



# Chairman's Statement

**The Board of SSL International plc announces the results of the Group for the six months ended 30 September 2001. During the period, the new management team has made significant progress in strengthening the business, particularly in eliminating excess trade stock and in increasing investment in our core brands.**

In the past three months since my arrival I have been extremely impressed by the determination of the new management team to make the changes necessary to build a world-class organisation. This commitment is evident both at Board level and throughout the organisation. It is fair to say that the challenges in the business are significant, in terms of regenerating real unit sales growth, managing cash and ensuring operational effectiveness. Much progress has been made and much remains to be done, but I am confident that we can realise the true value of the SSL brand portfolio.

## **Corporate strategy**

The Board has completed the initial phase of an ongoing review of the Group's strategy. Our strategic objective is for the Group to become consistently successful in delivering superior shareholder returns. This will be achieved by:

- building and acquiring strong healthcare brands and businesses to drive profitable sales of high quality products into consumer healthcare and medical markets worldwide;
- developing an innovative, motivated and socially aware organisation that people aspire to join.

## **Developing the brand portfolio**

Achieving our objectives begins with investment in our core brands: Durex, Scholl, Regent and Hibi. We have started to increase investment in these brands, both in market development expenditure and innovation, spending an additional £9 million compared with the same period last year. Examples of activity during the period include the pan-European Durex campaign on MTV, the launch and growth of Scholl Flight Socks, a second wave of Scholl Gelactiv shoes and the launch of Regent Biogel Skinsense N.

In general, we are seeing a strong response to our brand-building efforts in the USA, Asia Pacific and increasingly in the UK. Eastern European markets, for example Poland and Hungary, are showing promising growth. However, Western Europe is an area of focus for us, with market shares still generally flat or declining as a result of historical under-investment and sub-critical mass in several markets. This is being addressed as a matter of priority. In the next six months we will continue to increase the focus on our brand-building capabilities.

## **Durex**

The Durex product range is being enhanced, with the introduction of a new easy-on condom shape as the standard. This, together with the further development of marketing programmes and improved packaging aimed at the youth market, will ensure the continued success of this flagship brand.

## **Scholl**

The Scholl brand is also being revitalised, with the introduction of a new footcare toiletries range. Supply of Scholl Flight Socks has been increased significantly, and international launches are now under way. During the period, we also launched Scholl Ultima Hold-ups, a compression stocking targeted at younger users, including pregnant women.

## **Biogel**

Biogel Skinsense N synthetic surgical gloves were launched in the UK in June at the Royal College of Surgeons. The glove is now being launched in a number of overseas markets in response to growing demand for latex-free surgical products.

## **Hibi**

Sales of the Hibi antiseptic range are above expectations, and improvements in the gross margin will be achieved with the manufacturing move to Peterlee. Regent Biogel and Hibi have been combined under a new umbrella brand, Regent Infection Prevention, which positions the product ranges as an integrated infection control solution for surgeons and theatre staff.

These core brands are supported in a number of markets by local brands, including the OTC and wound management businesses in the UK and the Health and Beauty business in Southern Europe. We will seek opportunities for acquiring further brands in territories where our operations lack critical mass, enabling us to exploit our existing cost base.

We have also identified certain brands that do not provide synergies with the core business, and which have limited opportunities for growth within SSL. In these cases, divestment will be considered. The first of these businesses to be identified was the continence care business, the disposal of which was completed on 29 September 2001 to Coloplast A/S. Consideration for the disposal was cash of £80 million; the resulting gain on sale amounted to £28.2 million after accounting for goodwill previously written off to reserves.

Approximately 25 small UK OTC brands currently have large numbers of individual product lines, but small sales values, adding disproportionate complexity to the UK supply chain; their divestment is being explored. In addition, we continue to review the Marigold household and industrial gloves business, with a view to either building up critical mass within SSL, or divesting it.

### **Building organisational effectiveness**

During the period, the construction of the Group's new UK pharmaceutical factory in Peterlee was completed, commencing production in September of the product lines transferred from the Blackburn site. The validation process is now well under way, and the transfer of production from the St John's Road site in Bootle is planned for April 2002.

