Reckitt Benckiser

Annual Report and
Financial Statements 2008

IT WORKS!

If it ain't broke, make it better.
The mark of an effective strategy and the test of the talent of your people is whether they carry on delivering the results when conditions worsen. So while 2008 was a challenging year, the results for our shareholders show that continuing with our core strategy, while flexing our execution in the changing circumstances, was the right thing to do.

Bart Becht Chief Executive

Contents

£6,563m
our net revenue in 2008

+25%
growth rate of net revenue

Group financial highlights

	2008 £m	2007 £m	change %
Net revenues	**6,563**	5,269	**+25**
Operating profit	**1,505**	1,233	**+22**
Net income for the year	**1,120**	938	**+19**
Diluted earnings per share	**154.7p**	127.9p	**+21**
Adjusted operating profit*	**1,535**	1,190	**+29**
Adjusted net income for the year*	**1,143**	905	**+26**
Adjusted diluted earnings per share*	**157.8p**	123.4p	**+28**
Declared dividend per share	**80p**	55.0p	**+45**

*adjusted to exclude the impact of exceptional items and tax effect thereon, where appropriate

2008 was another great year for Reckitt Benckiser

Like-for-like net revenues grew 10% at constant exchange rates, well ahead of the industry average. Our newly-acquired Adams business did extremely well, with 12% year-on-year net revenue growth at constant exchange (constant) for the first 11 months of being part of Reckitt Benckiser. As a result, we posted reported net revenue growth of 13% at constant and 25% at actual exchange rates.

Against the 13% growth our Powerbrands grew 17% at constant exchange rates. They now represent 62% of net revenue and have become even stronger global leaders over the year, with continued investment and successful innovations such as *Air Wick Freshmatic, Finish Max in 1,* and *Vanish Intelligence* securing increased market shares.

Company operating margins* moved ahead by 80 basis points (bps) to 23.4%, despite the pressure of significant raw and pack materials cost inflation and a determination to continue with heavy investment behind our brands. Margin improvement was delivered by price increases, our relentless cost optimisation programme and strong performance on the higher margin RB Pharmaceuticals and consumer health care businesses.

Operating profit for the year grew by 22% at actual exchange rates and net income grew by 19% to £1,120m.

As we look at the ever more challenging market conditions of 2009, we believe it is imperative to stay true to what lies at the heart of our success: a strongly consumer-centric vision, a clear and consistent strategy and the strength of our organisation – its people and culture.

* adjusted to exclude the impact of exceptional items

£1,143m

adjusted net income for the year

+26%

increase in adjusted net income for the year

Our consumers are the centre of our vision

Our vision and passion is to deliver better solutions for people when, for those small moments every day, the quality of our products makes a real difference to their lives, in home, health or personal care. More than ever this means providing them with the right value for money. That might mean a premium price for a new and better product or, alternatively, a lower price while maintaining product performance. A good example of the latter is the *Vanish €co Pack* as explained on page 7.

A clear and consistent strategy

Our clear and consistent strategy is to drive above industry growth and returns through:

- A disproportionate focus on driving our Powerbrands, global leaders in categories with high growth potential, and completing their international roll-out.
- High levels of media and marketing investment, and continuous innovation.
- Transforming net revenue growth into even better profit and strong cash flow.

The 17 Powerbrands

HOUSEHOLD
Fabric care: *Vanish, Calgon, Woolite*
Surface care: *Lysol, Dettol, Bang, Harpic*
Dishwashing: *Finish*
Home care: *Air Wick, Mortein*

HEALTH CARE
Strepsils, Mucinex, Nurofen, Gaviscon

PERSONAL CARE
Dettol, Veet, Clearasil

FOOD
French's

See page 4 for more on Reckitt Benckiser Powerbrands.

Disproportionate focus on our 17 Powerbrands

Powerbrands are Reckitt Benckiser's globally leading brands in high growth categories, and of the 17 Powerbrands, 15 are either Number 1 or 2 globally. We have further strengthened our leadership positions for our Powerbrands in 2008.

This year we further strengthened and refined our Powerbrands to 17, and we are transitioning other brands with the same footprint into them. As an example, in the US we are transitioning *Electrasol* and *Jet Dry* into the *Finish* brand, and in Europe, transitioning *Calgonit* into *Finish*. This delivers both benefits for the consumer, through better and faster access to our innovation pipeline, and increased effectiveness and efficiency for us, through common advertising and packaging.

Our newly acquired *Mucinex* brand, the US' leading cough and decongestion remedy, made it to the Powerbrand list straightaway. This brand came with the acquisition of the Adams business and has already delivered results over and above our challenging expectations.

Powerbrands accounted for 62% of Reckitt Benckiser's 2008 net revenues. This is up from 61% in 2007.

Continuing to invest behind our brands

Our growth has been achieved by ensuring that consumers know about our products and the reasons to buy them. This year we again increased our marketing and advertising investment behind our brands and reaped the reward. In harder market conditions, we think it is more important, not less, to invest in keeping our brands at the forefront of consumers' minds. Media deflation has enabled us to get more value, but despite lower costs, we have increased our media investment by 14% at constant exchange compared to the previous year. We remain amongst the highest investors in media in the industry, with 12.4% of net revenue ploughed back into advertising our brands.

80.0p

dividend per share

+45%

increase in dividend per share

Innovation – driving above average growth

Investment and product innovation are the key driving factors behind the Powerbrands' and RB's growth. Consumers today are making their purchasing decisions with even greater scrutiny. Our innovation has been crucial in giving consumers even more reason to buy our products. The success of *Finish Max in 1* is a great example, as explained on page 6.

Turning our growth into cash

We turn our growth into attractive profits and cash flow through margin expansion and cash conversion.

We drive our margins by focusing on higher margin categories and products. We then build on this by having a never-ceasing cost optimisation programme, which in all market conditions relentlessly looks at taking cost out without taking anything away from consumers and, where possible, making the products even better. The *Vanish €co Pack* on page 7 is a good example. At a time when consumers are looking harder for value for money, we are able to give them 10% more *Vanish* for the same price by reducing 70% of the plastic in the packaging. We moved from a round tub to a resealable pouch. This also helped improve Reckitt Benckiser's environmental impact, which has remained an important focus even in more challenging times.

Through our cost optimisation programme, we have managed to minimise the price increases we passed on to consumers to partially offset the rise in commodity costs. With this activity, and benefiting from the faster growth on our higher margin RB Pharmaceutical and consumer health care businesses, we have driven adjusted operating margins up by 80bps and delivered very strong cash flow. This has strengthened the financial position of the Company and allowed the return of funds to shareholders. We have increased the full year dividend by 45% and funded a £300m share buy back programme.

Strength of organisation and culture

The Reckitt Benckiser culture lies at the heart of our success. Led by a strong management team, who are heavily incentivised to achieve performance, our people are entrepreneurial and take it upon themselves to own and create initiatives and deliver great execution. They are driven and dynamic, and want to make their mark. We enjoy constructive conflict with each other and our partners, and like to take calculated risks to gain advantage in some of the most competitive markets in the world. We keep the organisation slim, streamlined and unbureaucratic. In this way we can have fast decision-making, be spontaneous and respond rapidly to changing consumer needs and market conditions.

Our commitment to performance is total, whether it is financial results or impacting upon climate change and helping those more vulnerable in society. To tackle the total carbon footprint of our products, from cradle-to-grave, in 2008 we progressed our Carbon 20 initiative and developed detailed plans and measurements for working with consumers to achieve our commitment to reduce our total carbon footprint by 20% by 2020.

This year we also delivered on the last part of our commitment to save 150,000 lives through working with Save the Children across the world. We are now working with them on a new programme, which will see our commitment have even more impact in the future.

It works, but we're not complacent

Our results for 2008 show that our clear and consistent strategy works – and can be adapted to more challenging conditions.

Our strategy continues and, together with the entrepreneurial flair and passion of our people, will be the fundamental driver of our future success.

Bart Becht Chief Executive

OUR POWERBRANDS keep delivering.
One of the main elements of our global company strategy making us a world leader in household, health and personal care, is driving above industry-average growth through a disproportionate focus on our Powerbrands. Our strong market positions are now led by 17 Powerbrands, which are:

Household

Fabric care

22% of net revenue

Fabric Treatment, worldwide No.1 – led by *Vanish*
Water Softeners, worldwide No.1 – led by *Calgon*
Garment Care, worldwide No.2 – led by *Woolite*

Surface care

17% of net revenue

Worldwide No.1 – driven by:
Multipurpose Cleaners, worldwide No.1 – led by *Lysol, Dettol* and *Bang*
Lavatory Care, worldwide No.1 – led by *Harpic* and *Lysol*

Dishwashing

11% of net revenue

Automatic Dishwashing, worldwide No.1 – led by *Finish*

Home care

14% of net revenue

Air Care, worldwide No.2 – led by *Air Wick*
Pest Control, worldwide No.2 – led by *Mortein*

Health & Personal care

26% of net revenue

Health care

Medicated Sore Throat Relief, worldwide No.1 – led by *Strepsils*
Cough Relief, worldwide No.2 – led by *Mucinex*
Leading positions in Analgesics and Upper Gastro-Intestinal Relief in Europe and Australia – led by *Nurofen* and *Gaviscon*

Personal care

Antiseptic Personal Care, worldwide No.1 – led by *Dettol*
Depilatories, worldwide No.1 – led by *Veet*
Acne Treatment, worldwide No.2 – led by *Clearasil*

Food

3% of net revenue

Mustard, worldwide No.1 – led by *French's*

Calgon
Vanish
Spray 'n Wash
Dettol
Lysol
Harpic
Quantum
finish
Air Wick
Odour Stop
Mortein
Strepsils
Mucinex
Gaviscon
Veet
French's

FINISH
Innovation drives the Powerbrands that drive our growth. The success of *Max in 1* shows innovation is vital in giving consumers even more reasons to buy.

When people are looking hard at every purchase they make, we need to stay close to them, with a steady stream of solutions that make their daily routines easier and better.

The fresh idea that *Max in 1* brings to the multi-benefit tablet is an example of an ever better solution. People appreciate the convenience of its tabs with dissolvable wrappers that go straight into the dishwasher without unwrapping. To keep them in perfect condition, its reusable and recyclable tubs have easy-to-reseal lids, ensuring *Max in 1* is always ready to deliver exceptional cleaning, wash after wash, even at lower temperatures.

How else does innovation drive the Powerbrands we give disproportionate focus to? Innovation helps to facilitate the transitions of local brands into Powerbrands. The rollout of *Finish Quantum* in the US is a good example. *Finish* is the diamond standard in dishwashing and shine, and *Quantum* goes beyond *Max in 1* in bringing ultimate shine and clean to dishes. That makes *Quantum* a perfect product to introduce the *Finish* Powerbrand, into which we are transitioning local brands like *Electrasol* and *Jet Dry.*

Powerbrand transitions don't just bring packaging and media efficiencies. With *Finish*, as with all our Powerbrands, they bring quicker innovation to more people. This is innovation that strengthens our position in category leadership globally; above all it drives growth.

VANISH
When less is more.

It's in times like these that value really matters, and we give consumers what they want by cutting costs, not quality. Take *Vanish*. Its new pack uses 70% less plastic than the original tub it came in, creating savings we can use to give 10% more product to people free. And with *Vanish Intelligence*, we're not just giving consumers more powder, but also more power to remove stains.

Cost optimisation is a continuous activity for us. We take costs out and put value in, in all market conditions, not just the most challenging. Over the past eight years, our never-ending work on costs has helped to consistently increase gross margins. But what do consumers care? They're looking for value right now – and we're ready to give it to them.

Launching early 2009, *Vanish's* new, resealable 10% extra packs are tough and waterproof, like the tubs they'll sit alongside. And the savings in plastic do more than translate into better value for consumers and attractive profits – they also take us towards our Carbon 20 reduction target (see page 11).

We never forget, even when value is front of mind, that consumers always deserve increasing performance, so we enhanced *Vanish's* great stain removal power even further.

The new *Vanish Oxi Action Intelligence* formulation, in tubs and packs, has intelligent stain seekers that hunt out and remove tough, nasty stains, including the ones people overlook.

Times may be more challenging, but we continue to use a strong grip on costs to minimise the pain all round. We're protecting profit improvement for shareholders, and finding new ways to remind consumers why they buy *Vanish* – better value as well as performance.

IT SAVES!

MUCINEX
It's our latest Powerbrand and following a speedy integration of the Adams business we purchased in 2008, *Mucinex* is already delivering ahead of ingoing expectations.

We purchased Adams and its *Mucinex* and *Delsym* brands in 2008 because they were great brands and gave us an entry and platform for over-the-counter (OTC) growth in the world's largest OTC market – the USA.

Mucinex is a highly efficacious decongestion and cough product which loosens and then enables people to expel the mucus that causes congestion and coughing. It also has a patented 12-hour extended-release technology, so it can provide both instant and ongoing relief. This relief period is three times as long as that provided by other products, enabling people to sleep, work and play in comfort for longer. That is one of the reasons why nine out of ten doctors in the US recommend *Mucinex* and the brand has become the global No.2 cough remedy. As Mr Mucus, the 'villain' in the advertisement learns, '*Mucinex* in means mucus out!'.

Over 2008, the Adams business contributed £233m to net revenues for the eleven months since acquisition and increased its operating margin well ahead of the expectations set at the time of the acquisition.

Mucinex has growth potential globally as well as in the US. This is one case where Mr Mucus is allowed to stay!

IT SUCKS!

FRENCH'S
No mess, no waste.

That's what this clever new cap delivers to consumers – an extra little reminder of why to choose *French's*. It is one of many savings initiatives that helped to drive our operating profits* up by 15% (constant). So, getting every last squeeze out of the bottle is something we can all appreciate.

* adjusted to exclude the impact of exceptional items

We find savings in the strangest of places, but who'd have thought there'd be £1 million hiding under the crusty brown residue around the cap of America's favourite mustard?

When consumers told us they loved the *French's* formula, but not the messy build-up that can clog the cap, we saw an opportunity. We could give consumers the freshness they wanted – and save on annual material costs. When we grilled people a little harder, they said they love the bottle's squeezability, but wanted to be sure they could get every bit out. So we designed a one-piece cap that is not only simpler than the old silicon valve cap, but makes the bottle work more efficiently, pushing more out, so less mustard is wasted. And with its efficient suck-back effect making sure that the cap stays clean afterwards, there's no mustardy residue left to clog the tip.

