



# INTERIM

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## HIGHLIGHTS

- **TURNOVER AND OPERATING PROFITABILITY HAVE IMPROVED IN ALL THREE REGIONS**
- **OPERATING PROFITS INCREASED BY 18.3% TO £25.1m FROM £21.2m**
- **NET INVESTMENT LOSSES SUFFERED OF £3.9m, AGAINST INCOME OF £1.3m, AS A RESULT OF THE DECLINE IN VALUE OF THE INVESTMENT PORTFOLIO**
- **PRE-TAX PROFITS DECREASED BY 5.7% TO £21.2m, DOWN FROM £22.5m**
- **DILUTED EARNINGS PER SHARE DECREASED BY 4.9% TO 29.3p FROM 30.8p**
- **NET FUNDS DECLINED TO £62.2m FROM £103.4m AT 31st MAY 2002, WITH £10.8m BEING SPENT ON THE SHARE BUY BACK PROGRAMME, £11.3m ON THE PURCHASE OF ORIGINAL SOURCE AND SIGNIFICANT INVESTMENT IN FACTORY PRODUCTION CAPACITY AND WORKING CAPITAL, PARTICULARLY IN NIGERIA AND INDONESIA**
- **THE INTERIM DIVIDEND HAS BEEN RAISED BY 7.1% TO 7.50p PER SHARE FROM 7.00p**

### Europe

Turnover and profitability have improved in the UK. The successful development of the Imperial Leather brand continued with the launch of the new Bathtime range. The brand received extensive media support during the period with the highlight of the sponsorship of the very successful Manchester Commonwealth Games.

In late September the Original Source brand was purchased and sales to date have exceeded expectations.

Poland continues to be a difficult market however considerable progress has been achieved in strengthening the management of the marketing and sales functions and in relaunching the major brands E (detergents), Luksja (soaps), Makler and Graphite (men's) and Kwiaty Polskie (skin care). Greece performed strongly with sales and profits up on last year, largely as a result of growth in the olive oil brands, Minerva and Horio.

### Africa

Sales and profits moved strongly forward in Nigeria. The programme of improving and expanding existing factories and investing in new product capacity is enabling the subsidiary to meet increasing consumer demand and grow. Projects to manufacture white detergent powder and a feminine hygiene range are now largely complete and should be operational in the next few months. The investment in the factories and in stocks has necessitated a significant increase in local borrowings to fund the various new initiatives.

The results for Ghana and Kenya are similar to last year. The sale of a non-operational property in Cameroun resulted in a profit of £1.8m.

### Asia

The region continued to achieve significant growth and profits increased, although at a lower rate than last year, with margins reducing as a result of large increases in raw material prices.

The expansion programme in Indonesia has resulted in greater factory capacity and considerable progress with the strategy to increase distribution and to introduce new extensions to the successful brand ranges.

Thailand and Australia achieved strong sales growth, Middle East maintained profitability in a difficult market and China continued to incur losses, although at a somewhat lower level than in 2001.

### Dividends

An interim dividend of 7.50p per share for the half-year to 30th November 2002 (2001 -7.00p) has been declared, payable on 7th April 2003 to ordinary and 'A' ordinary shareholders on the register on 7th March 2003.

	£000	£000
Profit for the period		12,866
Dividends:		
Preference shares		
7½% cumulative	(29)	
10% cumulative	(356)	
		(385)
Ordinary and 'A' ordinary shares		
Interim at 7.50p		(3,083)
Adjustment for May 2002 proposed final at 19.25p on cancelled shares		132
Profit retained		9,530

### Investments

As indicated in the 2002 accounts, the overall fall in world stock markets impacted significantly in the first half-year and resulted in losses of £3.7m on the portfolio. The value of the listed equity portfolio has been reduced to £10.8m at 30th November from £25.5m at 31st May.

### Purchase of own shares

The company has continued to purchase its own shares in the market with the objective of improving earnings per share. In the 6 months to 30th November 2002, 250,000 ordinary and 1,175,000 'A' ordinary shares were purchased at a total cost of £10.8m.

### Directors

Mr A Kanellis will be joining the board of PZ Cussons Plc on 1st June 2003 as Regional Director Pacific. Mr Kanellis joined PZ Cussons in 1993 and in recent years has been managing director of our rapidly expanding Indonesian subsidiary.

### Other matters

A Deferred Annual Share Bonus Scheme was introduced on 1st June 2000 for main board executive directors (excluding the chairman) and certain key subsidiary directors. Consideration is now being given to the adoption of a Long Term Share Option Scheme.

The current memorandum and articles were produced some years ago and a review is now being carried out to bring them in line with current practice.