The integration of the Hibi business, acquired in November 2000, is almost complete, with secondary manufacturing on schedule to start in Peterlee in early 2002.

The new surgical glove packing facility at Kuala Ketil, Malaysia, is now fully operational, alongside an adjacent third party sterilisation facility. This brings all of the surgical glove manufacturing processes within a manageable distance of each other, simplifying logistics significantly.

However, there are other areas where we need to focus in order to build organisational effectiveness, in particular customer service. SSL seeks to have customer service levels among the best in its class, and we have recently launched a major programme to meet this goal. This encompasses the entire process from manufacturing and planning, through physical distribution and warehousing to customer delivery and responsiveness.

### **Building our people and culture**

During the past six months the management team has paid particular attention to the internal values of the Group, in order to move forward with a strong ethical framework. This programme, which has been well received by employees, has the following important elements:

- a new Business Ethics policy;
- a standard Employee Code of Conduct for our global operations; and
- a communications policy, which incorporates a confidential communication channel, "Freetalk", for employees to raise both positive suggestions and concerns with top management.

As part of our culture change, we have launched a new senior management training programme in partnership with INSEAD, which the top 120 managers will attend over the next two years. In addition, globally consistent grading schemes and bonus programmes, driven by specific business objectives, have been implemented.

In September, a global share savings plan was launched to employees in Spain, Germany, Malaysia, Thailand and the USA, to add to the existing UK scheme. We anticipate that the scheme will be rolled out to remaining countries over the next two years. The response to the scheme has been extremely positive, with the result that over a third of the Group's employees now participate.

The Serious Fraud Office has commenced its investigation into past misstatement of results and we will be co-operating with the investigators in full. We do not anticipate that this will affect the Group materially and we do not expect to make any further statements prior to the conclusion of the investigation.

### **Financial position**

As announced in June, sales performance for the period has been affected by our action to reduce excess stock in the trade, with the target of eliminating all of the £63 million excess by 31 March 2002. Progress in the two most affected markets, the UK and USA, has been excellent, and the programme is on schedule to remove the remainder of the excess by the year-end. Progress in Europe, where the excess stock accounted for approximately 10 per cent of the total, has been much slower because of the large customer base, and will remain a priority.

As at 30 September 2001, we estimate that a total of £40 million of excess stock has been removed from the trade. The estimated lost gross margin on these sales is £26 million, and the associated exceptional cost, comprising direct expenses and adverse manufacturing variances, is £4 million.

After adjusting for acquisitions, disposals and foreign exchange, sales were 1.4 per cent below the corresponding period for last year. If the difference in the level of excess trade stock is also taken into account, by comparing the relative movements from 31 March to 30 September in each period, we estimate that underlying sales grew by between 5 per cent and 6 per cent.

A review of the results for the period on a category basis is also complicated by the effect of the destocking, as accurate category information for trade stock levels in 2000 is not available in order to compare the results on an equal basis. The following table, therefore, makes no adjustment for trade loading at either September 2001 or September 2000:

Sales for the six months ended 30 September	2001 £m	2000 £m
OTC	31.1	36.1
Family planning	59.0	53.1
Footwear	32.1	29.1
Footcare	38.9	37.0
Wound management	23.8	27.0
Surgical gloves	31.9	39.0
Household and Industrial gloves	22.7	20.8
Other	15.1	16.0
Underlying	254.6	258.1
Hibi	13.6	–
Contenance care	11.5	12.8
Other	1.5	14.0
Reported	281.2	284.9

A review of external data for the major markets shows that we have gained market share in a number of areas, including UK condoms, from 87 per cent to 89 per cent, and USA surgical gloves from 30 per cent to 32 per cent. Shares in UK OTC products remain broadly level at 13 per cent, but the elimination of the product tail should improve this. The UK footcare share has fallen by one percentage point to 52 per cent, but the increased brand investment will start to reverse this trend. Italian shares in OTC and condoms remain relatively stable, with market share in footcare still under pressure.

