



**PATERSON
ZOCHONIS**
plc

**Interim Statement
for the half-year to
30th November 2001**

DIRECTORS

Chairman

A.J. GREEN

Chief executive

C.N. GREEN

A.G. CALDER
D.C. GODWIN*
C. NICOLOULIAS
W.S. ROGERS*
R.H. SELLERS*
J.D.M. SMITH*
P.J. SMYTH
J. SPYRIDOULIAS

*non-executive

Secretary

R.A.M. SMITH

Registered office

Cussons House
Bird Hall Lane
Stockport SK3 0XN

Registered number

Company registered number 19457

Registrars

Computershare Investor Services PLC
P O Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Website

www.patersonzochonis.com

OPERATING AND FINANCIAL REVIEW

Highlights

- Operating profits have increased by 22.7% to £21.2m from £17.3m
- Net investment income has dropped to £1.3m from £4.8m with losses being incurred on the equity investment portfolio in the first half year
- Pre-tax profits have increased to £22.5m from £22.1m
- Net funds have decreased to £97.1m from £120.9m at 31st May 2001 with £11.8m being spent on the share buy back programme in the period
- Diluted earnings per share increased by 9.1% to 30.80p from 28.24p at 30th November 2000
- The interim dividend has been raised by 7.7% to 7.00p per share from 6.50p per share

Europe

In the UK, the relaunch of the Imperial Leather range has continued, with an extensive media campaign which in 2002 will focus around the Manchester Commonwealth Games. The range has been extended with the introduction of Imperial Leather Shower Bars, Foamburst Foaming Handwash, and Foamburst Scentsations Shower Gel. The Carex range has also been expanded with Gentle Foaming Handwash and Family Soft Wipes. Profitability has improved as these new products are brought to market and the factory efficiency programme progresses.

Eastern Europe has had a difficult period, particularly in Poland where the market remains extremely competitive. The strategy of support and development of the major brands continues, whilst a restructuring of the sales and distribution divisions is put in place.

Greece has had a strong performance with sales and profits up on the previous year.

Asia

Overall profitability in the region has increased significantly. Indonesia has achieved substantial growth which has been won through its strategy of developing the distribution network and creating new extensions to the already successful brand ranges. Investment is being made to increase the capacity of the Jakarta factory.

Thailand and Australia have both improved turnover and profitability.

The two smaller units have had contrasting results with China continuing to incur losses and the Middle East seeing an improvement in profit.

Africa

The progress being made by the civilian government in Nigeria is leading to much improved consumer spending power and in recent months a relatively stable currency. Our subsidiary has performed strongly in this market with sharp rises in turnover and profitability. This growth, as expected, necessitated an increase in capital expenditure to improve the capacity of our factories. Investment has also been necessary to finance working capital, particularly the relatively long stock cycle.

The results in the other African units, Ghana, Kenya and Cameroun are similar to last year.

OPERATING AND FINANCIAL REVIEW *continued*

Investments

The overall fall in world stock markets impacted on investment income in the first half. Although the equity exposure was reduced to £12.5m from £23.6m, losses of £0.6m were suffered against profits of £3.1m last year. There are indications of improvement in 2002. The low level of interest rates has also impacted adversely on deposit income.

Purchase of own shares

The company has continued successfully to purchase its own shares in the market with the objective of improving earnings per share. In the six months to 30th November, 1,303,000 ordinary and 1,154,000 'A' ordinary shares were purchased at a total cost of £11.8m.

Dividends

An interim dividend of 7.00p per share for the half-year to 30th November 2001 (2000 – 6.50p) has been declared, payable on 8th April 2002 to ordinary and 'A' ordinary shareholders on the register on 8th March 2002.

	£000	£000
Profit for the period		13,957
Dividends:		
Preference shares		
7½% cumulative	(29)	
10% cumulative	(356)	
	<hr/>	(385)
Ordinary and 'A' ordinary shares		
Interim at 7.00p		(2,987)
Adjustment for May 2001 proposed final at 17.25p on cancelled shares		357
		<hr/>
Profit retained		<u>£10,942</u>

Proposed change of name

Following the purchase of Cussons Group in 1975, the PZ Group has grown its original base in Africa to cover the Far East, the Middle East and Eastern Europe, where generally it is known as Cussons. It has also traditionally operated as Cussons in the UK, Australia and Kenya. The board now proposes that the group should be renamed PZ Cussons Plc with effect from 31st May 2002, to unify all its companies with one identity and at the same time to modernise the corporate image. An EGM will be held on 11th March 2002 at which the holders of ordinary voting shares will be asked to approve the change to the name of the company.

