share of £1 held.

On a return of assets on a winding up or reduction of capital, the assets of the company available for distribution will be applied first in repaying to the holders of preference shares the amounts paid up on such shares together with any arrears or deficiency of the fixed dividend thereon calculated up to the date of the return of capital, payable whether or not such dividend has been declared or earned. The balance of such assets will belong to and be distributed to holders of ordinary shares and 'A' (non-voting) ordinary shares.

24 Reserves

	Revaluation reserve £000	Capital redemption reserve £000	Profit & loss account £000	Total £000
The group				
At 31st May 2000	46,911	-	197,770	244,681
Currency retranslation	(937)	-	(2,770)	(3,707)
Profit for the financial year retained	-	-	15,629	15,629
Realisation of revaluation surplus	(2,286)	-	2,286	-
Cost of purchase of own shares	-	-	(7,273)	(7,273)
Expenses of purchase of own shares	-	-	(60)	(60)
Transfer on cancellation of shares	-	189	(189)	-
At 31st May 2001	£43,688	£189	£205,393	£249,270
Parent company				
At 31st May 2000		-	119,241	119,241
Loss for the financial year retained		-	(5,751)	(5,751)
Cost of purchase of own shares		-	(7,273)	(7,273)
Expenses of purchase of own shares		-	(60)	(60)
Transfer on cancellation of shares		189	(189)	-
At 31st May 2001		£189	£105,968	£106,157
		Parent company £000	Sub- sidiaries £000	Total £000
Total reserves				
At 31st May 2000		119,241	125,440	244,681
Currency retranslation		-	(3,707)	(3,707)
(Loss) / profit for the financial year retained		(5,751)	21,380	15,629
Cost of purchase of own shares		(7,273)	-	(7,273)
Expenses of purchase of own shares		(60)	-	(60)
At 31st May 2001		£106,157	£143,113	£249,270

Note:

The cumulative goodwill written off against group reserves is £10,691,000 (2000 - £10,691,000).

25 Notes on the group cash flow statement

	2001 £000	2000 £000
(i) Reconciliation of operating profit to operating cash flows		
Operating profit	36,859	35,775
Amortisation of goodwill	(70)	22
Depreciation and adjustments on disposals	13,932	15,505
Provisions	4,647	1,754
Stocks	(3,645)	16,893
Debtors	98	8,527
Creditors	14,884	(6,155)
Net cash flow from operating activities	£66,705	£72,321
(ii) Analysis of amounts shown net in the cash flow statement		
Returns on investments and servicing of finance		
Investment income received	8,941	13,759
Interest paid	(2,006)	(4,916)
Preference dividends paid to PZ plc shareholders	(770)	(770)
Dividends paid to minority shareholders in subsidiary companies	(1,098)	(1,469)
Net cash inflow for returns on investments and servicing of finance	£5,067	£6,604
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(10,136)	(10,642)
Sale of tangible fixed assets	5,363	3,773
Net cash outflow for capital expenditure and financial investment	£(4,773)	£(6,869)
Acquisitions and disposals		
Purchase of interests in subsidiaries	(66)	(1,603)
Cash contributed by minority shareholders	1,554	2,154
Net overdraft in former associate now consolidated as a subsidiary	-	(5,684)
Net cash inflow / (outflow) for acquisitions and disposals	£1,488	£(5,133)
Management of liquid resources		
Net increase in short term deposits	(24,715)	(22,736)
Purchase of current asset investments	(25,035)	(25,861)
Sale of current asset investments	20,101	33,042
Net cash outflow from management of liquid resources	£(29,649)	£(15,555)
Financing		
Net decrease in short term borrowing	(6,723)	(24,119)
Purchase of own shares	(7,522)	-
Rights issue expenses	(316)	-
Net cash outflow from financing	£(14,561)	£(24,119)

25 Notes on the group cash flow statement continued

(iii) Analysis of net funds

	At 31st May 2000 £000	Cash flow £000	Exchange difference £000	At 31st May 2001 £000
Cash in hand and at bank	10,799	(1,892)	(321)	8,586
Overdrafts	(10,571)	1,410	324	(8,837)
		(482)		
Loans due within one year	(16,993)	6,723	92	(10,178)
Deposits	83,690	24,715	(747)	107,658
Other current asset investments	18,698	4,934	-	23,632
		29,649		
	<u>£85,623</u>	<u>£35,890</u>	<u>£(652)</u>	<u>£120,861</u>

26 Currency and interest rate profile of net funds

As at 31st May 2001, the currency and interest rate profile of the group's net funds was as follows:

	Cash and deposits £000	Listed and unlisted investments £000	Floating rate borrowings £000	Fixed rate borrowings £000	Total £000
Sterling	53,967	13,542	(133)	-	67,376
Other European currencies	10,175	3,166	(2,333)	-	11,008
US dollar	27,122	6,708	(7,151)	-	26,679
Other	24,980	216	(9,398)	-	15,798
Total	<u>£116,244</u>	<u>£23,632</u>	<u>£(19,015)</u>	<u>-</u>	<u>£120,861</u>

The corresponding figures as at 31st May 2000 were as follows:

	Cash and deposits £000	Listed and unlisted investments £000	Floating rate borrowings £000	Fixed rate borrowings £000	Total £000
Sterling	60,204	8,513	(945)	-	67,772
Other European currencies	4,472	2,702	(3,022)	(2,562)	1,590
US dollar	17,743	6,417	(6,076)	-	18,084
Other	12,070	1,066	(14,959)	-	(1,823)
Total	<u>£94,489</u>	<u>£18,698</u>	<u>£(25,002)</u>	<u>£(2,562)</u>	<u>£85,623</u>

26 Currency and interest rate profile of net funds continued

No fair value table has been presented since it is considered that there is no material difference between fair value and the carrying amount of financial assets and liabilities, except for the market value of listed investments which is given in note 17.

Floating rate deposits and borrowings bear interest, in the main, with reference to the relevant national LIBID/LIBOR equivalents.

At 31st May 2001 there were no fixed rate deposits (31st May 2000 - Nil). At 31st May 2001 there were no fixed rate borrowings. At 31st May 2000, the weighted average interest rate applicable to the fixed rate borrowings was 7.92%. The weighted average period for which the interest rate was fixed was 3.6 years.

The maturity profile of borrowings is given in note 19.

At 31st May 2001, the group had undrawn overdraft facilities of £132m (31st May 2000 - £142m) available to it. There are no committed facilities at 31st May 2001 (31st May 2000 - Nil).

As discussed in the Report of the Directors, the group's main foreign currency exposure relates to US dollar monetary assets. At 31st May 2001, the group had a net dollar asset position of £29.4m (31st May 2000 - £21.7m). This includes short-term debtors and creditors; advantage has been taken of the exemption in paragraph 6 of Financial Reporting Standard 13, "Derivatives and Other Financial Instruments: Disclosures", to exclude these amounts from other analysis required by that standard.

At 31st May 2001, the group also held various forward contracts taken out to hedge both completed and anticipated foreign currency denominated sales and purchases, the potential gain or loss on which would not be material to the group.

27 Principal group companies

Parent company		Incorporated in:	Parent company's interest
Paterson Zochonis plc	Holding company.	England	
 Subsidiary companies			
Listed by principal country of operation			
United Kingdom			
Cussons Group Ltd.	Holding company.	England	*100%
Cussons (U.K.) Ltd.	Manufacture of soaps, toiletries and household products.	England	†100%
Cussons (International) Ltd.	Exporting of soaps, toiletries and general merchandise. The provision of industrial supplies and technical services principally to group companies.	England	†100%
Cussons Investments China Ltd.	Holding company.	England	†74%
Fragrance Chemicals Ltd.	Manufacture of perfume blends.	England	†100%
Parnon Ltd.	Wholesaling.	England	*100%
P.C. Products (1001) Ltd.	Manufacture of household products.	England	†100%
Australia			
Cussons Australia Pty. Ltd.	Holding company.	Australia	†100%
Cussons Pty. Ltd.	Manufacture of soaps, detergents, toiletries and medicinal preparations.	Australia	†100%
Cameroun			
Sipca S.A.	Manufacture of toiletries and perfumery.	Cameroun	‡*99%
Canada			
Cussons Canada Inc.	Manufacture of household products.	Canada	*100%
China			
Cussons (Qingdao) Toiletries Co. Ltd.	Manufacture of soaps and toiletries.	China	†70%
Ghana			
Paterson Zochonis Ghana Ltd.	Merchanting of imported and locally manufactured goods.	Ghana	*90%
Paterson Zochonis Industries (Ghana) Ltd.	Manufacture of soaps, toiletries and proprietary medicines.	Ghana	†90%
Greece			
Minerva S.A.	Processing of edible oils and fats.	Greece	*100%
Hong Kong			
Cussons Toiletries (China) Ltd.	Distribution of soaps and toiletries.	Hong Kong	†100%

27 Principal group companies continued

		Incorporated in:	Parent company's interest
India			
Cussons India Private Ltd.	Distribution of soaps and toiletries.	India	*100%
Indonesia			
P.T. Cussons Indonesia	Manufacture of soaps and toiletries.	Indonesia	†100%
P.T. Cussons Distributor Indonesia	Distribution of soaps and toiletries.	Indonesia	†100%
Kenya			
Cussons & Co. Ltd.	Manufacture of soaps, toiletries and proprietary medicines.	Kenya	†100%
New Zealand			
Cussons (New Zealand) Pty. Ltd.	Distribution of soaps and toiletries.	Australia	†100%
Nigeria			
Paterson Zochonis Industries plc	Manufacture of soaps, detergents, toiletries, perfumery, cosmetics, pharmaceutical products, confectionery, refrigerators and air conditioners.	Nigeria	*59%
Paterson Zochonis Nigeria plc	Merchanting of imported and locally manufactured goods.	Nigeria	†59%
Ekopak Nigeria plc	Packaging manufacture.	Nigeria	†59%
Roberts Pharmaceuticals Ltd.	Manufacture of pharmaceutical products.	Nigeria	†59%
Poland			
Cussons Polska S.A.	Manufacture of soaps and detergents.	Poland	†99%
Uroda S.A.	Manufacture of toiletries.	Poland	†99%
Thailand			
Cussons (Thailand) Ltd.	Manufacture of soaps and toiletries.	Thailand	†100%
United Arab Emirates			
Cussons Middle East and South Asia FZE	Distribution of soaps and toiletries.	Dubai	†100%

None of the above subsidiary companies has any class of share capital other than ordinary.