We continue to focus on higher margin categories and products, and work constantly to find the cost savings that drive up operating profits, turning net revenue growth into even higher profit growth and strong cash flow. Our cost-reduction solutions are also consumer-focused solutions – making life that bit better in those moments when the value and quality of our products makes a difference.

OUR PEOPLE

The fast-beating heart of our success is our people. In the most challenging market conditions since the merger in 1999, they are rising to the challenge with the attitude and passion to outperform that has just delivered one of our best years.

RB people's attitude and way of working drives our success. Like the Powerbrands, our people are strong minded, fast-acting, direct and highly effective. They enjoy an entrepreneurial environment and give their best because they are allowed to take true ownership of their areas of responsibility.

RB people are fuelled by a need for action and results, and whether delivering the strategy and quality of execution for maximum shareholder return or corporate responsibility targets, their commitment is total.

RB people come from all over the world and this is an extremely mobile culture. A melting pot of so many different backgrounds is a source of new ideas and with their RB attitude, our people go into different markets and drive success using experience from many other markets. We attract high achievers looking for an exciting, international career, and as they are the kind of people who deliver from day one, they get that opportunity, learning as they move around the world.

This positive churn creates vibrant, fluid and experienced teams who can take calculated risks and deliver great execution fast, to seize the advantage in the market. With nearly 50 nationalities in our Top 400 managers, and most of our leadership working outside their home country, we are genuinely multi-national. What unites us is that we all speak Reckitt Benckiser – our shared language for success.

IT'S US!

SUSTAINABILITY

We're proud to have achieved leadership in a key corporate responsibility index in 2008. As people who want to have an impact on both financial as well as non-financial performance, we showed that it's possible to achieve the best of both worlds.

FTSE4Good

Business in the Community CORPORATE RESPONSIBILITY INDEX 2008

Dow Jones Sustainability Indexes Member 2008/09

CARBON DISCLOSURE PROJECT

Last year, we topped the UK's Business in the Community (BITC) Corporate Responsibility Index, outperforming our peers across environment, community, market and workplace indicators. We were also awarded top status in the US Environmental Protection Agency's Design for the Environment Safer Detergents Stewardship Initiative.

In environmental terms, we started our Carbon 20 programme, through which we aim to cut the total carbon footprint of our products, from their creation to their disposal, by 20% by 2020. To deliver this cradle-to-grave target, we are working with consumers through our new 'Our Home Our Planet' on-pack initiative, to help people reduce their carbon footprint when using our products and save some money in the process. The carbon emissions consumers generate when using our products, by heating and using water for example, account for about two thirds of the total carbon footprint of our products. So we're putting practical advice on many Powerbrand packs internationally on how to reduce it. But we're not stopping there; we are continuing to reduce our own manufacturing and logistics carbon emissions and those created in the making of our raw materials and packaging. As a sister initiative, we are also offsetting the impact of the remaining emissions in our manufacturing by planting millions of trees in deforested land. This makes us, uniquely in our sector, a carbon neutral manufacturer.

We delivered on our three year campaign with Save the Children to save 150,000 lives and we are now embarking on a new, worldwide programme to help the lives of those most vulnerable in our society – children who cannot help themselves.

None of this was at the expense of financial performance. As top performers on shareholder return and margins, we showed that business can be both sustainable and profitable – with the right strategy and people.

See our Sustainability Report at **www.reckittbenckiser.com**

IT HELPS!

A truly multi-national Board and Executive Committee.
We believe that combining talented people with different professional and cultural backgrounds, and an action-oriented perspective gives us a real competitive edge.

The Board is responsible for the overall stewardship of the Company on behalf of the shareholders. The Executive Committee is responsible for the ongoing management of the Company and reflects the overall management structure.

The Board of Directors

Bart Becht (52, Dutch) #
Joined the Board in 1999, on his appointment as Chief Executive Officer of the Company. He was appointed Chief Executive of Benckiser Detergents, subsequently Benckiser N.V., in 1995 and Chairman of Benckiser's Management Board from May 1999. He holds no external directorships.

Adrian Bellamy (67, British) ‡ #
Was appointed a Non-Executive Director of the Company in 1999 and became Non-Executive Chairman in May 2003. He is a Director of The Gap Inc and Williams-Sonoma, Inc. He was Chairman of The Body Shop International plc until March 2008 and was formerly a director of various companies including Gucci Group NV and The Robert Mondavi Corporation.

Colin Day (53, British)
Joined Reckitt Benckiser in September 2000 from Aegis Group plc where he was Group Finance Director from 1995. He was formerly a Non-Executive Director of Vero plc, the Bell Group plc, easyJet plc and Imperial Tobacco plc. He is a Non-Executive Director of WPP Group plc and Cadbury plc.

Dr Peter Harf (62, German) #
Joined the Board as a Non-Executive Director in 1999 and is the Deputy Chairman. He served as Chairman of the Remuneration Committee until June 2004. He is Chairman of Coty Inc. and Anheuser Busch Inbev and was until May 2007 a Director of the Brunswick Corporation. He is Chief Executive Officer of Joh. A. Benckiser SE.

Kenneth Hydon (64, British)* #
Was appointed a Non-Executive Director in December 2003 and Chairman of the Audit Committee in November 2006. He is a Fellow of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers. He was the Senior Independent Non-Executive Director between February 2005 and November 2006. He retired as Financial Director of Vodafone Group plc in July 2005 and is currently a Non-Executive Director of Tesco plc, Pearson plc and the Royal Berkshire NHS Foundation Trust.

Graham Mackay (59, British/South African) ‡
Was appointed a Non-Executive Director in February 2005 and the Senior Non-Executive Director in November 2006. He is the current Chief Executive of SABMiller plc, one of the world's largest brewers with brewing interests or major distribution agreements in over sixty countries across six continents. He joined the then South African Breweries Limited in 1978 and has held a number of senior positions within that group. He joined the Board of Philip Morris International Inc in October 2008.

André Lacroix (49, French) *
Was appointed a Non-Executive Director in October 2008. He is Group Chief Executive of Inchcape plc and Chairman of Good Restaurants AG. He was previously Chairman and Chief Executive Officer of Euro Disney, and has also held positions at Burger King (Diageo), Colgate, PepsiCo and Ernst & Young LLP.

Judith Sprieser (55, American) ‡#
Was appointed a Non-Executive Director in August 2003 and has been Chair of the Remuneration Committee since June 2004. She was previously Chief Executive Officer of Transora, Inc., an e-commerce software and service company and Executive Vice President (formerly Chief Financial Officer) of Sara Lee Corporation. She is a Director of Allstate Insurance Company, USG Corporation, InterContinental Exchange, Inc., Royal Ahold NV and Adecco SA.

David Tyler (56, British) *
Was appointed a Non-Executive Director in February 2007. He is Chairman of Logica plc and of 3i Quoted Private Equity plc, and also a Non-Executive Director of Experian plc and Burberry Group plc. His executive career from 1974 to 2006 was spent in financial and general management with Unilever plc, County NatWest Ltd., Christie's International plc and GUS plc.

* Member of the Audit Committee
‡ Member of the Remuneration Committee
\# Member of the Nomination Committee

The Executive Committee

Javed Ahmed (49, Pakistani)
Executive Vice President, Europe. Joined in 1992 as General Manager Canada and then UK. Appointed SVP North American Household in 2001 and EVP, North America and Australia in 2003. Previously with P&G and Bain & Company. Javed is responsible for Europe, including Eastern Europe, and Russia.

Colin Day (53, British)
Chief Financial Officer. Joined in September 2000 from Aegis Group plc where he was Group Finance Director. Previously with Kodak, British Gas, De La Rue Group plc and ABB Group. Colin is responsible for financial controls and reporting, treasury, tax, corporate development, legal affairs and internal audit.

Rakesh Kapoor (50, Indian)
Executive Vice President, Category Development. Joined in 1987 serving in various regional and central marketing roles. In 2001 became SVP, Regional Director, Northern Europe and was appointed EVP Category Development in 2006. Rakesh is responsible for global category management, R&D, media, market research and strategic alliances.

Bart Becht (52, Dutch)
Chief Executive Officer. Joined in 1988 and was General Manager in Canada, UK, France and Italy before becoming Chief Executive of Benckiser Detergents, then Benckiser N.V. Appointed Chief Executive Officer of Reckitt Benckiser in 1999. Bart is Chairman of the Executive Committee.

Rob de Groot (42, Dutch)
Executive Vice President, North America & Australia. Joined in 1988. After international roles in marketing and sales became General Manager The Netherlands, then SVP, Regional Director, Eastern Europe and appointed Global Category Officer, Surface and Dish in 2005. Appointed EVP North America & Australia in 2008.

Alain Le Goff (56, French)
Executive Vice President, Supply. Joined in 1986 serving as Industrial Director in France, Monaco, Germany and then Logistics Director for the Group. Previously with Lesieur. Alain is responsible for global supply chain including procurement, manufacturing, warehousing and logistics and for leading Squeeze and X-trim gross margin enhancement programmes. Alain retires in March 2009 and will be succeeded by Amedeo Fasano.

Freddy Caspers (48, German)
Executive Vice President, Developing Markets. Joined in September 1997 as EVP for Eastern Europe. Previously in PepsiCo and Johnson & Johnson in various roles in Europe, US, Eastern Europe and Turkey. Freddy is responsible for Asia Pacific, Latin America and Africa Middle East.

Gareth Hill (42, South African)
Senior Vice President, Information Services. Joined in October 2006. Previously Information Systems Director at Arcadia Group Ltd. Prior to Arcadia, Gareth was at IBM UK Ltd, Rex Trueform Clothing Ltd in South Africa and Arthur Andersen. He is a qualified chartered accountant.

Frank Ruether (56, German)
Senior Vice President, Human Resources. Joined in July 1996 as Personnel Director and appointed SVP Human Resources in 1997. Previously with Mars as Director of Compensation & Benefits (Europe). Frank is responsible for human resources management, remuneration and benefits, office facilities and organisational development.

2008 was another very good year for Reckitt Benckiser.

The Company posted very strong financial results and further improved its global market positions.

Adrian Bellamy Chairman

Strong performance

2008 saw the Company achieve very strong financial results despite increasingly turbulent economic conditions globally. This performance, following a number of years of strong growth, is testament to the strength of the Company's strategy and execution, and the quality of its employees and their leadership, headed up by our CEO Bart Becht.

Importantly, the Company further expanded into consumer health care in the USA with the acquisition of Adams, a key strategic ambition. The Adams acquisition was completed in January 2008 and the business has performed strongly over the year, ahead of our expectations.

Cash for shareholders

Strong growth of the business has been leveraged into even higher increases in profit and cash flow. This has allowed the Company to return significant cash to shareholders. In 2008 the Company bought back another £300m of shares and paid down the debt taken on for the Adams acquisition by over £300m.

In addition, on the back of strong performance, your Board proposes a final dividend of 48 pence. This brings the dividend for the year to 80 pence, an increase of 45%.

Board of Directors

Since the AGM held in 2008 we have appointed André Lacroix as a non-executive director effective October 2008. He is Group Chief Executive of Inchcape plc and Chairman of Good Restaurants AG. He was previously Chairman and Chief Executive Officer of Euro Disney. André brings useful experience to the Board and we welcome him. There have been two Board departures. Peter White retired at the AGM and Gerry Murphy resigned in July 2008. Our thanks go to both of them for their significant contributions to the Board during their tenures.

During the year the Board conducted its regular reviews of the performance and results of the business. It holds specific reviews with management on strategy, brand, area and functional performance together with detailed reviews of its human resources. In addition the Board completed its annual reviews of corporate governance including Board performance, corporate responsibility, and reputational and business risk.

Annual Report

This year is the first, following the amendments to the Company's Articles of Association and authorisation, to allow electronic communication of the annual report voted for at last year's AGM. I hope that this new form of communication will prove to be effective and efficient for you.

Annual General Meeting resolutions

Most of the resolutions at the Annual General Meeting this year to be held on 7 May 2009, are standard. There is a resolution to allow General Meetings to be called at 14 days' notice, as a result of an EU legislation change. This will be fully explained in the Notice of Meeting and there is a comment on it in the Report of the Directors.

Thanks

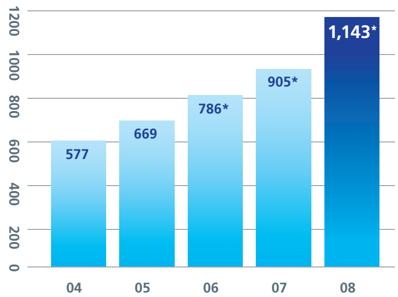
On behalf of the Board I would like to thank Bart Becht and his executive team for their continued excellent leadership of the business and thank employees globally for their achievement in delivering such strong results.

My thanks go also to my Board colleagues for their continued support and guidance. The Board never takes for granted the support of our shareholders and we thank you for your ongoing confidence in our Company.

In what looks certain to be a challenging year for global economies, the Board believes that the strategies the Company continues to pursue are the right ones and that the management team is exceptionally qualified to lead the Company to continued success.