The pre-exceptional operating margin achieved in the period was 4.7 per cent compared with 13.7 per cent in the comparative period, reflecting the effects of the reduction of excess trade stock and the increased investment in advertising and promotional expenditure. Underlying operating profit is estimated at £9.6 million, before profits on Hibi (£2.5 million) and contenance care (£1.1 million) are taken into account.

Interest costs in the period amounted to £14 million, an increase of £3 million over the comparative period, reflecting a higher level of average net borrowings. However, net debt at 30 September was £49 million lower than the 31 March 2001 level at £332 million, following the receipt of the sale proceeds of the contenance care business. In support of the work we are undertaking to eliminate excess trade stock and to strengthen the Group balance sheet, our debt providers have modified our banking covenants to allow us to complete this programme, after which we would aim to return to interest cover in excess of five times.

Exceptional charges in the period were £25 million, of which £10 million was cash related. The exceptional charge can be analysed into four main components:

- £6 million of the remaining £16 million of merger-related costs disclosed in June have been charged in the period. The remainder of the charge is expected to arise in the second half of the year;
- direct expenses and adverse manufacturing variances associated with the trade loading exit of £4 million have been charged in the year to date, with the total cost expected to be £12 million. The remaining £8 million is expected to arise in the second half of this year;
- following a comprehensive impairment review of intangible assets, we have written down the carrying value of our intangible asset portfolio by £8.6 million, including a write-off of £6.2 million relating to the Schering Plough technology sharing agreement;
- a charge of £6 million has been made in relation to the closure of the Scunthorpe manufacturing facility following the fire in September. Insurance proceeds relating to the fire are expected in the second half of the year and will be accounted for on receipt.

The Board has declared an interim dividend of 3.9 pence per ordinary share, which is the same level as last year. This will be payable on 1 February 2002 to shareholders on the register on 7 December 2001.

### Management changes

On 31 August 2001, Stuart Wallis stepped down as Chairman of SSL. On behalf of the Board I would like to thank Stuart for his significant contribution to the Group over the last five years, particularly in effecting the two mergers. I look forward to taking the Group forward with the new management team.

We have announced the appointment of a new Managing Director of the Americas business, Stuart Heap, who has an extensive track record of global business management. Stuart is currently based in the USA managing the Ciba Vision global lens care business. We expect to make announcements on a new Product Supply Director as well as a Group Marketing/R&D Director in the near future.

### Current trading and prospects

The second half has begun in line with our expectations, and we remain confident about the prospects of the business for the rest of the year and the longer term.