*Shares held by the parent company

†Shares held by a subsidiary

‡Local accounts are made up to 30th June to comply with local regulations.

A full list of the subsidiaries will be annexed to the annual return.

F I V E Y E A R R E C O R D

Year to 31st May	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
Operating profit before exceptional items	36,859	29,796	17,048	20,170	18,169
Net investment income / interest payable	6,935	9,760	8,614	7,093	6,695
Group profit before taxation and exceptional items	43,794	39,556	25,662	27,263	24,864
Exceptional items	-	5,979	(6,292)	-	-
Share of profits of associated companies	-	-	3,703	5,447	5,322
Profit before taxation	43,794	45,535	23,073	32,710	30,186
Taxation	(13,564)	(13,903)	(7,443)	(10,572)	(9,565)
Profit after taxation	30,230	31,632	15,630	22,138	20,621
Minority interests	(2,973)	(2,667)	3,106	1,006	594
Profit for the financial year	27,257	28,965	18,736	23,144	21,215
Preference dividends	(770)	(770)	(770)	(770)	(770)
Profit attributable to ordinary capital	26,487	28,195	17,966	22,374	20,445
Ordinary dividends	(10,858)	(10,201)	(9,252)	(8,777)	(8,161)
Profit retained	£15,629	£17,994	£8,714	£13,597	£12,284
Net assets attributable to ordinary shareholders	£253,825	£249,425	£237,140	£208,622	£213,916
Per ordinary share:					
Basic earnings – after exceptional items	56.32p	59.43p	37.87p	47.16p	43.09p
Basic earnings – before exceptional items	56.32p	50.61p	46.62p	47.16p	43.09p
Dividend	23.75p	21.50p	19.50p	18.50p	17.20p
Times cover – after exceptional items	2.4	2.8	1.9	2.5	2.5
Times cover – before exceptional items	2.4	2.4	2.4	2.5	2.5
Net assets	555p	526p	500p	440p	451p

Note: References to ordinary shares include 'A' ordinary shares.

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of the members of Paterson Zochonis plc will be held at the Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester on Monday the 5th day of November 2001, at 12 noon, for the following purposes:

1. To receive the accounts for the year ended 31st May 2001 and the reports of the directors and the auditors thereon.
2. To declare a final dividend of 17.25p per share on the ordinary and 'A' ordinary share capital of the company.
3. To re-elect A. J. Green a director of the company.
4. To re-elect D. C. Godwin a director of the company.
5. To re-elect T. F. G. Harrison a director of the company.
6. To re-elect J. Spyridoulis a director of the company.
7. To elect R. H. Sellers a director of the company.
8. To re-appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration.

As special business of the meeting to consider and if thought fit to pass the following resolution as a special resolution:

9. That pursuant to article 5 of the company's articles of association the company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary and 'A' (non-voting) ordinary shares of 10p each in the capital of the company provided that:
 - (i) The maximum number of shares which may be purchased pursuant to this authority is:
3,458,617 ordinary shares and
3,105,017 'A' (non-voting) ordinary shares.
 - (ii) The maximum price which may be paid for a share is an amount equal to 105 per cent of the average of the middle market quotations for such share derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day of purchase.
 - (iii) The minimum price which may be paid for a share is 10p.
 - (iv) Unless renewed prior to such date, this authority shall expire at the conclusion of the next annual general meeting provided that the company may make a contract to purchase ordinary or 'A' (non-voting) ordinary shares before the expiry of this authority which will or may be executed wholly or partly after the expiry of this authority and may make a purchase in pursuance of such contract.

A member of the company entitled to attend and vote at this meeting is also entitled to appoint a proxy (whether a member or not) to attend and, on a poll, vote instead of him. A reply-paid proxy card is enclosed for use by ordinary shareholders. In order to be valid, proxies must be received at the offices of the company not later than 48 hours before the time appointed for the meeting. Please refer to note 1 below.

Dated this first day of October 2001

By order of the board of directors

T. F. G. HARRISON - Secretary

Notes

1. The company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only holders of ordinary shares registered in the Register of Members of the company as at 6.00 am on 5th November 2001 shall be entitled to attend and vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 am on 5th November 2001 shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. 'A' ordinary shareholders and preference shareholders receive this notice and the report and accounts for information only and are not entitled to attend or vote at the annual general meeting.
3. In accordance with the requirements of the UK Listing Authority copies of the service contracts of the executive directors and of the letters of appointment from the company to its non-executive directors will be available for inspection at the registered office of the company during usual business hours on any weekday from the date of this notice until the date of the meeting and also on the date and at the place of the meeting from 11.45 am until the conclusion of the meeting.