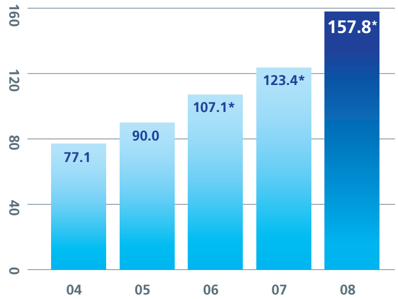
Adrian Bellamy Chairman

Adjusted net income £m



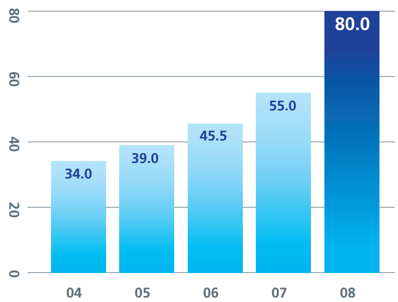
*adjusted to exclude the impact of exceptional items

Diluted earnings per share pence



*adjusted to exclude the impact of exceptional items

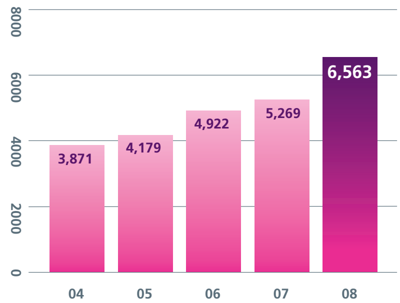
Dividend per share pence



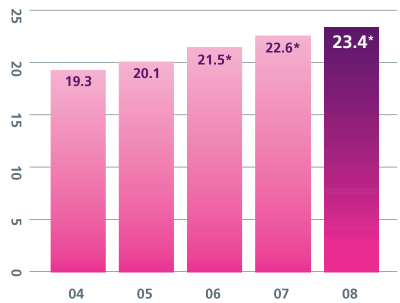
2008 business highlights. Net revenues grew by 13% (constant) to £6,563m. Adjusted operating profit up 15% (constant) to £1,535m. Total dividends paid of £441m, up 23% versus 2007.

Colin Day Chief Financial Officer

Net revenues £m

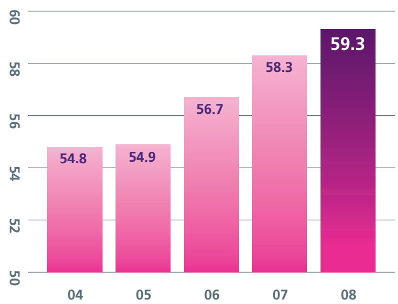


Operating margins (adjusted) %



*adjusted to exclude the impact of exceptional items

Gross margin % +100bps



This review for the financial year ending 31 December 2008 conforms to the Business Review required under the Companies Act 2006. It should be read in conjunction with the rest of this annual report, the Company's latest Sustainability Report and the Company's website (www.reckittbenckiser.com).

NATURE, OBJECTIVES AND STRATEGIES OF THE BUSINESS

Reckitt Benckiser is one of the world's leading manufacturers and marketers of branded products in household cleaning and health & personal care, selling a comprehensive range through over 60 operating companies into around 180 countries. Approximately 73% of net revenue in 2008 was generated by brands that are either market leader or ranked second in their markets. The Company's principal product categories are listed below.

Reckitt Benckiser's vision is to deliver better consumer solutions in household cleaning and health & personal care for the ultimate purpose of creating shareholder value.

The strategy of the business is described in detail in the Chief Executive's Review. In summary:

- Have a disproportionate focus on our 17 Powerbrands to realise our vision and drive above industry average growth to strengthen their global market positions.
- Transform the above industry average net revenue growth into attractive profits and cash flow.

THE COMPANY'S BRAND PORTFOLIO AND MARKET POSITION

The Company benefits from many very strong market positions for its brand portfolio. Excluding Laundry Detergent and Fabric Softener, the Company is the world market leader in household cleaning products and has leading positions in selected health & personal care categories. These positions derive from the strength of the Company's leading brands, described as Powerbrands, which are the flagship brands in the Company's five major categories and on which the Company focuses the majority of its efforts and investment. The Company also has other brands and market positions that are less of a strategic focus, but which play a role as scale builders in local markets.

These leading positions include:

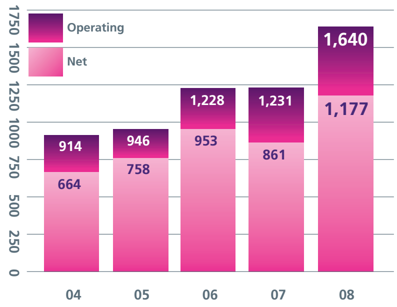
Fabric Care

- No.1 worldwide in Fabric Treatment (products to remove stains from clothes, carpets and upholstery) with *Vanish* around the globe and *Resolve/Spray 'n Wash* in North America.
- No.2 worldwide in Garment Care (laundry cleaning products for delicate garments) with *Woolite*.
- No.1 worldwide in Water Softeners (products to prevent destructive limescale build-up on washing machines and laundry) with *Calgon*.
- The Company also has a number of local market positions in Laundry Detergents and Fabric Softeners (for example, in Spain, Italy, certain East European markets and Korea). The Company also has a small private label business, the majority of which provides Laundry Detergent to major multi-national retailers in Europe.

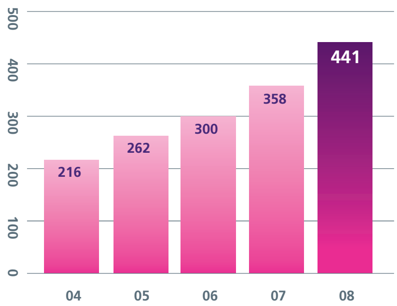
Surface Care

- No.1 worldwide in the overall Surface Care category due to leading positions across disinfectant cleaners, non-disinfectant all purpose cleaners, lavatory care, speciality cleaners and polishes/waxes.
- No.1 worldwide in disinfectant cleaners (products which both clean and disinfect surfaces, killing 99.9% of germs) with *Lysol* in North America and the Surface Care products in the *Dettol* range outside North America.
- No.1 worldwide in lavatory care with *Lysol* in North America and *Harpic* across Europe and Developing Markets.
- The Company has a number of local leading brands in non-disinfectant all purpose cleaners, speciality cleaners and polishes/waxes.

Operating and net cash flow £m



Total dividends paid £m



Dishwashing

- No.1 worldwide in Automatic Dishwashing (products used in automatic dishwashers) with *Finish/Calgonit* internationally and *Electrasol/Jet Dry* in North America.
- The Company also has some small, local positions left in the declining manual dishwashing products market.

Home Care

Home Care consists of Air Care, Pest Control and Shoe Care.

- No.2 worldwide in Air Care with *Air Wick*.
- No.2 worldwide in Pest Control with *Mortein*, the Company's international brand, supported by local brand franchises like *d-Con* in North America.
- No.2 worldwide in Shoe Care with such brands as *Cherry Blossom* and *Nugget*.

Health & Personal Care

The Health & Personal Care category consists of products that relieve or solve common personal and health problems.

- No.1 worldwide in topical Antiseptics and Antiseptic Personal Care products with *Dettol*.
- No.1 worldwide in Depilatory products with *Veet*.
- No.2 worldwide in Acne treatment with *Clearasil*.
- No.1 worldwide in Medicated Sore Throat products with *Strepsils*.
- No.2 worldwide in Cough Relief with *Mucinex*.
- Leading positions in Analgesics and Upper Gastro-Intestinal products in Europe and Australia with *Nurofen* and *Gaviscon*.
- The Company also has local leading positions in Denture Care, Dry Skin Care and Cold/Flu products.

Other

The Company also has two non-strategic businesses; Food and Pharmaceuticals.

- **Food.** The Company owns a largely North American Food business, the principal brands of which are *French's Mustard* (the No.1 mustard) and *Frank's Red Hot Sauce* (the No.2 hot sauce in North America).
- **Pharmaceuticals.** (formerly known as BBG or the Buprenorphine Business Group) is responsible for the development of the Company's *Subutex* and *Suboxone* prescription drug business. Both products are based on buprenorphine for treatment of opiate dependence. *Suboxone* is a more advanced product compared to *Subutex*, as it has substantially better protection against abuse by the opioid-dependent population. *Subutex* is principally marketed in Europe by Schering Plough Corporation, Kenilworth, New Jersey to whom it is licensed, while *Suboxone* is sold by Reckitt Benckiser directly in the USA and Australia, with Orphan Drug Status in the US until the end of September 2009. *Suboxone* has recently received marketing approval from the European Commission for treatment in the 27 states of the European Union, Norway and Iceland, with exclusivity until 2016. As with all prescription drugs, the protection of this business has a finite term unless replaced with new treatments or forms. Therefore, the revenue and income of this business may not be sustained going forward unless replaced with new treatments or forms, on which the Company is actively working. At the same time, the Company is engaged in developing potential new treatments with third parties that would have either patent protection or market exclusivity in similar areas to where it is active today.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

The household cleaning and health & personal care industry is characterised by steady growth in demand, with little variation due to macro-economic factors, particularly in developed markets. Some developing markets exhibit more volatile demand in reaction to macro-economic factors. The principal drivers of market growth in all markets are the rate of household formation and growth in the level of disposable income, combined with demand for new products that offer improved performance or greater convenience.

The industry is intensely competitive, with a comparatively small number of major multi-national competitors accounting for a large proportion of total global demand. The Company competes with numerous, well-established, local, regional, national and international companies, some of which are very large and aggressively establish and defend their products, market shares and brands. Principal competitors include FMCG companies like Procter & Gamble, Colgate-Palmolive, Clorox, S.C. Johnson, Henkel and Unilever, and such pharmaceutical companies as GlaxoSmithKline, Johnson & Johnson, Novartis and Bayer, plus a number of strong local industry players.

The Company competes, particularly in strongly branded segments, through its focus on its leading position in higher growth categories where it is typically the market leader or a close follower, and through its ability to introduce new products (whether improved or newly developed) supported by a rising and substantial level of marketing, particularly media investment. Much industry competition focuses on competing claims for product performance rather than price or terms. For this reason, failure to introduce new products and gain acceptance thereof may significantly impact the Company's operating results. The Company also encounters challenges to its leadership positions in markets, the defence against which requires significant marketing expenditure and promotional activity.

The Company's products also compete with private label products sold by major retail companies. The Company competes with private label primarily by focusing on delivering innovative new products with real consumer benefits, on which private label typically does not focus, and by consistent marketing investment to communicate the benefits of its brands direct to consumers, where private label is not advertised.

Technological change and product improvement can therefore be a key determinant of the Company's success. Reckitt Benckiser's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Company maintains a large category development organisation, including market and consumer research, R&D and marketing/sales best practice, to fuel this pipeline and share category success factors and learning. The Company invested £109m in R&D in 2008. While the Company believes R&D to be a key contributor to innovative new products, it does not believe it to be the dominant performance indicator for innovation success. The Company's success is demonstrated by the fact that over 35% of its net revenue comes from products launched over the last three years.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

The household and health & personal care industry is heavily regulated by, inter alia, the European Union, the United States government and individual country governments elsewhere. Ingredients, manufacturing standards, labour standards, product safety, marketing and advertising claims are all subject to detailed and developing regulation.

Reckitt Benckiser has operating companies in over 60 countries and has sales in around 180 countries worldwide. At present, over 75% of the Company's net revenue derives from Europe, North America and Australia/New Zealand, with the remainder coming mostly from semi-established or developing economies. The Company is expanding its operations in these semi-established economies, which may bring increased risks from greater economic volatility, additional governmental burden and regulation, political instability and local labour conditions. However, this is not the case with all developing markets, many of which offer higher economic growth potential.

The Company structures its business through a matrix of a centralised Category Development organisation, Global Sales organisation, Supply organisation and support functions (Finance, Human Resources and Information Services), combined with three Area organisations, Europe, North America & Australia, and Developing Markets, plus Reckitt Benckiser Pharmaceuticals.

The central Category Development function, where appropriate supported by Global Sales, is responsible for Powerbrand strategies, brand equity programmes and best practices and new product development (including R&D and consumer and market research), for implementation by the Area organisations.

The three geographical Areas are responsible for local execution of marketing and sales programmes:

- **Europe.** The Area covers the regions of Northern Europe (UK, Ireland, Scandinavia), Central Europe (Germany, Netherlands, Austria, Switzerland), Western Europe (France, Belgium), Southern Europe (Italy, Greece), South Western Europe (Spain, Portugal and export business) and Eastern Europe (Poland, Hungary, Czech Republic/Slovakia/Romania, Adriatics, Russia/CIS, Turkey).
- **North America & Australia (NAA).** The Area covers the markets of North America (USA, Canada), Australia and New Zealand.
- **Developing Markets.** The Area covers the regions of Latin America (Brazil, Mexico, Argentina and smaller markets), Africa Middle East (South Africa, Middle East, Pakistan, East Africa, West Africa), South Asia (India, Bangladesh, Sri Lanka, Indonesia) and East Asia (Korea, Hong Kong, China, Taiwan, Singapore, Malaysia, Thailand, Japan).

The Supply function is responsible for all procurement (raw and packaging materials and services), production and logistics globally, and is directly responsible for the operation of the Company's 41 production facilities worldwide. Approximately 85% of manufacturing and supply is through these 41 sites around the world, with facilities located in Europe (15 facilities), North America (5 facilities), Australia and New Zealand (1 facility) and the remaining facilities spread across Asia (12), Latin America (4) and Africa Middle East (4). These include a small number of facilities in higher risk labour and social environments in Asia and Latin America.

Information Services is responsible for the Company's global systems infrastructure and global systems, including the Company's chosen Enterprise Resource Planning (ERP) system and its associated programmes.

The Company has a comprehensive set of policies and procedures designed to enforce and protect its reputation and govern its business methods and practices. These cover, inter alia, a comprehensive Code of Business Conduct, an Environmental Policy, a Global Manufacturing Standard, Product Safety Policy including compliance with all regulatory requirements, and product quality. Internal controls on environmental, social, governance (ESG) matters and reputational risk are further outlined on pages 18 and 19 of this report.

RESOURCES

The major resources required by the business are an adequate supply of the raw and packaging materials consumed by the Company's products and the necessary funds for developing new products and reinvestment in advertising and promoting those brands. The other principal resource is management.

The Company considers that its primary raw materials, such as bulk chemicals (including a number of petrochemicals, plastics, pulp, metal cans etc), are generally in adequate supply globally. The cost of these items fluctuates from time to time but not at levels that seriously impinge on the ability of the Company to supply its products or generate profit. The Company is profitable and cash generative, even after reinvesting in marketing, specifically media, at levels well above the industry average. The Company therefore believes that its ability to reinvest in supporting and building its brands is a significant competitive advantage.

Supply constraints do exist in the Company's supply chain from time to time. These normally arise due to unexpected demand for new products or to the time delay involved in stepping up production of new items to the levels required to supply many millions of units internationally.

The Company's supply chain is deliberately relatively well spread in terms of geography and technology, such that the reliance on any one facility is minimised. However, there are a number of facilities that remain critical to the Company's supply chain where major interruption to normal working could involve disruption to supply. The Company's suppliers are similarly deliberately well spread in terms of geography and supplied items, but there are nonetheless some risks to continuity of supply arising from some specialised suppliers both of raw materials and of third party manufactured items.