It is intended to write to shareholders with details of the above, seeking their approval at an extraordinary general meeting to be held in late April or early May.

### Outlook

PZ Cussons' focus continues to be to improve operating profitability and to pursue growth in all units, in particular the UK, Nigeria and Indonesia.

The balance sheet remains strong, giving the group adequate funds to finance planned opportunities for growth and to have the flexibility to continue to purchase its own shares.

In the first half-year operating profit improvement was restricted by the strength of sterling against the dollar and the naira and also by increases of £3m in annual insurance premiums. These factors will also impact on the second half, although trading operations continue to perform strongly.

11th February 2003

## 4 CONSOLIDATED PROFIT AND LOSS ACCOUNT

The directors submit the unaudited accounts of the group for the half-year to 30th November 2002

	<b>Half-year to 30th November 2002 £000</b>	Half-year to 30th November 2001 £000	Year to 31st May 2002 £000
<b>Turnover</b>	<b>233,802</b>	212,798	440,720
<b>Operating profit</b>	<b>25,135</b>	21,242	46,794
Net investment income / interest payable	<b>(3,888)</b>	1,285	2,380
<b>Profit before taxation</b>	<b>21,247</b>	22,527	49,174
Taxation			
United Kingdom	<b>(1,900)</b>	(2,943)	(5,282)
Overseas	<b>(5,109)</b>	(4,288)	(11,003)
	<b>(7,009)</b>	(7,231)	(16,285)
<b>Profit after taxation</b>	<b>14,238</b>	15,296	32,889
Equity minority interests	<b>(1,372)</b>	(1,339)	(3,794)
<b>Profit attributable to members of the company</b>	<b>12,866</b>	13,957	29,095
Dividends	<b>(3,336)</b>	(3,015)	(11,610)
<b>Profit for the period retained</b>	<b>9,530</b>	10,942	17,485
<b>Basic earnings per ordinary and 'A' ordinary share of 10p</b>	<b>29.57p</b>	30.98p	65.50p
<b>Diluted earnings per ordinary and 'A' ordinary share of 10p</b>	<b>29.30p</b>	30.80p	65.09p
<b>Dividend per ordinary and 'A' ordinary share of 10p</b>	<b>7.50p</b>	7.00p	26.25p

## 5 CONSOLIDATED BALANCE SHEET

	<b>30th November 2002 £000</b>	30th November 2001 £000	31st May 2002 £000
<b>Fixed assets</b>			
Intangible assets:			
Goodwill	<b>961</b>	497	988
Negative goodwill	<b>(2,323)</b>	(2,454)	(2,388)
	<b>(1,362)</b>	(1,957)	(1,400)
Other intangible fixed assets	<b>10,537</b>	–	–
Tangible assets	<b>146,112</b>	159,589	158,821
Investments	<b>1,022</b>	542	–
	<b>156,309</b>	158,174	157,421
<b>Current assets</b>			
Stocks	<b>129,715</b>	109,245	118,956
Debtors due within one year	<b>62,471</b>	54,994	50,810
Debtors due after one year	<b>7,890</b>	8,083	8,220
Investments	<b>80,303</b>	103,488	106,757
Cash at bank and in hand	<b>14,229</b>	9,187	10,975
	<b>294,608</b>	284,997	295,718
<b>Creditors (due within one year)</b>	<b>(32,349)</b>	(15,529)	(14,322)
Bank loans and overdrafts	<b>(100,425)</b>	(93,060)	(98,551)
Others	<b>(132,774)</b>	(108,589)	(112,873)
<b>Net current assets</b>	<b>161,834</b>	176,408	182,845
<b>Total assets less current liabilities</b>	<b>318,143</b>	334,582	340,266
<b>Creditors (due after one year)</b>	<b>(17,826)</b>	(18,921)	(19,578)
<b>Provisions for liabilities and charges</b>	<b>(14,991)</b>	(14,872)	(15,846)
<b>Net assets</b>	<b>285,326</b>	300,789	304,842
<b>Capital and reserves</b>			
Equity ordinary share capital	<b>4,150</b>	4,309	4,293
Non-equity preference share capital	<b>7,898</b>	7,898	7,898
Total called up share capital	<b>12,048</b>	12,207	12,191
Reserves attributable to equity interests	<b>233,987</b>	243,372	248,927
<b>Total shareholders' funds</b>	<b>246,035</b>	255,579	261,118
<b>Equity minority interests</b>	<b>39,291</b>	45,210	43,724
	<b>285,326</b>	300,789	304,842