**Ian Martin**  
Chairman

# Unaudited Consolidated Profit & Loss Account for the 6 months ended 30 September 2001

	6 months to 30 September 2001 Total	6 months to 30 September 2001 Exceptional items (note 2)	6 months to 30 September 2001 Before exceptional items	6 months to 30 September 2000 Before exceptional items as restated (note 2)	6 months to 30 September 2000 Exceptional items as restated (note 2)	6 months to 30 September 2000 Total as restated (note 2)	12 months to 31 March 2001 Before exceptional items	12 months to 31 March 2001 Exceptional items (note 2)	12 months to 31 March 2001 Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Turnover</b>									
Continuing operations	269.7	-	269.7	272.0	-	272.0	620.4	-	620.4
Discontinued operations	11.5	-	11.5	12.9	-	12.9	28.9	-	28.9
<b>Total turnover</b>	<b>281.2</b>	<b>-</b>	<b>281.2</b>	<b>284.9</b>	<b>-</b>	<b>284.9</b>	<b>649.3</b>	<b>-</b>	<b>649.3</b>
<b>Operating (loss)/profit</b>									
Continuing operations	(8.0)	(19.1)	11.1	35.4	(14.7)	20.7	106.2	(34.2)	72.0
Discontinued operations	(4.8)	(5.9)	1.1	3.6	-	3.6	8.0	-	8.0
<b>Group operating (loss)/profit</b>	<b>(12.8)</b>	<b>(25.0)</b>	<b>12.2</b>	<b>39.0</b>	<b>(14.7)</b>	<b>24.3</b>	<b>114.2</b>	<b>(34.2)</b>	<b>80.0</b>
Share of operating profit in associated undertakings	1.0	-	1.0	0.1	-	0.1	1.8	-	1.8
<b>Total operating (loss)/profit</b>	<b>(11.8)</b>	<b>(25.0)</b>	<b>13.2</b>	<b>39.1</b>	<b>(14.7)</b>	<b>24.4</b>	<b>116.0</b>	<b>(34.2)</b>	<b>81.8</b>
Profit/(loss) on disposal of subsidiary undertakings, businesses and brands	28.2	28.2	-	-	(13.2)	(13.2)	-	(13.7)	(13.7)
Termination of USA manufacturing activities	-	-	-	-	(5.8)	(5.8)	-	(5.8)	(5.8)
<b>Profit on ordinary activities before finance charges</b>	<b>16.4</b>	<b>3.2</b>	<b>13.2</b>	<b>39.1</b>	<b>(33.7)</b>	<b>5.4</b>	<b>116.0</b>	<b>(53.7)</b>	<b>62.3</b>
Finance charges (net)	(14.0)	-	(14.0)	(10.9)	-	(10.9)	(24.7)	-	(24.7)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2.4</b>	<b>3.2</b>	<b>(0.8)</b>	<b>28.2</b>	<b>(33.7)</b>	<b>(5.5)</b>	<b>91.3</b>	<b>(53.7)</b>	<b>37.6</b>
Tax on profit on ordinary activities	(5.0)	(5.0)	-	(7.1)	6.7	(0.4)	(22.8)	10.7	(12.1)
<b>(Loss)/profit for the period</b>	<b>(2.6)</b>	<b>(1.8)</b>	<b>(0.8)</b>	<b>21.1</b>	<b>(27.0)</b>	<b>(5.9)</b>	<b>68.5</b>	<b>(43.0)</b>	<b>25.5</b>
Dividends paid and proposed on equity shares	(7.4)	-	(7.4)	(7.4)	-	(7.4)	(23.3)	-	(23.3)
<b>Retained (loss)/profit for the period</b>	<b>(10.0)</b>	<b>(1.8)</b>	<b>(8.2)</b>	<b>13.7</b>	<b>(27.0)</b>	<b>(13.3)</b>	<b>45.2</b>	<b>(43.0)</b>	<b>2.2</b>
<b>(Loss)/earnings per share (pence)</b>									
Basic	(1.4)		(0.4)	11.2		(3.1)	36.3		13.5
Basic (adjusted)	0.1		1.1	12.1		(2.2)	38.9		16.1
Diluted	(1.4)		(0.4)	11.2		(3.1)	36.2		13.5

# Unaudited Consolidated Balance Sheet as at 30 September 2001

	30 September 2001	30 September 2000 as restated (note 2)	31 March 2001 as restated (note 2)
	£'m	£'m	£'m
<b>Fixed assets</b>			
Intangible assets	73.5	73.0	82.7
Goodwill	74.5	44.2	82.2
Tangible assets	163.3	135.0	154.5
Investments	6.5	4.4	5.6
	<b>317.8</b>	<b>256.6</b>	<b>325.0</b>
<b>Current assets</b>			
Stocks	114.9	109.6	120.9
Debtors falling due within one year	172.0	202.4	249.0
Debtors falling due after more than one year	0.9	1.8	1.2
Cash and deposits	122.9	55.8	57.4
	<b>410.7</b>	<b>369.6</b>	<b>428.5</b>
<b>Creditors:</b>			
Amounts falling due within one year	(382.3)	(309.8)	(427.5)
<b>Net current assets</b>	<b>28.4</b>	<b>59.8</b>	<b>1.0</b>
<b>Total assets less current liabilities</b>	<b>346.2</b>	<b>316.4</b>	<b>326.0</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	(237.9)	(242.3)	(241.3)
<b>Provisions for liabilities and charges</b>	<b>(31.6)</b>	<b>(42.1)</b>	<b>(37.3)</b>
<b>Net assets</b>	<b>76.7</b>	<b>32.0</b>	<b>47.4</b>
<b>Capital and reserves – equity</b>			
Called up share capital	18.9	18.9	18.9
Share premium account	39.4	38.1	39.2
Other reserves	136.8	136.8	136.8
Profit and loss account	(118.4)	(161.8)	(147.5)
<b>Shareholders' funds</b>	<b>76.7</b>	<b>32.0</b>	<b>47.4</b>