Outlook

The company maintains a strong balance sheet with adequate funds to finance the opportunities for growth. The strength of the financial position also gives the flexibility to purchase its own shares and to invest in any suitable acquisition or joint venture in its target markets.

The focus remains to improve operating profitability and to pursue growth in all its units, in particular Nigeria and Indonesia.

12th February 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Half-year to 30th November 2001 £000	Half-year to 30th November 2000 £000	Year to 31st May 2001 £000
Turnover	£212,798	£200,220	£406,062
Operating profit	21,242	17,317	36,859
Net investment income / interest payable	1,285	4,819	6,935
Profit before taxation	22,527	22,136	43,794
Taxation			
United Kingdom	(2,943)	(3,210)	(3,864)
Overseas	(4,288)	(3,849)	(9,700)
	(7,231)	(7,059)	(13,564)
Profit after taxation	15,296	15,077	30,230
Equity minority interests	(1,339)	(1,291)	(2,973)
Profit attributable to members of the company	13,957	13,786	27,257
Dividends	(3,015)	(3,469)	(11,628)
Profit for the period retained	£10,942	£10,317	£15,629
Basic earnings per ordinary and 'A' ordinary share of 10p	30.98p	28.24p	56.32p
Diluted earnings per ordinary and 'A' ordinary share of 10p	30.80p	28.24p	56.12p
Dividend per ordinary and 'A' ordinary share of 10p	7.00p	6.50p	23.75p

CONSOLIDATED BALANCE SHEET

	30th November 2001 £000	30th November 2000 (restated) £000	31st May 2001 (restated) £000
Fixed assets			
Intangible assets			
Goodwill	497	525	511
Negative goodwill	(2,454)	(2,541)	(2,519)
	<u>(1,957)</u>	<u>(2,016)</u>	<u>(2,008)</u>
Tangible assets	159,589	175,409	167,849
Investments	542	-	-
	<u>158,174</u>	<u>173,393</u>	<u>165,841</u>
Current assets			
Stocks	109,245	98,244	92,066
Debtors	63,077	63,511	59,594
Investments	103,488	107,788	131,290
Cash at bank and in hand	9,187	11,729	8,586
	<u>284,997</u>	<u>281,272</u>	<u>291,536</u>
Creditors (due within one year)			
Bank loans and overdrafts	(15,529)	(17,899)	(19,015)
Others	(93,060)	(89,979)	(100,327)
	<u>(108,589)</u>	<u>(107,878)</u>	<u>(119,342)</u>
Net current assets	<u>176,408</u>	<u>173,394</u>	<u>172,194</u>
Total assets less current liabilities	334,582	346,787	338,035
Creditors (due after one year)	(18,921)	(20,149)	(19,206)
Provisions for liabilities and charges	(14,872)	(12,733)	(14,948)
Net assets	<u>£300,789</u>	<u>£313,905</u>	<u>£303,881</u>
Capital and reserves			
Equity ordinary share capital	4,309	4,744	4,555
Non-equity preference share capital	7,898	7,898	7,898
Total called up share capital	<u>12,207</u>	<u>12,642</u>	<u>12,453</u>
Reserves attributable to equity interests	243,372	254,955	248,502
Total shareholders' funds	<u>255,579</u>	<u>267,597</u>	<u>260,955</u>
Equity minority interests	45,210	46,308	42,926
	<u>£300,789</u>	<u>£313,905</u>	<u>£303,881</u>

