

Chairman's Statement

It is with great pleasure that I welcome you to the 61st Annual General meeting of PZ Cussons Nigeria PLC and to present to you the Annual Report and the Financial Statement for the year ended 31st May 2009.

I am pleased to announce that your company has experienced another year of substantial sales and profit growth, and well enhanced shareholder value.

Business Environment

During the period under review, the world economy faced severe economic crisis, the like of which has not been seen since the Great Depression of the 1930s.

Nigeria, naturally, did not escape the impact of this downturn, but the country was spared its severest consequences by, among others, a policy of external reserve decumulation and naira depreciation as well as the salutary effects of earlier banking sector reforms and prudent fiscal policy. The economic and political climate for foreign direct and portfolio investment thus remained relatively attractive, even as government continued to grapple, in a determined way, with the Niger-Delta problem.

In spite of global risk averseness and falling oil prices, the Nigerian economy grew at a relatively healthy rate of xx during the year. The oil price which stood at about USD 126 per barrel in January 2009 fell to a low of USD 37 in January 2009 and climbed to USD 59 by May 2009. The attendant lower oil revenues coupled with higher global risk averseness and reduced investment in Nigeria served to put the naira under pressure. From a stable level of about N117 to the dollar in November 2008 to N146 in January 2008 it closed at N148 by May 2009. But as a result of the policies earlier indicated, the country was able to maintain a healthy reserve position of USD 45 billion as of May 2009.

The depreciation in the value of the naira, the fall in the overall investment, including the severe fall in the activity levels in the stock exchange had negative impact on liquidity and spending levels. The 12 month moving average inflation was 13.8% by May 2009, partly as a consequence of the 27% devaluation of the naira and resulting increased costs of imported goods. Limited funds were at the same time available for local borrowing. The decreased liquidity and spending levels posed a challenge in some of PZ's higher end categories. Besides, the congestion in the ports did not help in the efficient movement of our raw materials and, therefore, forced us to increase our stockpiling. In spite of all these, the company managed the challenges well and the year ended in a strong position.

Result

I am pleased to announce that our company performed very well during the period. Turnover grew by N15.1 billion or 23% from 65.9 billion to 81.0 billion during the period. Net pre-tax profit grew by 28% from N 6.0 billion to N7.7 billion.

Dividend

Based on the result of the year ended 31st May 2009, the board of Directors is recommending to the shareholders at this Annual General Meeting a dividend payment of N xx million representing yy kobo per share. The proposed dividend represents zz% increase over the N1.696 million paid last year. The dividend will be paid subject to the deduction of withholding tax at the appropriate rate.

Products

Our brands continued to be well patronised by consumers and featured in almost every Nigerian household.

Our HPZ business continued to grow and launched the Commercial Air-Conditioners division during the year. Several significant launches were also made in the existing product segment, e.g. the silver series of refrigerators and the new line of LCD televisions. The success of our Coolworld retail store in Victoria Island prompted us to add another three Coolworld retail outlets. These were located in Abuja, Kano and on Broad Street Lagos.

Our personal care category had an exciting year with re-launches of the Robb and Joy ranges. Within the toilet soap segment, Premier, Joy, Imperial Leather, Cussons Baby and Carex had a good year. Premier soap continues to be Nigeria's leading soap. Other personal Care segments, such as Mother and Baby, Traditional Creams and Gels, also had a good year.

The Home Care category saw strong growth across all our brands. Zip, Jet, Duck, Canoe, Tempo and Rex led the way. Morning Fresh continues to be the leading dish washing solution in Nigeria.

The Board

Mr P. Varelas retired as Managing Director and Chief Executive at the end of June 2009 after 8 years at the helm of PZ Cussons Nigeria PLC. Mr Varelas's tenure was characterised by strong profitability growth and a consistent development of the staff. His successor is Mr. Christos Giannopoulos, the current Deputy CEO. Mr Giannopoulos brings a wealth of experience, as he has been working for PZ Cussons in Nigeria since 2002 in various roles and disciplines. He has worked with the PZ Cussons group in other countries for over 20 years.

During the year, Mr j. Akande, retired from the board, and was replaced by the new HR Director, Mrs A. Olubiyi.

On your behalf, I thank Messrs Varelas and Akande for their services and valuable contributions to the growth of the company and wish them every success in their future endeavours. It is also my pleasure to welcome Mr Giannopoulos and Mrs Olubiyi in their new roles.

Staff

The loyal and dedicated employees are one of our most important and valued assets, and helped the company to succeed during a very trying year.

A number of staff trainings have been conducted during the year and a formal training program was initiated for the more senior managers of the company, in addition to the several existing development programs for the junior levels.

The third cadre from the graduate training scheme have graduated and are starting to contribute to the business. The fourth cadre have resumed and started initial training. The scheme provides accelerated training for young talented graduates, in order to give them a broad based understanding of our business and the chance to make contributions as early as possible in their careers. The objective is to use this scheme along with the other employee development programs to ensure that we develop the future leaders of the business.

Corporate Social Responsibility

The PZ Cussons Foundation, which was launched during the prior year, had a strong and productive start. The following 8 projects were completed and commissioned during the year under review:

- Repair of Minna Market Road
- Ikorodu 3 block Classroom
- Ikorodu Borehole & Storage Tanks
- Eziama 3 Block Classroom
- Eziama Borehole and Tanks
- Obudu 3 Block Classroom
- Obudu Borehole and Tanks
- Illupeju Recreation Park

These projects are consistent with our commitment to support community based projects in our host communities. The initial projects of the Foundation will be concentrated on the communities hosting the company's activities and the focus will be on education, health, road rehabilitation and provision of portable water. The gesture will ultimately be extended to other parts of the federation.

Future

We view the future of our business with optimism and are positioning ourselves to maximise the opportunities that a reformed and revitalised Nigerian economy will bring.

The improvement of our manufacturing facilities and investments into the "Project Unity" program continues. The initial two projects of this program have now been concluded:

- i) The consolidation of the Health and Beauty Care production to our Ikorodu site has been completed, and the production has started in Ikorodu at upgraded facilities and production lines.
- ii) The new state of the art Regional Distribution Centre was completed by July 2009. This facility will enable us to further increase the service levels to our customers while managing the working capital more efficiently.

A significant investment is also underway in the Soap and Detergent manufacturing facilities. In both of these facilities we have initiated projects to expand our capacities.

Conclusion

I wish to thank the management and staff for their tireless efforts and dedication. I also appreciate the unflinching loyalty of our Distributors in promoting our brands in an environment which is tough and competitive; the Consumers for their product loyalty; our fellow shareholders for their confidence in us. Finally, I thank my colleagues on the board for their cooperation always.

I thank you all.

Professor E.C Edozien, OFR

Chairman