# Unaudited Consolidated Cash Flow Statement for the 6 months ended 30 September 2001

	6 months to 30 September 2001	6 months to 30 September 2000 <i>as restated</i> (note 2)	12 months to 31 March 2001
	£'m	£'m	£'m
<b>Net cash inflow from operating activities after exceptional items</b>	<b>37.3</b>	9.1	60.9
<b>Returns on investments and servicing of finance</b>			
Interest paid (net)	(13.7)	(10.6)	(23.5)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(13.7)</b>	(10.6)	(23.5)
<b>Taxation</b>	<b>(12.1)</b>	(5.7)	(16.6)
<b>Capital expenditure and financial investment</b>			
Tangible fixed assets (net)	(25.5)	(16.7)	(43.3)
Intangible fixed assets and investments (net)	(0.8)	(0.9)	(8.4)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(26.3)</b>	(17.6)	(51.7)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	-	(1.1)	(1.2)
Purchase of product rights, businesses and brands	-	(7.0)	(47.9)
Deferred consideration	(3.0)	(0.3)	(2.3)
Sale of product rights, businesses and brands	80.0	6.6	6.6
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>	<b>77.0</b>	(1.8)	(44.8)
<b>Equity dividends paid</b>	<b>(15.9)</b>	(15.8)	(23.2)
<b>Management of liquid resources</b>	<b>(2.6)</b>	2.6	11.1
<b>Cash inflow/(outflow) before financing</b>	<b>43.7</b>	(39.8)	(87.8)
<b>Financing</b>			
Issue of ordinary share capital	0.2	2.5	3.1
Net advance/(repayment) of borrowings	24.2	(16.8)	92.3
Repayment of capital element of finance leases	(0.3)	(0.1)	(0.5)
<b>Net cash inflow/(outflow) from financing</b>	<b>24.1</b>	(14.4)	94.9
<b>Increase/(decrease) in cash in the period</b>	<b>67.8</b>	(54.2)	7.1

## Unaudited Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

for the 6 months ended 30 September 2001

	6 months to 30 September 2001	6 months to 30 September 2000 as restated (note 2)	12 months to 31 March 2001
	£'m	£'m	£'m
Group operating profit before exceptional items	12.2	39.0	114.2
Exceptional items	(13.7)	(26.7)	(45.4)
Depreciation and amortisation	11.0	9.0	20.3
Loss on sale of tangible fixed assets	2.6	0.2	1.7
Decrease/(increase) in working capital	23.1	(10.7)	(28.2)
Increase/(decrease) in provisions	0.1	(0.1)	(0.3)
Exchange differences	2.0	(1.6)	(1.4)
<b>Net cash inflow from operating activities after exceptional items</b>	<b>37.3</b>	<b>9.1</b>	<b>60.9</b>

## Unaudited Reconciliation of Net Cash Inflow to Movement in Net Debt

for the 6 months ended 30 September 2001

	6 months to 30 September 2001	6 months to 30 September 2000 as restated (note 2)	12 months to 31 March 2001
	£'m	£'m	£'m
Increase/(decrease) in cash in the period	67.8	(54.2)	7.1
Cash (inflow)/outflow from increase in debt	(24.2)	16.8	(92.3)
Cash outflow from payment of finance leases	0.3	0.1	0.5
Cash outflow/(inflow) from changes in liquid resources	2.6	(2.6)	(11.1)
Changes in net debt resulting from cash flows	46.5	(39.9)	(95.8)
New finance leases	(0.1)	–	(0.1)
Exchange differences	2.4	(5.8)	(5.8)
Movement in net debt in the period	48.8	(45.7)	(101.7)
Opening net debt	(380.9)	(279.2)	(279.2)
Closing net debt	(332.1)	(324.9)	(380.9)