The supply of strong management for the Company remains more than adequate. This is attributable to the Company's culture and its highly performance-oriented remuneration policy which is based on paying for excellent performance. The Company believes that its ability to attract and retain the excellent management it needs to continue its success depends critically on this system.

The Company trains and develops its management pipeline through formal training programmes focusing on three areas: leadership skills, functional skills and general skills, and through a deliberate policy of training on the job. The Company has 15 formal training modules for middle management and Top 400 managers. During 2008, the Company ran 77 courses on these modules, training over 1,300 people. Management is international, and is trained through rotation in international postings both in countries and in the Company's central functions. Succession planning is a critical management discipline and is reviewed at least annually at the full Board and the Executive Committee.

The Company closely monitors and tracks its Top 400 international managers (T400), the core management team of the business. This is a diverse group, consisting of 48 nationalities; and over 57% of the T400 is working in a country that is not their original domicile, consistent with the Company's policy to develop a multi-national management team. Turnover within this T400 group in 2008 was 9%, which the Company considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2008 saw around 29 promotions, 62 moves and fewer than 25 external recruits. The Company ended the year with an historically low level of vacancies within the T400 of 12, or around 2.7% of the measured group.

There is a comprehensive set of policies governing employment and employees to ensure that the Company remains an attractive employer. The Company is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. It is essential to the continued improvement in efficiency and productivity that each employee understands the Company's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the management process. A continuing programme of training and development reinforces the Company's commitment to employee involvement. The Board encourages employees to become shareholders and to participate in the Company's employee share ownership schemes.

The Company relies on its brand names and intellectual property. All of the Company's major brand names are protected by nationally or internationally registered trademarks. The Company also maintains patents or other protection for its significant product formulation, designs and processing methods. The Company aggressively monitors these protections and pursues any apparent infringements.

RELATIONSHIPS AND PRINCIPAL RISKS

The Company's critical external relationships are with its major customers, typically the large grocery, mass market, multiple retailers, and its suppliers of raw and packaging materials and finished goods.

The Company's customer base is diffuse with no single customer accounting for more than 10% of net revenue, and the top ten customers only accounting for between a quarter and a third of total net revenue. These customers are becoming more concentrated and more multi-national, increasing demands on the Company's service levels. In addition, many retailers compete with the Company's products with their own private label offerings. The Company maintains its relationship with its principal retail customers through the efforts of its dedicated sales force, including key account directors, and its global sales organisation specifically set up to manage its interface with the growth of international retailers.

The Company has many suppliers. The suppliers are predominantly international chemical and packaging companies. The Company sources most of its supplies through its global purchasing function, which acts as its primary interface with its suppliers.

The principal risk factors that may be considered in relation to the Group are, in the opinion of the Directors:

Market risks

- Demand for the Company's products may be adversely affected by changes in consumer preferences.
- Customers, mainly large retailers, may decide to de-list the Company's brands, or not participate in the active promotion of the brands through in-store programmes.
- Competition may reduce the Company's market shares and margins.
- The expiry of the Company's exclusive licence for *Suboxone* in the United States in 2009, with the possibility that the Company will not develop new forms that offer new intellectual property protection beyond 2009.
- Competition from private label and unbranded products may intensify.

Operational risks

- The Company's new product pipeline may not generate consumer-relevant innovation and improvement to fuel growth and build market shares.
- Key management may leave, or management turnover may significantly increase.
- Information technology systems may be disrupted or may fail, despite the Company's disaster recovery processes, interfering with the Company's ability to conduct its business.
- Regulatory decisions and changes in the legal and regulatory environment could increase costs or liabilities or limit business activities.
- Operating results may be affected by increased costs or shortages of raw materials labour or by disruption to production facilities or operating centres.
- Unfavourable economic or business conditions may adversely affect or disrupt operations in countries in which the Company operates.
- Significant movement in the exchange rates in which the Group purchases its raw materials and packaging may limit the Group's ability to expand margins.
- A major supplier or customer could experience financial difficulties, impinging on the Group's normal course of business.
- The Company may not be able to protect its intellectual property rights.

Environmental, Social and Governance (ESG) and reputational risks

Another group of risks concern the reputation of the Company and its brands, but are reduced by the fact that the Company and its brands are not necessarily connected in the mind of consumers.

Risks from the perspective of Environmental, Social and Governance (ESG) matters and reputation are discussed in the Report of the Directors on pages 24 to 29. These should be read in conjunction with the Company's annual Sustainability Reports (available on the Company's website) which address a number of potentially reputation-affecting ESG matters such as employee health & safety at work and how the Company is addressing such matters, and which are independently assured.

In summary, the principal ESG risks identified by the Company are:

- Industry sector and product & consumer safety / regulatory risks. The household products and health & personal care sectors have a number of product and ingredient issues relating to ongoing developments in ingredient regulation and concerns voiced over the potential long-term effects of household chemicals and OTC (over-the-counter) drug ingredients on human health and the environment.
- Supply chain risks. Most product and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers.
- Product quality risks. Failures in product quality controls could potentially lead to damage to the reputation of and trust in the Company's brands.

The Company has a full set of policies, programmes and control arrangements, building on its central Code of Business Conduct, that addresses the full range of ESG matters and reputational risks. The Code itself is currently the subject of a comprehensive internal training and awareness programme, and is covered by an annual review and certification process carried out by Internal Audit and the Legal Department. The Board holds a formal review of ESG matters at least annually.

Financial risks

The Company's policies and procedures on the management of financial risk are explained in detail below. The Company has a number of risk exposures in relation to tax, treasury, financial controls and reporting that are actively managed through the Company's financial manual of policies and procedures, through regular review and controls, and through regular auditing, both internal and external.

Environmental matters, employees and social & community issues

In line with the requirements of the Companies Act 2006, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Company relating to environmental matters (including the impact of the Company's business on the environment), its employees, and social & community issues. A summary of this information is provided here, with further information provided in other sections of the Business Review and in the Report of the Directors on page 27.

Overall, Environmental, Social and Governance matters and reputational risk are addressed in the Report of the Directors on pages 24 to 29, and with regard to Employees and Internal Control on pages 24 and 26. These should be read in conjunction with the Company's latest Sustainability Report (available on the Company's website at www.reckittbenckiser.com) which addresses a number of potentially reputation-affecting issues such as employee health & safety at work and how the Company is addressing those issues, and which is independently assured.

In summary environmental, employee and social & community issues identified by the Company are: product / ingredient regulation and specifically REACh (the new European framework for the Registration, Evaluation, Authorisation and Restriction of Chemicals), which is discussed in the Report of the Directors on page 27; product quality / safety and specifically the Company's arrangements for managing product quality such as to prevent large scale sub-standard quality events and its arrangements to ensure that its products are both suitable and safe for their intended use, which are discussed in the Report of the Directors on page 27; in terms of the environment, the carbon footprint of its products, which is described below; and, in terms of the impact of the Company's business on the environment, the greenhouse gas (GHG) emissions originating from its direct operations and specifically energy use at its global manufacturing operations. Due to the Company's industry sectors and product categories the greenhouse gas emissions originating from energy use at its direct operations is of medium-to-low impact in comparison to those of other similarly-sized companies, as assessed for example in recent reports of the independent Carbon Disclosure Project (CDP, www.cdproject.net); specifically, the GHG emissions from the Company's global manufacturing operations is circa. 300,000 tonnes CO_2-equivalents per annum. Additionally, the Company has been proactive in managing the energy use of its direct operations so as to continually reduce its associated GHG emissions since 2000; specifically, the Company reduced the GHG emissions from its global manufacturing facilities energy use between 2000 and 2007 by 33% per unit of production and by 21% in absolute terms.

The Company has taken a leadership position in terms of its products' carbon footprint, by seeking to understand, measure and reduce the greenhouse gas emissions generated by all stages in the product life cycle for its global product portfolio, and including amongst other things: the raw and packaging materials provided by its suppliers; the Company's own direct manufacturing and other operations; transportation of both raw materials and finished products; the retail sale of its products; consumers use of its products; and, the disposal / recycling of those products and their packaging. The Company publicly launched this initiative in November 2007, comprising its Carbon 20 programme and the target to reduce its global products' carbon footprint across their complete life cycle by 20% per unit by 2020 versus a 2007 baseline (www.Carbon20.info).

Recently, in January 2009, the Company launched Our Home Our Planet, an international consumer communication programme across many of its major brands. Our Home Our Planet aims to change consumer behaviour by informing consumers how they can reduce their impact on the environment when using the Company's products – for example by reducing domestic energy and water use – whilst also saving money on their household bills (www.ourhome-ourplanet.com).

As noted above under the section on Relationships and Principal Risks: the Company has a full set of policies, programmes and control arrangements in place, building on its central Code of Business Conduct, that addresses the full range of ESG matters and reputational risks. The Code itself is currently the subject of a comprehensive internal training and awareness programme, and covered by an annual review and certification process carried out by Internal Audit and the Legal Department. The Board holds a formal review of ESG matters at least annually.

PERFORMANCE OF THE BUSINESS IN 2008

Net revenue increased +25% (+13% at constant exchange) to £6,563m. Like-for-like growth was +10%. Adams contributed £233m for the 11 months since acquisition, while disposed businesses contributed £49m in 2007.

The gross margin improved by +100bps to 59.3% due to sales price increases, benefits from cost optimisation programmes, volume leverage and the impact of a positive mix more than offsetting higher input costs. The inclusion of the recently-acquired Adams business contributed approximately 50bps of the increase of +100bps.

Marketing investment was higher, and pure media investment rose +26% (+14% constant) to a level of 12.4% of net revenue, consistent with 2007.

Operating profit as reported was £1,505m, +22% higher than last year (+9% constant). Excluding the exceptional charge of £30m in 2008 and the net gain of £43m in 2007, adjusted operating profit was £1,535m, an increase of +29% on 2007 (+15% constant). The adjusted operating margin improved by +80bps to 23.4% due to gross margin expansion, partially offset by additional marketing investment.

Net finance expense was £31m (2007: £24m), reflecting interest on the debt to finance the Adams acquisition early in the year. The tax rate for the year was 24%.

Net income was £1,120m, an increase of +19% (+6% constant) on 2007. On an adjusted basis, net income growth was +26% (+12% at constant).

Diluted earnings per share grew +21% to 154.7 pence. Earnings per share (diluted, adjusted) increased +28% to 157.8 pence, ahead of net income growth as the accretion from the buy back more than offset dilution from new share issues.

2008 results excluding RB Pharmaceuticals

In light of the increasing significance of the RB Pharmaceutical business, the Company provides the following information relating to the performance of the business in 2008 excluding RB Pharmaceuticals (on an adjusted basis):

	RB ex Pharmaceuticals		RB Pharmaceuticals		Total RB	
	£m	% constant	£m	% constant	£m	% constant
Net revenue	6,222	+12%	341	+45%	6,563	+13%
Adjusted Operating Profit	1,342	+12%	193	+43%	1,535	+15%
Adjusted Operating Margin	21.6%	+40bps	56.6%	+70bps	23.4%	+80bps

GEOGRAPHIC ANALYSIS AT CONSTANT EXCHANGE

Europe – 50% of net revenue

2008 total net revenue increased +5% to £3,269m; excluding disposals in the prior year, like-for-like net revenue improved +7%, with growth coming across all categories. In Fabric Care, growth was led by *Vanish* behind recent initiatives such as *Vanish Oxi Action Intelligence* and *Magnets*, and *Calgon* Water Softeners. Growth in Surface Care came from new *Cillit Bang* variants (such as *Grease & Floors* and *Stain & Mildew*), *Harpic* (including the new cageless in-the-bowl toilet cleaners) and *Dettol All in 1*. Dishwashing was driven by a strong performance from *Finish Max in 1* and *Quantum*. Home Care increased as a result of new initiatives such as *Air Wick Freshmatic Mini*, *Aqua Essences* and the *Symphonia* liquid electricals range. Growth in Health & Personal Care came principally from *Nurofen* and *Strepsils*, following increases in marketing support.

For the full year, the adjusted operating margin was +10bps ahead of last year at 23.9%; this resulted in a +5% improvement in adjusted operating profit to £782m.

North America & Australia – 27% of net revenue

2008 total net revenue (including Adams) increased +22% to £1,766m. Like-for-like growth was +6%, and Adams contributed £233m to net revenue in the 11 months of ownership.

Excluding Adams, financial year net revenue growth was driven particularly by Dishwashing, Surface Care and Health & Personal Care. In Dishwashing, growth came from the continuing success of *Electrasol 3in1 Powerball* tabs, while Surface Care increased as a result of *Lysol* disinfectants and disinfectant cleaners. In Health & Personal Care, increased marketing investment helped drive strong growth for *Nurofen* and *Strepsils*.

Food performed well, with growth coming particularly from the consumer brands of *French's Yellow Mustard, French's Fried Onions* and *Frank's Red Hot Sauce*.

For the full year, adjusted operating profit increased +23% to £397m, due primarily to the mix benefit from the Adams acquisition. The adjusted operating margin was +100bps higher at 22.5%.

Developing Markets – 18% of net revenue

2008 net revenue was ahead +16% to £1,187m, with strong growth evident across all regions and categories. In Fabric Care, *Vanish* benefited from initiatives to drive category penetration across the Area. In Surface Care, *Harpic*, and *Veja* in Brazil, were the key growth drivers. In Home Care, growth came from *Air Wick*, driven by *Freshmatic*. In Health & Personal Care, range extensions and additional investment generated growth behind *Dettol*, *Veet* and *Strepsils*.

For the full year, adjusted operating profit increased by +19% to £163m. This resulted in a +30bps improvement in the adjusted operating margin to 13.7%.

Pharmaceuticals – 5% of net revenue

2008 net revenue for the Group's *Subutex* and *Suboxone* prescription drug business grew +45% to £341m. These buprenorphine-based products are used to treat opiate dependence. This very strong growth was predominantly driven by a continued increase in penetration of *Suboxone* in the USA.

For the full year, the adjusted operating margin improved by +70bps to 56.6%. Adjusted operating profit was £193m, an increase of +43%.