## 6 GROUP CASH FLOW STATEMENT

	Half-year to 30th November 2002 £000	Half-year to 30th November 2001 £000	Year to 31st May 2002 £000
<b>Cash flow from operating activities</b>	<b>8,672</b>	6,156	35,036
<b>Returns on investments and servicing of finance</b>	<b>(4,939)</b>	577	(545)
<b>Taxation</b>	<b>(7,116)</b>	(5,320)	(16,026)
<b>Capital expenditure and financial investment</b>	<b>(16,880)</b>	(5,178)	(11,720)
<b>Acquisitions and disposals</b>	<b>–</b>	(708)	(708)
<b>Equity dividends paid</b>	<b>(8,080)</b>	(7,479)	(10,464)
Cash outflow before use of liquid resources and financing	<b>(28,343)</b>	(11,952)	(4,427)
<b>Management of liquid resources</b>	<b>23,540</b>	27,937	24,060
<b>Financing</b>	<b>(4,506)</b>	(11,221)	(19,106)
<b>(Decrease) / increase in cash in the period</b>	<b>(9,309)</b>	4,764	527
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease) / increase in cash in the period	<b>(9,309)</b>	4,764	527
Cash (inflow) / outflow from financing	<b>(6,294)</b>	(552)	6,162
Cash inflow from management of liquid resources	<b>(23,540)</b>	(27,937)	(24,060)
Change in net funds resulting from cash flows	<b>(39,143)</b>	(23,725)	(17,371)
Currency retranslation	<b>(2,084)</b>	10	(80)
Movement in net funds in the period	<b>(41,227)</b>	(23,715)	(17,451)
Opening net funds	<b>103,410</b>	120,861	120,861
Closing net funds	<b>62,183</b>	97,146	103,410
<b>Reconciliation of operating profit to operating cash flows</b>			
Operating profit	<b>25,135</b>	21,242	46,794
Amortisation of goodwill and other intangible assets	<b>95</b>	(51)	(81)
Depreciation and adjustments on disposals	<b>8,373</b>	8,779	16,263
Provisions	<b>369</b>	(190)	529
Stocks	<b>(23,160)</b>	(16,457)	(29,418)
Debtors	<b>(12,888)</b>	(2,301)	2,500
Creditors	<b>10,748</b>	(4,866)	(1,551)
<b>Net cash flow from operating activities</b>	<b>8,672</b>	6,156	35,036

## 7 GROUP CASH FLOW STATEMENT CONTINUED

## Analysis of net funds

	At 31st May 2002 £000	Cash flow £000	Exchange difference £000	At 30th November 2002 £000
Cash in hand and at bank	10,975	3,944	(690)	<b>14,229</b>
Overdrafts	(10,368)	(13,253)	1,337	<b>(22,284)</b>
		(9,309)		
Loans due within one year	(3,954)	(6,294)	183	<b>(10,065)</b>
Deposits	80,387	(8,157)	(2,880)	<b>69,350</b>
Other current asset investments	26,370	(15,383)	(34)	<b>10,953</b>
		(23,540)		
	103,410	(39,143)	(2,084)	<b>62,183</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half-year to 30th November 2002 £000	Half-year to 30th November 2001 £000	Year to 31st May 2002 £000
Profit for the period	<b>12,866</b>	13,957	29,095
Currency retranslation	<b>(13,813)</b>	465	554
Deficit on revaluation	<b>–</b>	(5,010)	(4,932)
Total recognised gains and losses relating to the period	<b>(947)</b>	9,412	24,717

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Half-year to 30th November 2002 £000	Half-year to 30th November 2001 £000	Year to 31st May 2002 £000
Total recognised gains and losses relating to the period	<b>(947)</b>	9,412	24,717
Dividends	<b>(3,336)</b>	(3,015)	(11,610)
Purchase of own shares	<b>(10,800)</b>	(11,773)	(12,944)
Net (decrease) / increase in shareholders' funds	<b>(15,083)</b>	(5,376)	163
Opening shareholders' funds	<b>261,118</b>	260,955	260,955
Closing shareholders' funds	<b>246,035</b>	255,579	261,118

## 8 NOTE

The half-year figures are unaudited. The figures for the year ended 31st May 2002 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.

### **Directors**

#### **Chairman**

A J Green

#### **Chief executive**

C N Green

A G Calder  
\* D C Godwin  
C Nicoloulis  
\* W S Rogers  
\* R H Sellers  
\* J D M Smith  
P J Smyth  
J Spyridoulis  
D M Whitewood

\* Non-executive

#### **Secretary**

A P McDermott

#### **Registered office**

PZ Cussons House  
Bird Hall Lane  
Stockport SK3 0XN

#### **Registered number**

Company registered number 19457

#### **Registrars**

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#### **Website**

[www.pzcussons.com](http://www.pzcussons.com)