## Unaudited Consolidated Statement of Total Recognised Gains and Losses

for the 6 months ended 30 September 2001

	6 months to 30 September 2001	6 months to 30 September 2000 as restated (note 2)	12 months to 31 March 2001
	£'m	£'m	£'m
(Loss)/profit for the period	(2.6)	(5.9)	25.5
Currency translation differences on foreign currency net investments	0.9	(4.2)	(5.4)
<b>Total recognised (losses)/gains relating to the period</b>	<b>(1.7)</b>	<b>(10.1)</b>	<b>20.1</b>
Prior period restatement (note 2(c))	(7.8)		(14.6)
<b>Total recognised (losses)/gains recognised since last annual report</b>	<b>(9.5)</b>		<b>5.5</b>

## Unaudited Consolidated Reconciliation of Movements in Shareholders' Funds

for the 6 months ended 30 September 2001

	6 months to 30 September 2001	6 months to 30 September 2000 as restated (note 2)	12 months to 31 March 2001 as restated (note 2)
	£'m	£'m	£'m
(Loss)/profit for the period	(2.6)	(5.9)	25.5
Dividends	(7.4)	(7.4)	(23.3)
	(10.0)	(13.3)	2.2
Other recognised gains/(losses) for the period	0.9	(4.2)	(5.4)
Share capital issued	0.2	2.5	3.6
Goodwill written back on disposals	38.2	–	–
Net movement in shareholders' funds	29.3	(15.0)	0.4
Opening shareholders' funds as restated	47.4	47.0	47.0
<b>Closing shareholders' funds</b>	<b>76.7</b>	<b>32.0</b>	<b>47.4</b>

Opening shareholders' funds have been restated for the prior period adjustment of £7.8 million in respect of deferred taxation (see notes 2(c) and 8).

## 1. Segmental Analysis of Turnover

	6 months to 30 September 2001 £'m	6 months to 30 September 2000 £'m	12 months to 31 March 2001 £'m
<b>(a) Analysis of turnover by geographical destination:</b>			
Continuing operations:			
United Kingdom and Eire	66.9	83.5	187.8
Continental Europe	116.5	105.4	232.0
Americas	47.2	51.9	121.9
Asia Pacific and Rest of the World	39.1	31.2	78.7
	<b>269.7</b>	<b>272.0</b>	<b>620.4</b>
Discontinued operations:			
United Kingdom and Eire	10.5	11.9	27.2
Asia Pacific and Rest of the World	1.0	1.0	1.7
	<b>281.2</b>	<b>284.9</b>	<b>649.3</b>

	6 months to 30 September 2001 £'m	6 months to 30 September 2000 £'m	12 months to 31 March 2001 £'m
<b>(b) Analysis of turnover by principal class of business:</b>			
Continuing operations:			
Consumer Healthcare	161.2	164.9	359.6
Medical	75.3	68.6	182.3
Household and Industrial Gloves	22.7	20.5	49.3
Other	10.5	18.0	29.2
	<b>269.7</b>	<b>272.0</b>	<b>620.4</b>
Discontinued operations:			
Medical	11.5	12.9	28.9
	<b>281.2</b>	<b>284.9</b>	<b>649.3</b>

## 2. Consolidated Profit and loss, Exceptional Items and Prior Period Restatement

### (a) Discontinued activities

During the period, the Group disposed of its continence care business for cash consideration of £80.0 million. Assets with a net book value of £15.4 million were transferred as part of the disposal. The pre tax profit on disposal of the business amounted to £28.2 million after accounting for goodwill previously written off directly to reserves.

### (b) Exceptional items

The exceptional items relate to the ongoing restructuring costs arising from the merger of Seton Scholl Healthcare plc and London International Group plc (£6.1 million), costs arising from the trade load investigation (£4.4 million), and the non cash impairment of intangible assets (£8.6 million).

The discontinued exceptional cost relates to the write off and closure costs of our destroyed Scunthorpe factory due to a fire which occurred just prior to our disposal of the continence care division. Due to this fire we were unable to include the factory in the sale and this resulted in the closure of the operation.