As a result of its Orphan Drug Status, *Suboxone* has exclusivity in the USA until the end of September 2009 and in Europe until 2016. Within the Pharmaceuticals division, the US *Suboxone* business generated net revenue of £285m and adjusted operating profit of £172m. While the Group continues to search for ways to offset the impact of the loss of exclusivity in the USA at the end of September 2009, up to 80% of the revenues and profits of that business might be lost to generic competition in 2010, with the possibility of further erosion thereafter.

CATEGORY REVIEW AT CONSTANT EXCHANGE RATES

Fabric Care. Net revenue increased +5% to £1,473m. This growth largely came from *Vanish*, driven by recent initiatives such as *Vanish Oxi Action Intelligence* and *Magnets*. *Calgon* Water Softeners also performed well due to higher marketing investment.

Surface Care. Net revenue grew +6% to £1,112m, driven by strong growth for the *Dettol* and *Lysol* ranges, the launch of further variants of *Cillit Bang* such as *Grease & Floors* and *Stain & Mildew*, and *Veja* in Brazil. *Harpic* Lavatory Care also performed well, due in part to the new cageless in-the-bowl toilet cleaner.

Dishwashing. Net revenue increased +9% to £754m due to the success of *Finish Quantum* and the launch of *Finish Max in 1* in Europe, as well as strong growth of *Electrasol 3in1 Powerball* tablets in North America behind increased investment.

Home Care. Net revenue increased +6% to £908m, driven by Air Care. Growth was led by the continuing success of *Air Wick Freshmatic* and such new initiatives as *Mini Freshmatic, Air Wick Aqua Essences* and the *Air Wick Symphonia* liquid electrical ranges.

Health & Personal Care. Net revenue increased +29% to £1,682m, with like-for-like growth of +16%. *Dettol* antiseptic grew strongly in Developing Markets, owing to the expansion of the personal wash range and higher marketing investment. Strong performance in Health care was led by *Strepsils* and *Nurofen*, boosted by such successful innovations as *Strepsils Cool* and *Sore Throat & Blocked Nose* variants and *Nurofen Express*, supported by higher investment. The Adams business contributed £233m to net revenue for the 11 months of ownership, as marketing investment drove increased penetration of *Mucinex*.

Total Household and Health & Personal Care. Net revenue was ahead by +11% to £5,996m, +8% on a like-for-like basis.

Pharmaceuticals. 2008 net revenue for the group's *Subutex* and *Suboxone* prescription drug business grew +45% to £341m, predominantly driven by a continued increase in penetration of *Suboxone* in the USA. Adjusted operating profit was ahead +43% to £193m, equating to a +70bps improvement in the margin to 56.6%.

Food. Net revenue grew +8% to £226m with good performance across the consumer portfolio, in particular further growth for *French's Yellow Mustard, French's Fried Onions* and *Frank's Red Hot Sauce*. Adjusted operating profit increased +4% to £60m.

FINANCIAL REVIEW

Like-for-like (LFL). Growth describes business performance on a comparable basis, excluding the impact of business acquistions, disposals and foreign exchange movements.

Constant exchange. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying growth of the Group.

Net income. Net income is the equivalent of profit for the year.

Net finance expense. Net interest payable was £31m, a +29% increase on 2007 (£24m), reflecting interest on the debt to finance the Adams acquisition early in the year.

Tax. The tax rate was 24%, underlying 24% (2007: 22%, underlying 24%).

Net working capital. (Inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) improved by £271m to minus £1,097m, mostly due to further improvement in payables.

Cash flow. Operating cash flow was £1,333m (2007: £975m) and net cash flow from operations was £1,177m (2007: £861m). Net interest paid was £3m higher at £27m (2007: £24m) and tax payments increased by £48m to £280m (2007: £232m). Capital expenditure was higher than the prior year at £216m (2007: £134m) due to the investment in the Muse brand and the exclusive licensing agreement with QLT USA, Inc (totaling £51m).

Net debt. Net debt at the end of the year was £1,096m (December 2007: £125m), an increase of £971m. This reflected net cash flow from operations of £1,177m, offset by the acquisition of Adams for £1,081m, the payment of two dividends totalling £441m, the share buyback of £300m and the adverse foreign exchange translation impact on net debt (minus £332m, net), predominantly arising from the strengthening of the US dollar during the year. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it, none of which expires within one year.

Balance sheet. At the end of 2008, the Group had shareholders' funds of £3,294m (2007: £2,385m), an increase of +38%. Net debt was £1,096m (2007: £125m) and total capital employed in the business was £4,390m (2007: £2,510m).

This finances non-current assets of £7,228m (2007: £4,426m), of which £637m (2007: £479m) is tangible fixed assets, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets and other receivables. The Group has net working capital of minus £1,097m (2007: minus £826m), current provisions of £73m (2007: £36m) and long-term liabilities other than borrowings of £1,668m (2007: £1,054m).

The Group's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 34.0% (2007: 39.3%) on a reported basis or 34.7% (2007: 37.9%) on an adjusted basis.

Dividends. The Board of Directors recommends a final dividend of 48.0p per share (2007: 30.0p), an increase of +60%, to give a full year dividend of 80.0p per share (2007: 55.0p), an overall increase of +45%. The dividend, if approved by shareholders at the AGM on 7 May 2009, will be paid on 28 May to shareholders on the register at the record date of 27 February 2009. The ex-dividend date is 25 February 2009 and the last date for election for the share alternative to the dividend is 6 May 2009.

Share buy back. During 2008, the Group purchased 10.7m shares at a cost of £300m as part of its share buy back programme. The Board of Directors has decided to move immediately to a dividend payout ratio of 50%, reflecting its confidence in the prospects of the Group and its future cash flow generation. The Board also considers that the optimal use of cash flow is currently to repay debt further. Therefore, it has decided to cancel the share buy back programme in 2009.

Adams acquisition. The Group completed the acquisition of Adams Respiratory Therapeutics, Inc. on 30 January 2008 for a consideration of $60 per share or approximately $2.3bn (£1.1bn). Of the net assets acquired, intangible assets (net of deferred tax) represented $1.0bn and goodwill $1.1bn. Results for the Adams business have been included in the Group's results from the date of acquisition. On acquisition, the Group announced an exceptional charge to cover the necessary reorganisation associated with the integration of Adams into Reckitt Benckiser.

Contingent liabilities. The Group is involved in the early stage of a number of enquiries from competition authorities including the European Commission and several member states. Any potential liability in respect of such enquiries is not quantifiable as at the date of this report, therefore the Directors have made no provision for such potential liabilities.

Financial risk management

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into the Group Treasury Centre (GTC) to achieve benefits of scale and control. The GTC manages financial exposures of the Group centrally in a manner consistent with underlying business risks. The GTC manages only those risks and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of treasury activity and individually approves significant activities. The GTC operates under the close control of the Chief Financial Officer and is subject to periodic independent review and audits, both internal and external.

Foreign exchange risk

(a) Translation risk

The Group publishes its financial statements in sterling but conducts business in many foreign currencies. As a result, it is subject to foreign currency exchange risk due to the effects that exchange rate movements have on the translation of the results and the underlying net assets of its foreign subsidiaries.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

(b) Transaction risk

It is the Group's policy to monitor and, only where appropriate, hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services, and from the remittances of foreign currency dividends and loans. The local business units enter into forward foreign exchange contracts with the GTC to manage these exposures where practical and allowed by local regulations. The GTC matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

Market price risk

The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods such as oil related and a diverse range of other raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

Interest rate risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group manages its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group manages its interest rate exposure on its gross financial assets by using a combination of fixed rate term deposits and forward rate agreements.

Credit risk

The Group has no significant concentrations of credit risk. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board.

Liquidity risk

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements. None of the Group's borrowing facilities expires within one year.

Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to the GTC. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or above.

Capital management

The Company's objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In maintaining an appropriate capital structure and providing returns for shareholders, in 2008 the Company adopted a programme of returning cash to shareholders through a combined dividend and share buy back programme, current details of which are included in the Financial Review for the year, above.

The Group monitors net debt (total borrowings less cash and cash equivalents). Due to the low level of net debt in its recent history, the Company does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Detail of numerical disclosures relating to the Group's financial risk management are included in note 24 to the Accounts on page 65.

COMPANY PROSPECTS

The Company believes it is well-positioned to continue to deliver on its strategic objective of profitable growth.

For the medium-term outlook, the Company targets to deliver above industry average growth in net revenue, converted into attractive growth in earnings, with increasing capital efficiency. The Company has confidence in its ability to continue to generate strong cash flow and to return substantial cash to shareholders annually.

The unknown factor is the ability of the Company to enhance its prospects through mergers and acquisitions. The industries in which it competes are already characterised by high levels of concentration, resulting in very infrequent opportunities to buy worthwhile assets or businesses. The Company is of the belief that add-on acquisitions, geographically and by product category, could enhance the business, but is not in a position to forecast if and when such acquisitions might occur. The Company retains substantial resources to fund such acquisitions and believes it has the management capability to absorb, integrate and manage such acquisitions within its existing structure.

The Company is targeting a strong year in 2009. Based on the current market outlook, the Group's targets in 2009 are for net revenue growth of +4% (base £6,563m) and net income growth of +8-10% (base £1,143m), both at constant exchange.

Cautionary note concerning forward looking statements

This document contains forward looking statements, including statements with respect to the financial condition, results of operations and business of Reckitt Benckiser and certain of the plans and objectives of the Company with respect to these items. These forward looking statements are made pursuant to the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of strategic transactions are forward looking statements. These forward looking statements are not guarantees of future performance: By their nature, forward looking statements involve known and unknown risk and uncertainty and other factors because they relate to events and depend on circumstances that will occur in the future. There are a number of factors, discussed in this report, that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements, including many factors outside Reckitt Benckiser's control. Past performance cannot be relied upon as a guide to future performance. Each forward looking statement speaks as of the date of the particular statement.

KEY PERFORMANCE INDICATORS

The Board and the Executive Committee have identified a number of Key Performance Indicators (KPIs) that are most relevant to the Company and are used to measure performance.

KPI	2007	2008	Comments
Net revenue growth % like-for-like growth of net revenues at constant exchange	+9%	+10%	Measures the increase in sales of the Company
Powerbrands % of net revenue from top 17 brands	66%**	70%	Measures the growth and importance of the Company's flagship brands
Gross margin % gross profit as % of net revenues	58.3%	59.3%	Measures the resources available for reinvestment or profit growth
Media investment media investment as % of net revenue	12.4%	12.4%	Measures the rate of reinvestment in the Company's brands
Operating margin %* operating profit as % of net revenue	22.6%	23.4%	Measures the profitability of the Company
EPS (fully diluted)* % change in EPS (fully diluted)*	123.4p +15%	157.8p +28%	Measures the increase in profit per share of the Company
Net cash flow £m see page 39	£861m -10%	£1,177m +37%	Measures how the Company converts its profits into cash
Net working capital ratio (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) as % of net revenue	-£826m -15.7%	-£1,097 -16.7%	Measures the ability of the Company to finance its expansion and release cash from working capital
Management turnover	10.1%	9%	% of T400 management that has left the Company
% of net revenue in No.1 or No.2 brand positions	77%	73%	Measures the health of the Company's brand market positions

* Adjusted to exclude the impact of exceptional items

** Re-stated to reflect the reduction in the number of Powerbrands to 17 from 18, and to include those local brands being transitioned into Powerbrands

The Directors submit their second Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2008.

Review of the activities and development of the Group's business

The principal activities continue to be the manufacture and sale of household and health care products.

Audited results for the period are set out on pages 37 to 79. The performance of the business is described in the Chairman's Statement on page 14, the Chief Executive's Statement on pages 1 to 3 and the Business Review on pages 15 to 23. Within the Business Review, which appears on pages 15 to 23, principal risk factors are given under 'Relationships and Principal Risks' on pages 18 and 19, details of the key performance indicators (KPIs) are given on page 23 and information on the likely future developments of the Company under 'Company Prospects' on page 22. Information regarding environmental matters, the Company's employees and social and community issues are given on page 19. Information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company are given on page 18.

The information referred to above fulfils the requirements of the business review provisions of s.417 of the Companies Act 2006 and is incorporated by reference into, and shall be deemed to form part of, this report together with the other information referred to in this report. This Report of the Directors has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

In July 2008, the Directors resolved to pay an interim dividend of 32p per ordinary share (2007 25p). The dividend was paid on 25 September 2008. The Directors are recommending a final dividend for the year of 48p per share (2007 30p), which, together with the interim dividend, makes a total for the year of 80p per share (2007 55p). The final dividend, if approved by the shareholders, will be paid on 28 May 2009 to ordinary shareholders on the register at the close of business on 27 February 2009.

In the view of the Directors, the Group's likely future development will continue to centre on the main product categories in which it now operates.

Research and development

The Group continues to carry out research and development in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2008 amounted to £109m (2007 £92m).

Acquisitions and disposals

On 30 January 2008, the Group completed the acquisition of Adams Respiratory Therapeutics, Inc.

There have been no material disposals during the year.

Employees

During 2008, the Group employed an average of 24,300 (2007 23,400) people worldwide, of whom 2,400 (2007 2,200) were employed in the UK. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

It is essential to the continued improvement in efficiency and productivity throughout the Group that each employee understands the Company's strategies, policies and procedures.

Open and regular communication with employees at all levels is an essential part of the management process. A continuing programme of training and development reinforces the Group's commitment to employee involvement.

The Board encourages employees to become shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Sharesave schemes across the world give employees the opportunity to acquire shares in the Company by means of regular savings.

Share capital

As at 31 December 2008, the Company's issued share capital comprised two classes of share: subscriber and ordinary shares, the preference shares having been redeemed at par on 31 July 2008. Details of changes to the ordinary shares issued, shares held in Treasury, and of options and awards granted during the year are set out in note 21 to the accounts.

The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company except, in the case of transfers of securities:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

No person holds securities in the Company carrying special voting rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Directors were granted authority at the last Annual General Meeting (AGM) held in 2008 to allot relevant securities up to a nominal amount of £23,694,000. That authority will apply until the conclusion of this year's AGM. At this year's AGM, on 7 May 2009, shareholders will be asked to grant an authority to allot relevant securities up to a nominal amount representing approximately one third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM, such section 80 authority to expire on 30 June 2010 (the last date by which the Company must hold an AGM in 2010) or on the date of the next AGM of the Company in 2010, whichever is earlier.