GROUP CASH FLOW STATEMENT

	Half-year to 30th November 2001 £000	Half-year to 30th November 2000 £000	Year to 31st May 2001 £000
Cash flow from operating activities	6,156	26,665	66,705
Returns on investments and servicing of finance	577	4,675	5,067
Taxation	(5,320)	(5,630)	(14,454)
Capital expenditure and financial investment	(5,178)	(3,592)	(4,773)
Acquisitions and disposals	(708)	1,283	1,488
Equity dividends paid	(7,479)	(7,283)	(10,305)
Cash (outflow) / inflow before use of liquid resources and financing	(11,952)	16,118	43,728
Management of liquid resources	27,937	(4,959)	(29,649)
Financing	(11,221)	(5,642)	(14,561)
Increase / (decrease) in cash in the period	£4,764	£5,517	£(482)
Reconciliation of net cash flow to movement in net funds			
Increase / (decrease) in cash in the period	4,764	5,517	(482)
Cash (inflow) / outflow from financing	(552)	5,642	6,723
Cash (inflow) / outflow from management of liquid resources	(27,937)	4,959	29,649
Change in net funds resulting from cash flows	(23,725)	16,118	35,890
Currency retranslation	10	(123)	(652)
Movement in net funds in the period	(23,715)	15,995	35,238
Opening net funds	120,861	85,623	85,623
Closing net funds	£97,146	£101,618	£120,861
Reconciliation of operating profit to operating cash flows			
Operating profit	21,242	17,317	36,859
Amortisation of goodwill	(51)	(18)	(70)
Depreciation and adjustments on disposals	8,779	8,528	13,932
Provisions	(190)	1,001	4,647
Stocks	(16,457)	(4,347)	(3,645)
Debtors	(2,301)	(4,421)	98
Creditors	(4,866)	8,605	14,884
Net cash flow from operating activities	£6,156	£26,665	£66,705

GROUP CASH FLOW STATEMENT continued

Analysis of net funds

	At 31st May 2001 £000	Cash flow £000	Exchange difference £000	At 30th November 2001 £000
Cash in hand and at bank	8,586	603	(2)	9,187
Overdrafts	(8,837)	4,161	(55)	(4,731)
		4,764		
Loans due within one year	(10,178)	(552)	(68)	(10,798)
Deposits	107,658	(16,953)	135	90,840
Other current asset investments	23,632	(10,984)	-	12,648
		(27,937)		
	<u>£120,861</u>	<u>£(23,725)</u>	<u>£10</u>	<u>£97,146</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half-year to 30th November 2001 £000	Half-year to 30th November 2000 (restated) £000	Year to 31st May 2001 (restated) £000
Profit for the period	13,957	13,786	27,257
Currency retranslation	465	725	(3,707)
Deficit on revaluation (note 1)	(5,010)	-	-
Prior year adjustment (note 2)	-	(768)	(768)
Total recognised gains and losses for the period	<u>£9,412</u>	<u>£13,743</u>	<u>£22,782</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Half-year to 30th November 2001 £000	Half-year to 30th November 2000 (restated) £000	Year to 31st May 2001 (restated) £000
Total recognised gains and losses for the period	9,412	13,743	22,782
Dividends	(3,015)	(3,469)	(11,628)
Purchase of own shares	(11,773)	-	(7,522)
Net (decrease) / increase in shareholders' funds	(5,376)	10,274	3,632
Opening shareholders' funds	260,955	257,323	257,323
Closing shareholders' funds	<u>£255,579</u>	<u>£267,597</u>	<u>£260,955</u>

NOTES

1. In accordance with the requirements of Financial Reporting Standard 15, "Tangible Fixed Assets", an interim valuation of the group's main properties was carried out at 30th November 2001 by independent property consultants. The valuation resulted in a net charge against revaluation reserves of £5,010,000 and a corresponding reduction in the carrying value of the assets.
2. A prior year adjustment of £768,000 has been made in respect of additional deferred tax provided on the adoption of Financial Reporting Standard 19, "Deferred Tax". In addition, deferred tax assets and liabilities previously shown net are now included in debtors or provisions as appropriate. Comparative figures have been restated accordingly. The implementation of FRS 19 had no material effect on the profit and loss account in either the current or the prior year, consequently prior year taxation charges have not been restated.
3. The half-year figures are unaudited. The figures for the year ended 31st May 2001 are an abridged statement of the group audited accounts for that year. The audited accounts, containing an unqualified audit report, have been delivered to the Registrar of Companies.