The exceptional item in the six months to 30 September 2000 related to the costs associated with the merger of Seton Scholl Healthcare plc and London International Group plc, costs associated with the disposal of the Scholl brand in Latin America, disposal of the Scholl retail business in the UK and Eire and disposal of the unbranded condom manufacturing business in the USA.

### (c) Restatement of prior period accounts

During the year to 31 March 2001, the Board announced a review of the Group's practice of trade loading. This review gave rise to a separate investigation into the overstatement of results in prior periods. As a result of this investigation, the financial statements and the related notes for the six month period ended 30 September 2000 have been restated. The restatement relates to the recognition and the timing of certain sales, sales returns, credits to customers and stock write-offs.

The Group has adopted the provisions of FRS 19 "Deferred Tax". This has resulted in recognition of deferred taxation on a full provision basis and has resulted in a restatement of results for the periods to 30 September 2000 and 31 March 2001 in relation to deferred taxation.

Analyses of the Consolidated Profit and Loss Account and Balance Sheet are presented in note 8 showing the impact of the prior period adjustments for the six months ended 30 September 2000. As a result of the investigation, loss before taxation reduced by £9.4 million and taxation reduced by £1.3 million. The deferred tax adjustment (£7.8 million) does not affect the profit and loss account as it relates to prior periods.

## 3. Taxation

The Group has adopted the provisions of FRS 19 "Deferred Tax". This has resulted in recognition of deferred taxation on a full provision basis compared to a partial provision basis previously and has resulted in a restatement of the brought forward reserves for the period to 30 September 2000 by £7.8 million in relation to deferred taxation (see notes 2(c) and 8).

Taxation for the period has been provided for at 30.0 per cent (2000: 25.0 per cent), based on the estimated effective tax rate for the twelve months to 31 March 2002.

## 4. Dividend

The directors have declared an interim dividend of 3.9p per share (2000: 3.9p) payable on 1 February 2002 to holders of Ordinary shares on the register at 7 December 2001.

# Notes to the Unaudited Financial Statements for the 6 months ended 30 September 2001

## 5. (Loss)/earnings per Share

(Loss)/earnings per share has been calculated by dividing the (loss)/profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

An adjusted earnings/(loss) per share figure has been shown in order to achieve comparability period on period. The calculation uses the basic weighted average number of shares together with basic (loss)/earnings adjusted to exclude the impact of amortisation of goodwill and intangibles.

The (loss)/profit attributable to ordinary shareholders is calculated as follows:

	6 months to 30 September 2001	6 months to 30 September 2001 Before exceptional items	6 months to 30 September 2000 Before exceptional items as restated (note 2) £'m	6 months to 30 September 2000 Total as restated (note 2) £'m	12 months to 31 March 2001 Before exceptional items £'m	12 months to 31 March 2001 Total £'m
<b>(Loss)/profit for the period:</b>						
<b>For basic (loss)/earnings per share</b>	<b>(2.6)</b>	<b>(0.8)</b>	21.1	(5.9)	68.5	25.5
Amortisation of goodwill and intangibles	2.8	2.8	1.8	1.8	4.9	4.9
<b>For adjusted earnings/(loss) per share</b>	<b>0.2</b>	<b>2.0</b>	22.9	(4.1)	73.4	30.4

The calculation of diluted (loss)/earnings per share uses basic (loss)/earnings, as defined above, and the basic weighted average number of ordinary shares in issue during the period adjusted as follows:

	6 months to 30 September 2001	6 months to 30 September 2001 Before exceptional items £'m	6 months to 30 September 2000 Before exceptional items £'m	6 months to 30 September 2000 Total £'m	12 months to 31 March 2001 Before exceptional items £'m	12 months to 31 March 2001 Total £'m
<b>Weighted average number of shares (millions):</b>						
For basic (loss)/earnings per share	189.0	189.0	188.5	188.5	188.7	188.7
Dilutive effect of share options	–	–	0.7	–	0.3	0.3
<b>For diluted (loss)/earnings per share</b>	<b>189.0</b>	<b>189.0</b>	189.2	188.5	189.0	189.0

## 6. Status of financial information

The financial information set out above does not constitute full financial statements within the meaning of section 240 of the Companies Act 1985.