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount representing less than 5% of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM.

As described in the Chairman's Statement on page 14 a rolling share buy back programme has continued throughout 2008. Details of market purchases made, under the authorities given to the Directors by shareholders on 4 September 2007 and at the Annual General Meeting held on 1 May 2008 to make such purchases up to a maximum of 72,000,000 shares, are given in note 21 on page 62. The authority granted on 1 May 2008 will apply until the conclusion of this year's AGM. The shares purchased may be held as Treasury shares or cancelled, depending upon the best interests of the Company.

The Company has decided not to pursue a buy back programme in 2009, following the decision to move to a dividend payout ratio of 50%. However, the buy back programme is subject to regular review and accordingly a resolution seeking to renew this authority will be put to shareholders at this year's AGM so that the Directors retain the flexibility to reinstate the share buy back programme should they so decide. This authority will be limited to a maximum of 72,000,000 ordinary shares and sets the minimum and maximum prices which may be paid.

Directors

Information regarding the Directors of the Company who were serving on 31 December 2008 and those serving at the date of this report is set out on page 12. Further biographical details of all Directors are available from the Company's website.

During the year there were the following changes to the Board of Directors. Peter White and Gerard Murphy resigned on 1 May 2008 and 17 July 2008 respectively. André Lacroix joined the Board as a Non-Executive Director on 1 October 2008. As Mr Lacroix's appointment was made subsequent to the date of the 2008 AGM, he will offer himself for election at this year's AGM.

Adrian Bellamy and Peter Harf have served on the Board for more than nine years and under the Combined Code, are therefore obliged to offer themselves for re-election on an annual basis.

A statement of Directors' interests in the share capital of the Company is shown in Table 1 at the end of this report.

Details of Directors' options to subscribe for shares in the Company are included in Table 2 on page 34 in the audited part of the Directors' Remuneration Report.

Details of the Directors' service agreements are given on page 35.

Corporate governance
The Company recognises the importance of high standards of corporate governance.

It understands, supports and has applied the principles set out in the Combined Code on Corporate Governance, as issued in July 2006, and has complied with the great majority of the detailed provisions contained in the Code. The ways in which the Company applies these principles, and the few provisions with which the Company does not consider that it is appropriate to comply, are set out in the appropriate sections of this Annual Report and Financial Statements.

The Board comprises seven Non-Executive Directors including Adrian Bellamy, the Chairman, who has the responsibility for managing the Board, and two Executive Directors, Bart Becht, the Chief Executive Officer (CEO), and Colin Day, the Chief Financial Officer (CFO). The Company has adopted a Board structure which is similar to that of its key international competitor companies, the majority of which are based in the USA. The Board approves strategy, carries out an advisory and supervisory role and accepts ultimate responsibility for the conduct of the Company's business. The CEO, together with the other members of his Executive Committee, provides the day-to-day management of the Company.

The Board has identified Graham Mackay as the Senior Independent Non-Executive Director in accordance with provision A.3.3 of the Combined Code. The majority of Non-Executive Directors are independent, as recommended by the Combined Code.

Two of the Non-Executive Directors are not considered to be independent for all purposes: Adrian Bellamy, as Chairman of the Board and because he has served as a Director for more than nine years, and Peter Harf, Deputy Chairman, because of the shareholding he represents and because he has served as a Director for more than nine years.

Mr Day is a Non-Executive Director of WPP Group plc and in 2008, it has been agreed, subject to certain specific conditions, that he be allowed to join the Board of Cadbury plc with effect from 1 December 2008. This is non-compliant with Combined Code Provision A.4.5 which requires that no full time Executive Director should hold more than one non-executive directorship in a FTSE 100 company. Both WPP Group plc and Cadbury plc are FTSE 100 companies. This exception has been made because the Board believes that experience as the Chairman of the Cadbury plc audit committee will be useful in Mr Day's role as CFO of Reckitt Benckiser.

The Articles of Association require that every Director will seek re-election to the Board at least every three years, in line with provision A.7.1 of the Combined Code.

The Board meets a minimum of five times a year and will meet further as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. In 2008, there were five regular meetings, one held by telephone conference and one where resolutions were passed in writing. A statement of the Directors' attendance at these Board meetings, and at meetings of Board Committees on which they served during the year, is shown in Table 2 at the end of this report. In compliance with Code provision A.1.3 the Chairman holds a session with other Non-Executive Directors at the conclusion of each formal Board meeting without the Executive Directors present. The Chairman and other Non-Executive Directors devote sufficient time to the Company.

During the year the Board has carried out a formal evaluation of its performance and that of its Committees and individual Directors in accordance with Code provision A.6.1.

The Board analysed responses from all Board members to a detailed questionnaire. Graham Mackay, as the Senior Independent Non-Executive Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues with input from both Executive Directors. The Nomination Committee has primary responsibility for reviewing the performance of individual Directors and in addition to this review process, the Chairman carried out an evaluation of the performance of individual Directors by face-to-face, one-on-one interviews. The Board is of the view that it is best placed to carry out such evaluations, without the need to employ the services of an outside consultancy, and that this is an appropriate and cost-effective procedure. The performance of the CEO, and of other members of the Executive Committee, is regularly reviewed by the Remuneration Committee of the Board.

The Executive Committee presents an annual strategic review and the Annual Plan to the Board for its approval. Actual performance against the Plan is presented to the Board at each of its regular meetings and any changes to forecasts as a result of current performance are reviewed.

All members of the Board receive timely reports on items arising at meetings of the Board to enable them to give due consideration to such items in advance of the meetings.

Non-Executive Directors receive appropriate briefings on the Company and its operations around the world when they are appointed to the Board. They are encouraged to visit the Company's offices and factories, whenever the opportunity presents itself, where they can be briefed on the local business operations. The Board endeavours to hold one meeting each year at one of the operating units.

Full, formal and tailored induction processes are put in place on appointment to the Board which retain flexibility to allow the new Director to have input to the induction process so that areas of particular interest to that Director can be accommodated.

All the Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing the Company's operations. A procedure exists for the Directors to take independent professional advice, if necessary, in furtherance of their duties at the Company's expense.

The members of the Executive Committee are appointed to the Committee by the CEO, who leads the Committee.

The Executive Committee manages the day-to-day operations of the Company. Individual Executive Committee members hold global responsibility for specific operating functions including category development, supply, finance, human resources and information services. The three Area Executive Vice Presidents covering Europe, North America/Australia and Developing Markets are also members of the Committee.

The Company has procedures in place to deal with conflicts of interest and these procedures have operated effectively.

Committees of the Board
The Company has established three Committees of the Board, the terms of reference of which are available on the Company's website and upon request.

Audit Committee
The Audit Committee comprises three Non-Executive Directors: Kenneth Hydon, Chairman since 16 November 2006, David Tyler and André Lacroix. Two members of the Committee have recent and relevant financial experience: Kenneth Hydon, FCMA, FCCA, FCT, Financial Director of Vodafone Group plc until July 2005, and David Tyler, FCMA, MCT, Group Finance Director of GUS plc until October 2006.

The Committee monitors the adequacy and effectiveness of the internal controls, compliance procedures and the Group's overall risk framework (including the Group's whistleblowing arrangements). It reviews the interim and full year financial statements before submission to the full Board and makes recommendations to the Board regarding the auditors and their terms of appointment. It reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process.

The Committee met three times in 2008. For a period following the resignation of Gerard Murphy in July, the constitution of the Committee was non-compliant with provision C.3.1 of the Combined Code as it had only two Non-Executive directors as members. It became compliant again upon the appointment of

André Lacroix as a Committee member in November 2008. The Committee received regular technical updates from the external auditors to keep abreast of changes in financial reporting and governance matters. In addition to its routine agenda, the Committee received additional presentations from senior management covering Information Services, Internal Audit, Group Tax and Group Treasury functions. The Committee took advantage of a Board meeting held overseas to meet with, and receive presentations from, the local financial management and a member of the Committee also attended an overseas balance sheet review meeting with Group management.

The CFO and other senior management attend these meetings by invitation. The Group's external auditors and the Group's Vice President, Internal Audit attend meetings and have direct access to the Committee.

Remuneration Committee

The Remuneration Committee, chaired by Judith Sprieser, meets regularly to review remuneration policy for Directors and senior executives. The Committee also has responsibility for making decisions on the Chairman's remuneration. The Committee comprises three members, of whom two are considered independent as defined by the standards of the Combined Code. Adrian Bellamy is not considered independent being the Chairman of Reckitt Benckiser Group plc and having served on the Board for more than nine years. The Board considers that Mr Bellamy should remain a member of the Remuneration Committee in light of his considerable experience and much valued contribution to the working of the Committee. Under the revised Combined Code issued in July 2006, it is acceptable for the Chairman to sit on the Remuneration Committee.

Nomination Committee

The Nomination Committee is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board of Directors.

As and when vacancies arise on the Board, the services of an external search consultancy are employed to seek candidates for appointment. The Nomination Committee reviews each candidate as presented by the consultancy and all members of the Committee are involved in the interview process before making their recommendations to the full Board. All members of the Board are given the opportunity to meet the recommended candidates prior to their appointment.

The Committee comprises the Chairman, who also chairs the Committee, the CEO, the Deputy Chairman and the Chairs of both the Audit and Remuneration Committees. The Board believes this membership is appropriate to the Group despite this not being in compliance with Code provision A.4.1, which requires a majority of the members to be independent. Adrian Bellamy is not considered independent as he is the Chairman of Reckitt Benckiser Group plc and has served on the Board for more than nine years, Peter Harf is not considered independent because of the shareholding he represents and because he has served on the Board for more than nine years, and Bart Becht is not considered independent because he is the CEO.

Following the introduction of s.175 of the Companies Act 2006 on 1 October 2008 and, further to authority given by shareholders at the AGM in May 2008 to the Directors to authorise conflicts of interest, the Nomination Committee has under its revised Terms of Reference the primary responsibility for considering Directors' conflicts of interest. The Committee will consider Directors' other directorships and appointments at least annually as part of the overall corporate governance evaluation process and, more frequently as circumstances may require. The Committee will recommend to the full Board whether a conflict or potential conflict should be approved. Approval is required to be given by the full Board and may not be delegated to a Board committee. Under s.175, all Directors are under a duty to consider their positions fully at all times. They must advise the Chairman immediately, if they believe a potential conflict may arise so that the Nomination Committee may consider the position and the appropriate course of action. This may require a Director to absent himself from Board discussions or be precluded from receiving Board papers and may, in extreme circumstances, require his resignation from the Board.

Internal control

The Board acknowledges that it has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, and has established a control structure designed to manage the achievement of business objectives. The system complies with the Turnbull guidance on internal control and provides reasonable, but not absolute, assurance against material misstatement or loss.

Throughout the year the Group has had in place an ongoing process for identifying, evaluating and managing the significant risks and opportunities faced by the Group and the Board has performed a specific assessment of internal control for the purpose of this Annual Report. The Group's control environment is supported by a Code of Business Conduct, which employees receive training on annually, and a range of policies on corporate responsibility. Other key elements within the internal control structure are summarised as follows:

- The Board and management – the Board continues to approve strategy and performs an advisory and supervisory role with the day-to-day management of the Company being undertaken by the Executive Committee. The CEO and other Executive Committee members have clearly communicated the Group vision, strategy, operating constitutions, values and business objectives across the Group.
- Organisational structure – the Group operates three Area management organisations; Europe, North America/Australia and Developing Markets and centralised functions covering category management, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control are embedded in the responsibilities of line executives.
- Budgeting – there is an annual planning process whereby detailed operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and are reviewed by the Board on an annual basis.
- Management reporting – there is a comprehensive system of management reporting. The financial performance of operating units and the Group as a whole is monitored against budget on a monthly basis and is updated by periodic forecasts. Area and functional executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities.
- Risk management – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented.

A summary of the most significant risks faced by the Group is included in the Business Review on pages 18 to 19.

- Operating unit controls – each operating unit maintains internal controls, which are appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of the Group are entered into after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects.
- Monitoring – the effectiveness of internal controls is monitored regularly through a combination of management review, self-assessment and internal and external audit. The results of external and internal audit reviews are reported to and considered by the Audit Committee, and actions are taken to address significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of internal control on behalf of the Board.

The Board confirms that reviews of the appropriateness and effectiveness of the system of internal control throughout the financial year have been satisfactorily completed in compliance with provision C.2.1 of the Combined Code. In particular major risks have been identified and ongoing monitoring procedures are in place.

Group policy in respect of non-audit services provided by external auditors

The Audit Committee and the CFO keep under review the independence and objectivity of the external auditors. The Committee reviews the nature and level of non-audit services undertaken by the external auditors each year to satisfy itself that there is no effect on their independence. The Board recognises that in certain circumstances the nature of the advice required may make it more timely and cost-effective to appoint the external auditors who already have a good understanding of the Group. Any significant information technology consultancy projects are put out to tender and the external auditors are excluded from this tender process.

The external auditors report to the Audit Committee on the actions they take to comply with professional and regulatory requirements and with best practice designed to ensure their independence from the Group, including periodic rotation of the lead engagement audit partner. Details of non-audit services are set out in note 4 on page 47.

Environmental, social and governance (ESG) matters and reputational risk

In line with the requirements of the Company's Act 2006, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Company relating to environmental matters (including the impact of the Company's business on the environment), its employees, and social & community issues. Much of the information required is provided here, and with regard to Employees and Internal Control on pages 24 and 26 of the Report of the Directors, with an overall summary and other information provided in the Business Review on page 19.

The Board regularly considers and takes account of the significance of ESG matters and their potential risks to the business of the Company, including risks relating to environmental impacts, employees, society and communities, as well as reputational risks and the opportunities to enhance value that may arise from an appropriate response.

The Board undertakes a formal review of ESG matters at least annually, which includes providing oversight to ensure that the Company has in place effective policies, systems and procedures for managing ESG matters and mitigating significant ESG risks. Additionally, as part of its risk assessment procedures, the Board's Audit Committee undertakes regular reviews of the arrangements for, and effectiveness of, risk management and internal audit, including the full range of risks facing the Company, which include risks relating to ESG matters, reputational risks and risks relating to employees.