Copies of the interim results are being sent to shareholders. Further copies of the interim results can be obtained from the company's registered office at Toft Hall, Toft, Knutsford, Cheshire, WA16 9PD.

## 7. Litigation

As noted in the accounts for the year ended 31 March 2001, the Group is involved in a number of lawsuits in the US alleging the development of sensitivities to natural rubber latex. The Directors believe that there are defences available, and that a substantial portion of defence costs and potential liability will be covered by insurance. However, insurers have reserved their rights in respect of some cases, and the company is in discussions with insurers to have such reservations removed.

The false advertising suit brought in the USA by Allegiance Healthcare Corporation is likely to come to trial in February 2002 and last for several weeks. The Group's position is being defended aggressively, and the Group believes that, based on legal advice received, it has reasonable prospects of successfully defending its position. A claim for reimbursement of defence costs has been submitted to insurers on the basis that the claim, and any court award, will be covered by insurance. Further details will be provided to shareholders when the Group publishes its Preliminary Results for the full year in mid-2002.

## 8. Restatement of Prior Period Accounts (see note 2(c))

### (a) Analysis of Consolidated Profit and Loss Account for the period ended 30 September 2000

	6 months to 30 September 2000 as previously stated £'m	Adjustments £'m	6 months to 30 September 2000 as restated £'m
<b>Turnover</b>	284.9	–	284.9
Operating costs	(241.7)	(4.2)	(245.9)
<b>Group operating profit before exceptional items</b>	43.2	(4.2)	39.0
Exceptional items	(28.3)	13.6	(14.7)
Share of operating profit in associated undertakings	0.1	–	0.1
<b>Total operating profit</b>	15.0	9.4	24.4
Termination and merger items	(19.0)	–	(19.0)
<b>(Loss)/profit on ordinary activities before finance charges</b>	(4.0)	9.4	5.4
Finance charges (net)	(10.9)	–	(10.9)
<b>Loss on ordinary activities before taxation</b>	(14.9)	9.4	(5.5)
Tax on profit on ordinary activities	(1.7)	1.3	(0.4)
<b>Loss for the financial period</b>	(16.6)	10.7	(5.9)

# Notes to the Unaudited Financial Statements for the 6 months ended 30 September 2001

## (b) Analysis of Consolidated Balance Sheet at 30 September 2000 and 31 March 2001

	30 September 2000 <i>as previously stated</i> £'m	Adjustments £'m	30 September 2000 <i>as restated</i> £'m	31 March 2001 <i>as previously stated</i> £'m	Adjustments £'m	31 March 2001 <i>as restated</i> £'m
<b>Fixed Assets</b>						
Intangible Assets	73.0	–	73.0	82.7	–	82.7
Goodwill	44.2	–	44.2	82.2	–	82.2
Tangible Assets	135.0	–	135.0	154.5	–	154.5
Investments	4.1	–	4.1	5.0	–	5.0
Investments in own shares	0.3	–	0.3	0.6	–	0.6
	256.6	–	256.6	325.0	–	325.0
Stocks	105.4	4.2	109.6	120.9	–	120.9
Debtors	214.3	(10.1)	204.2	250.2	–	250.2
Cash and deposits	55.8	–	55.8	57.4	–	57.4
Creditors	(554.1)	2.0	(552.1)	(668.8)	–	(668.8)
Provisions for liabilities and charges	(34.3)	(7.8)	(42.1)	(29.5)	(7.8)	(37.3)
Net assets	43.7	(11.7)	32.0	55.2	(7.8)	47.4
Equity shareholders' funds	43.7	(11.7)	32.0	55.2	(7.8)	47.4

## Independent review report by KPMG Audit Plc to SSL International plc

### Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 9 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2001.

### KPMG Audit Plc

Chartered Accountants  
8 Salisbury Square  
London  
EC4Y 8BB

27 November 2001