The CEO is the Board member with specific responsibility for ESG matters. As part of established management processes, which include performance management systems and appropriate remuneration incentives, senior management reports directly to the CEO on ESG matters on a regular basis.

Key areas of ESG internal control and performance, including ESG disclosures, are independently reviewed and verified by both internal and external organisations, including Internal Audit, and their findings regularly reported to senior management, the CEO, the Audit Committee and the Board.

The Board has identified and assessed the range of ESG and associated reputational risks and concluded that there are limited material risks to the Company's long- and short-term value arising from ESG matters, other than potential risks common to similarly sized businesses operating in its industrial sectors and with similarly well-known brands.

The issues of potential material ESG and reputational risk identified by the Board include:

- Industry sector and product safety / regulatory risks:
  The household products and health & personal care sectors have a number of potential product and ingredient risks, relating to ongoing developments in ingredient regulation and concerns voiced over the potential long-term effects of household chemicals and OTC (over-the-counter) drug ingredients on human health and the environment. The Company has comprehensive management processes in place – at Group, Area, Regional and National level – to ensure that its products are both suitable and safe for their intended use, in addition to meeting applicable regulatory requirements. Additionally, regulatory compliance and product safety issues are proactively addressed by both national and regional industry associations of which the Company is an active member, including those in Europe and North America/Australia. For example, the HERA (Human and Environmental Risk Assessment) project, established in 1999, is a voluntary industry programme of publicly available risk assessments on ingredients of household cleaning products (www.heraproject.com).

  As part of the Company's commitment to make continual improvements in the environmental sustainability of its products and processes, it continues to progress ingredient removal programmes, above and beyond regulatory requirements, to systematically remove specific ingredients from Company product formulae and packaging/device component specifications globally. For example, recent programmes include: removal of nitro and polycyclic (artificial) musks, and Geranyl Nitrile, from fragrances; removal of PDCB (paradichlorobenzene) from toilet blocks; removal of NPEs (Nonyl Phenol Ethoxylates), APEs (Alkyl Phenol Ethoxylates) and monoethylene series glycol ethers from use in household cleaning products; removal of brominated flame retardants from devices; and, the replacement of formaldehyde preservative.

  REACh (Registration, Evaluation, Authorisation and Restriction of Chemicals) is the new framework for regulation and management of chemicals in Europe which was formally adopted by the European Union in December 2006 and entered into force in 2007.

  Under REACh, as part of a phased programme over several years, industry is required to register most substances that are manufactured, imported or used in Europe. The first of these phases, pre-registration, started on 1 June 2008. For the majority of substances (i.e. ingredients) used in the Company's products the responsibility for registration will lie with its suppliers, who manufacture or import the ingredients used. The Company continues to work closely with its suppliers as REACh is implemented, to ensure that the ingredients used in its products are registered. In addition, the Company has in place an internal REACh Task Force to ensure that all of its products and their ingredients remain compliant as REACh is implemented over the next few years.
- Supply chain risks: Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers. The Company's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for both the Company and its suppliers. Management processes and controls in place include Group, Area and Regional monitoring and auditing of compliance with the GMS (and other) requirements, including the external audit of third party product manufacturers.
- Product quality risks: Failures in product quality controls could potentially lead to damage to the reputation of, and trust in, the Company's brands. The Company has comprehensive quality management processes and procedures in place, including Group, Area, Regional and site-level Quality Assurance functions that oversee and monitor product quality globally.

The Company's annual Sustainability Report (available at www.reckittbenckiser.com) provides further information on its policies, systems and procedures for managing ESG matters and any material risks that may arise from them, including: the extent to which it complies with those policies, systems and procedures; Key Performance Indicators (KPIs); and its sustainability programmes, targets and progress.

The Board believes that it receives adequate information and training on ESG matters and their potential risks and opportunities to the business of the Company, including reputational risks.

Sustainability and corporate responsibility
Information on the Company's management of sustainability and corporate responsibility issues is provided: above; in other sections of this Report of the Directors (for examples regarding Employees and Internal Control); in the Business Review page 19; and, in the Company's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

Relations with shareholders
The Board is committed to effective communication between the Company and its shareholders. The Executive Directors, with the Director, Investor Relations, meet regularly with institutional shareholders and financial analysts, in Europe and North America, to discuss matters relating to the Company's business strategy and current performance issues. The Board receives regular monthly reports from the CEO which include updates on the share price development, major buyers and sellers of shares and on investor views, including analyst reports on the industry and specifically on the Company. Feedback on presentations and roadshow meetings with institutional investors is presented to the Executive Directors following twice-yearly roadshows in Europe and North America.

The Chairman is available to discuss governance and strategy with major shareholders should such a dialogue be requested. During the year the Chairman has met with shareholders in satisfaction of Code Provision D.1.1 and reports upon these meetings to the Directors. The Company believes that it is important that it makes key executives available, along with the Senior Independent Non-Executive Director, if required, to discuss matters of concern with its shareholders. The Company's Annual General Meeting is used as the main opportunity for the Directors to communicate with private investors.

Policy on the payment of creditors
It is the Company's policy to follow the CBI Prompt Payers' Code. This policy requires the Company to agree the terms of payments with its suppliers, to ensure that those suppliers are aware of those terms and to abide by those terms. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

Directors' responsibilities
The following statement, which should be read in conjunction with the Auditors' Report set out on pages 36 and 72, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements. The Directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year, and of the profit or loss for the year.

The Directors consider that, in preparing the financial statements on pages 37 to 79 including the information on Directors' remuneration on pages 30 to 35, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors (as set out on page 12) consider that, to the best of their knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company.

The Directors are also responsible for ensuring that reasonable procedures are being followed for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors (as set out on page 12) consider that, to the best of their knowledge, the financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of principal risks and uncertainties.

Going concern
The Directors, having made appropriate enquiries, are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Audit
The Directors, having made appropriate enquiries, state that:

a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

b) each Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Charitable and political donations
Donations to charitable organisations in the UK amounted to £704,000 (2007 £606,000) of which £439,000 was donated to Save the Children, the Company's nominated global charity. No political donations were made (2007 £nil).

AGM
The notice convening the second AGM of the Company to be held on Thursday, 7 May 2009 at 11.15 am at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN is contained in a separate document for shareholders.

One effect of the proposed implementation of the Shareholder Rights' Directive in August 2009 will be to increase the notice period for general meetings of the Company to 21 days. The Company can currently call general meetings (other than an AGM) on 14 clear days' notice and in order to preserve its ability so to do, will be asking shareholders at the AGM to pass a resolution approving the calling of meetings on 14 days' notice. This approval will be effective until 30 June 2010 (the last date by which the Company must hold an AGM in 2010) or on the date of the next AGM of the Company in 2010, whichever is earlier.

Takeovers Directive
Pursuant to s.992 of the Companies Act 2006, which implements the EU Takeovers Directive, the Company is required to disclose certain additional information. The following gives those disclosures which are not covered elsewhere in this Annual Report.

The Company's Articles of Association (the 'Articles') give the Board power to appoint Directors, but also require Directors to retire and submit themselves for election at the first Annual General Meeting following their appointment. Under the Combined Code, and the Articles, all Directors are required to offer themselves for re-election every three years.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's Memorandum of Association and the Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and shareholders are asked to renew such authorities each year at the AGM. A copy of the Articles is available on request from the Company Secretary.

Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company's shareholders.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as commercial contracts, bank agreements, property lease arrangements and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

There are no significant agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the AGM.

Substantial shareholdings

As at 2 March 2009, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

	% of total voting rights	No of ordinary shares	Nature of holding
JAB Holdings B.V.	15.62	111,105,415	Indirect
Legal and General Group plc and/or its subsidiaries	4.13	29,371,884	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	3.32	23,525,098	Indirect

By order of the Board

Elizabeth Richardson
Company Secretary
103-105 Bath Road
Slough, Berks SL1 3UH

10 March 2009

Table 1 – Interests in the share capital of the Company

The Directors in office at the end of the year had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	2 March 2009	31 December 2008	31 December 2007
Adrian Bellamy	**17,385**	17,385	16,372
Bart Becht	**1,774,669**	1,774,669	1,803,916
Bart Becht – non-beneficial	**1,263,821**	1,263,821	333,821
Colin Day	**364,624**	364,624	356,746
Peter Harf	**742,341**	742,341	842,020
Kenneth Hydon	**4,433**	4,433	4,193
Graham Mackay	**1,252**	1,252	1,012
André Lacroix	**1,088**	88	-
Judith Sprieser	**2,654**	2,654	2,410
David Tyler	**1,127**	1,127	806

Notes

1 No person who was a Director (or a member of a Director's family) on 31 December 2008 had any notifiable share interests in any subsidiary.
2 The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

Table 2 – Attendance at meetings

In 2008, there were five regular Board meetings, one Board meeting held by telephone conference, and one where resolutions were passed in writing, in accordance with the Articles of Association. There were three Audit Committee meetings, seven Remuneration Committee meetings (including three dealt with by written resolution and one by telephone conference) and two Nomination Committee meetings. Written resolutions are required to be signed by all Directors on the Board or Members on the Committee. Attendance by individual Directors at Board meetings and at meetings of Committees on which they sit is given in the table below.

Number of meetings attended

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		7		7	2
Peter Harf		7			2
Bart Becht		7			2
Colin Day		6			
Kenneth Hydon		7	3		2
André Lacroix	(a)	1			
Graham Mackay		6		7	
Gerard Murphy	(b)	2	1		
Judith Sprieser		7		7	2
David Tyler		7	3		
Peter White	(c)	2			

Notes

(a) André Lacroix attended the one Board meeting held in 2008 following his appointment on 1 October 2008.
(b) Gerard Murphy attended two of the four Board meetings held prior to his resignation on 17 July 2008.
(c) Peter White resigned his appointment at the AGM on 1 May 2008. He attended all meetings of the Board prior to his resignation.

Remuneration Committee

The Remuneration Committee of the Board (the "Committee") is responsible for determining and reviewing the terms of employment and remuneration of the Executive Directors and Senior Executives. The remuneration principles established for this senior group of employees provide the framework for the remuneration packages of all other Executives. The Committee also has responsibility for determining the remuneration of the Chairman.

The Committee meets as necessary and in 2008 there were seven meetings including three held by written resolution and one by telephone conference. The Committee comprised three members in 2008, of whom one, Mr Bellamy, is not considered independent since he has served on the Board for more than nine years. As a result the constitution of the Remuneration Committee is non-compliant with Combined Code provision B.2.1. The Board considers that Mr Bellamy should remain a member of the Remuneration Committee in light of his considerable experience and much valued contribution to the working of the Committee.

Judith Sprieser has served as Chairman of the Committee since June 2004. She joined the Committee in November 2003. Graham Mackay has served on the Committee since February 2005, and Adrian Bellamy since 1999. A search is currently underway for an additional Non-Executive Director to join the Committee.

As well as reviewing Executive Directors' base salaries and benefits, the Committee determines the incentive arrangements that will apply. It aims to set challenging and demanding performance targets and to ensure that incentive awards at the end of each year fully reflect the Company's performance. The Committee's terms of reference are available on the Company's website.

Policy on remuneration

The Committee's overriding objective is to ensure that Reckitt Benckiser's remuneration policy encourages, reinforces and rewards the delivery of outstanding shareholder value. This approach has been a key ingredient in Reckitt Benckiser's success. Management, incentivised by the remuneration system, is delivering outstanding performance. The graphs below show that the Company has outperformed both the UK FTSE 100 and the US remuneration peer group in terms of Total Shareholder Return (TSR) over the last five years. £100 invested on 31 December 2003 in Reckitt Benckiser would have resulted in a shareholding worth £226 on 31 December 2008, compared to £118 and £134 if invested in the FTSE 100 and peer group respectively.

Reckitt Benckiser is a global Company operating a global remuneration policy, and the core principles on which that policy is based are as follows: first, in order to attract and retain the best available people, the Committee has – and will continue to adopt – a policy of executive remuneration based on competitive practice. Reckitt Benckiser competes for management skills and talent in the same international marketplace as its main competitors, the vast majority of which are based in the US. In accordance with this policy principle, total remuneration for Executive Directors and other Senior Executives will be benchmarked against the upper quartile of a peer group comprising Reckitt Benckiser's main competitors, together with a range of comparable companies in the US consumer goods industry.

Historical TSR performance

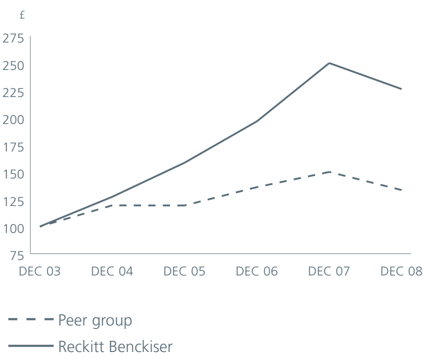
Growth in the value of a hypothetical £100 holding over five years. FTSE 100 comparison based on spot values.

Notes

The graph above shows the performance of Reckitt Benckiser in terms of TSR performance against the UK FTSE 100 index over a five-year period and conforms to the Directors' Remuneration Report Regulations 2002. The index was selected on the basis of companies of a comparable size in the absence of an appropriate industry peer group in the UK.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over five years. Peer group comparison based on spot values.



Notes

The graph above shows the performance of Reckitt Benckiser in terms of TSR performance against our current US remuneration peer group over a five-year period. These companies include Church & Dwight, Clorox, Colgate-Palmolive, Johnson & Johnson, Procter & Gamble and Sara Lee.

The second principle is to align the interests of Executive Directors and Senior Executives with those of shareholders through a variable performance based compensation policy and the Company's share ownership policy.

In this context, variable pay is, and will continue to be, the major element of our current Executive Directors' and Senior Executives' total compensation package. Accordingly, the Executive Directors' compensation package comprises, in addition to base salary, an annual cash bonus and share based incentives. Highly leveraged annual cash bonuses, linked to the achievement of key business measures within the year, are designed to stimulate the achievement of outstanding annual results.

To balance the management's orientation between the achievement of short- and long-term business measures, the Committee believes that longer-term share based incentives are also appropriate. In broad terms, if the Group achieves its target levels of performance, the variable elements will amount to over 80% of Executive Directors' total remuneration. If performance is unsatisfactory, then no cash bonuses will be paid and long-term incentives will not vest.

The Company believes that the remuneration package in place, and the mix of fixed and variable pay within that package, meets these core principles. The Committee's market-driven approach to remuneration requires that it regularly reviews its policies and will discuss changes with shareholders as appropriate.

Base salaries

Base salaries are normally reviewed annually with effect from 1 January. Increases are determined by reference to competitive practice in our remuneration peer group, individual performance and in the context of salary increases across the Company as a whole. The policy is that salaries for Executive Directors and other Executive Committee members should typically be around the median of competitor market practice.

The approach to reviewing the base salaries of Executive Directors is the same as that for other employees. Base pay increases for Executive Directors from 1 January 2008 were 4% in line with typical base pay increases for Executives in Reckitt Benckiser. The base pay increase for Executive Directors from 1 January 2009 will also be 4%, again in line with typical base pay increases for other Executives.

Annual cash bonus

The annual cash bonus is closely linked to the achievement of demanding pre-determined targets geared to above-industry performance. The current performance measures are net revenue and net income growth. The Remuneration Committee each year sets performance standards with reference to prevailing growth rates in the Company's peer group and across the consumer goods industry more broadly. Target bonus will only be earned where the Company's performance is above the industry median. Still more stretching percentage growth rates have been set above target, and the achievement of these delivers higher bonus payments for superior performance.

For 2009, as in 2008, the Executive Directors will participate in the annual cash bonus scheme under which they may receive 100% (CEO) and 75% (CFO) of base salary for achieving target performance. For the achievement of outstanding performance, which the Board sets at a level approximately double the industry median, the bonus potential is 357% (CEO) and 268% (CFO) of base salary.

Similar incentive arrangements are used for other Executives worldwide. Annual bonuses are not pensionable. The Committee also reserves the right, in exceptional circumstances, to make individual cash awards.

Long-term incentives

The Committee believes that a significant element of share based remuneration ensures close alignment of the financial interests of the Executive Directors and other key Executives with those of shareholders. This is underpinned by a significant share ownership requirement on Senior Executives, with penalties for non-compliance, which are described in more detail below.

Long-term incentives comprise a mix of share options and performance shares. Both the levels and combination of share options and performance shares are reviewed on an annual basis with reference to competitive market data and the associated cost of share provision.

The Committee benchmarks total remuneration for Executives against the upper quartile of its peer group. This is then delivered through a combination of base salary, annual cash bonus and long-term incentives. In carrying out the benchmarking exercise, the Company's long-term incentives and those of the peer group are valued using an expected value valuation methodology which is widely accepted and enables "like-for-like" comparisons.

The Committee will continue to review the award levels and market data on an annual basis, and make appropriate adjustments when required. Following the 25% reduction in the number of share options and performance shares awarded to Mr Becht and Mr Day in 2008, the Committee is comfortable that their total target remuneration is now appropriately positioned.

While the use of performance conditions attached to the vesting of long-term incentive awards is still a minority practice among Reckitt Benckiser's peer group, the Committee believes that the vesting of the Company's options and performance share awards should be subject to the satisfaction of appropriate performance conditions.

As such, long-term incentives only vest subject to the achievement of earnings per share (EPS) growth targets that exceed industry benchmarks. EPS has been selected as the performance condition for three reasons:

- it focuses Executives on real profit growth;
- it provides the most appropriate measure of the Company's underlying financial performance;
- it is a measure that the performance of the Executive Directors can directly impact.

EPS is measured on an adjusted diluted basis as shown in the Company's reported accounts as this provides an independently verifiable measure.

The vesting schedule for the options and performance shares rewards superior performance. For 2009, the Committee has set the same targets and levels of awards as in the previous year, having regard to: the industry context in which the Company operates, sensible expectations of what will constitute performance at the top of the peer group, and factors specific to the Company.

For the full vesting of options and performance shares, the Committee has set an exceptional performance target of an average EPS growth of 9% per year. This is equivalent to almost 30% over a three-year period. The threshold when options and shares start to vest is when EPS grows by an average of 6% per year. This is equivalent to 19% over a three-year period, which the Committee considers, based on past and future expected performance, exceeds the industry growth average.

Average EPS growth per year (%)	EPS growth over three years (%)	% of options and shares vesting
9	29.5	100
8	26.0	80
7	22.5	60
6	19.1	40

The Committee decided that the performance target attached to the vesting of awards to Executive Directors, EVPs and other Senior Executives will not be re-tested in respect of awards made from 2005 onwards. As a result, if any target has not been met three years after the date of grant, any remaining shares which have not vested will lapse.

If the performance condition is met, then the option term is ten years from the date of grant. Awards under the long-term incentive plans are not pensionable.

Share ownership policy

Executive Directors and other Senior Executives are subject to a compulsory share ownership policy. The objective of this policy is to emphasise the alignment of Senior Executives to the Company and its business targets.

In order to fulfil the share ownership policy, Executive Directors and other Senior Executives must own the following number of shares:

Individual/Group	Ownership requirement
CEO (1)	600,000 shares
CFO/EVPs (6)	200,000 shares
Other Senior Executives (30)	30-75,000 shares

The total number of ordinary shares held by Mr Becht at 31 December 2008 is 3,038,490 of which 1,774,669 are beneficial and 1,263,821 are non-beneficial. The total number of ordinary shares held by Mr Day at 31 December 2008 is 364,624.

As these shareholding requirements are significantly more stringent than market practice, executives, including those newly-recruited or promoted into Senior Executive positions, are allowed eight years to reach these targets.

If the Executive does not meet these requirements within the required time period, the Committee will not make any further option grants or awards of performance shares to the Executive until the targets have been met. Further, if, in the Committee's opinion, an Executive is not making sufficient progress towards satisfying the requirement, then it will reduce the level of grants and awards to that Executive until improvement is demonstrated.

Pensions

In line with the Committee's emphasis on the importance of only rewarding the Executive Directors for creating shareholder value, Reckitt Benckiser operates a defined contribution pension plan, the Reckitt Benckiser Executive Pension Plan. Mr Becht and Mr Day are both members of this plan.

Mr Becht's Company pension contribution was 30% of pensionable pay during 2008. Mr Day's Company pension contribution was 25% of pensionable pay in 2008.

In 2008 only Mr Becht continues to be affected by the new lifetime limit brought about by the UK tax changes effective from April 2006. In 2006 the Committee decided the most cost-effective approach was to maintain his current pension commitment, and to make pension contributions in excess of the lifetime allowance into a funded and unapproved defined contribution pension arrangement.

Service agreements

Service contracts for future Executive Directors will be rolling and terminable on six months' notice. Termination payments may include payment in lieu of notice, and contracts will provide liquidated damages of six months' base salary plus twelve months' bonus calculated as the average of the annual bonus paid (if any) in the two years up to the termination. Any bonus earned will be included in the termination payment on the basis that a high proportion of pay is related to performance and that in the event of termination for poor performance it is unlikely that any bonus will have been paid. The service contracts for current Executive Directors are detailed on Table 3 of the Directors' Remuneration Report.

Non-Executive Directors do not have service agreements, but are subject to re-election by shareholders every three years.

Remuneration policy for the Chairman and Non-Executive Directors

The Board, in the light of recommendations from the CEO, Mr Becht, and the CFO, Mr Day, determines the remuneration of the Non-Executive Directors.

Adrian Bellamy's annual fee as Chairman in 2008 was £300,000, and the net proceeds of £50,000 of this fee were used to acquire shares in the Company which he is obliged to retain until he steps down from the Board.

Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Board Committee meetings. In 2008, the basic level of fees was £65,000. Of this, £12,000 must be used to acquire shares in the Company and these shares must be retained until the Non-Executive Director steps down from the Board. The Chairmen of the Remuneration Committee and Audit Committee received an additional £15,000 per annum on top of the basic fee. Other Non-Executive Directors received an additional £5,000 per annum Committee membership fee on top of the basic fee.

It is the policy of the Board – which the Board has no plans to change – that Non-Executive Directors are not eligible for pension fund membership and will not participate in any of the Company's bonus, share option or long-term incentive schemes.

Fee levels are reviewed every two years, with the Board taking external advice on best practice and competitive levels, taking into account the responsibilities and time commitment of each Non-Executive Director. Following the 2008 scheduled review, the fee levels for 2009 will be as follows:

Adrian Bellamy's annual fee as Chairman in 2009 will be £345,000, and the net proceeds of £62,000 of this fee must be used to acquire shares in the Company which he is obliged to retain until he steps down from the Board.

Peter Harf's annual fee as Deputy Chairman in 2009 will be £80,000, and the fees of the other Non-Executive Directors will be £75,000. The Chairmen of the Remuneration Committee and Audit Committee will receive an additional £15,000 per annum on top of the basic fee. The other Non-Executive Directors will receive an additional £10,000 per annum Committee membership fee on top of the basic fee, plus Graham Mackay will receive a further £7,000 as Senior Independent Director. The Non-Executive Directors must use £13,500 of their total fee to acquire shares in the Company, with the exception of Peter Harf who must use £14,500 of his total fee to acquire shares in the Company.

External appointments

Mr Day is a Non-Executive Director of WPP Group plc and in 2008, it has been agreed, subject to certain specific conditions, that he be allowed to join the Board of Cadbury plc, which he did on 1 December 2008. This is non-compliant with Combined Code Provision A.4.5 which requires that no full time Executive Director should hold more than one Non-Executive Directorship in a FTSE 100 company. Both WPP Group plc and Cadbury plc are FTSE 100 companies. This exception has been made because the Board believes that experience as the Chairman of the Cadbury plc Audit Committee will be useful in Mr Day's role as Chief Financial Officer of Reckitt Benckiser.

Mr Day's gross annual fee for his appointment with WPP Group plc was £65,000 for his services in 2008. His gross annual fee with Cadbury is £55,000, and he was paid a pro-rated amount of £4,583 for his services in 2008. The Company allows Mr Day to retain the fees paid for these external appointments.

The process of the Committee

The Committee has formally appointed Mercer Limited as its external and independent adviser and, during the year, they have provided advice to the Board on Executive compensation levels, structure and design, plus issues relating to retirement benefits. Additional advice was provided by Deloitte LLP during the last two months of the year.

Internal advisers include the CEO, Mr Becht, and the SVP Human Resources, Mr Ruether. No individual is present when their own remuneration is being discussed.

The Committee has the discretion to consider corporate performance on environmental, social and governance (ESG) issues when setting remuneration of executive directors; and has oversight that the incentive structure for senior management does not raise ESG risks by inadvertently motivating irresponsible behaviour. Throughout 2008, the Company complied with the relevant sections of the 2003 Combined Code. It has complied fully with Section B and Schedule A (relating to the design of performance-related remuneration) of the provisions of the Combined Code published in 2006 relating to the Directors' remuneration. The contents of this report also comply with the Schedule 7A of the Companies Act 1985.

Approved by the Board on 10 March 2009 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

The information on pages 33 to 35 (except where labelled) comprises the auditable disclosures of the Report on Directors' Remuneration.

In 2008, Reckitt Benckiser continued to perform very well against its peers, and for two years in succession has exceeded the maximum stretch targets designed to achieve maximum bonus payments. Bonus payments for Executive Directors accordingly increased by an average of 4%. This increase is due to above industry average performance for the core business operations.

Remuneration disclosures

Table 1

	Notes	Base salary and fees £000	Bonus £000	Benefits in kind £000	Other payments £000	Pension contri-butions £000	2008 Total £000	2007 Total £000
Chairman								
Adrian Bellamy	1	300					300	300
Executive Directors								
Bart Becht	2	949	3,387	85	48	282	4,751	4,552
Colin Day	2	415	1,112	18	–	104	1,649	1,582
Non-Executive Directors								
Peter Harf	3	70					70	70
Kenneth Hydon	3	80					80	80
Graham Mackay	3	70					70	70
Gerard Murphy (resigned 17 July 2008)	3	46					46	70
Judith Sprieser	3	80					80	80
Peter White (resigned 1 May 2008)	3	27					27	70
David Tyler (appointed 26 Feb 2007)	3	70					70	59
Andre Lacroix (appointed 1 Oct 2008)	3	18					18	n/a
Total		**2,125**	**4,499**	**103**	**48**	**386**	**7,161**	**6,933**

Notes

1 Mr Bellamy's fees as Chairman for 2008 were £300,000 These fees include £50,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by Mr Bellamy while in office.

2 The remuneration reported under "Other payments" in respect of Mr Becht relates to other international transfer related benefits (2007 £35,000).

3 Non-Executive Director fees include £12,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by the Director while in office.

4 The total emoluments of the Directors of Reckitt Benckiser Group plc as defined by schedule 6 of the Companies Act were £6,775,000 (2007 £6,564,000).

5 The aggregate gains made by the Directors on the exercise of share options and vesting of restricted shares during the year were £36,298,064 (2007 £23,529,591). The gains are calculated based on the market price at the date of exercise for share options and vesting of restricted shares, although the shares may have been retained and no gain realised.

6 The total emoluments of the highest paid Director (excluding pension contributions) were £4,469,686 (2007 £4,281,259).

The 2008 remuneration package for Executive Directors comprised base salary, annual cash incentive bonus, long-term incentives in the form of share options and restricted shares, non-pensionable cash supplement, pension contributions, fully expensed company car (or cash equivalent) and health insurance, and school fees and preparation of tax returns in the case of the Chief Executive Officer.

Pensions
Mr Becht and Mr Day are both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a standard company contribution rate of 30% of pensionable pay for Mr Becht (2007 30%), and 25% for Mr Day (2007 25%).

Table 2 – Directors' options and restricted share awards

Table 2 sets out each Directors' options over or rights to ordinary shares of the Company under the Company's various long-term incentive plans. The middle market price of the ordinary shares at the year end was £25.78 and the range during the year was £30.10 to £23.14.

Long-term incentives	Notes	Grant date	At 01.01.08	Granted during the year	Exercised/ vested during the year	At 31.12.08	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Bart Becht										
Options	1	29.09.99	967,000		967,000	–	7.040		26.96-29.74	May 03-Dec 09
	2	17.12.01	715,834			715,834	9.504			May 05-Dec 11
	2	22.11.02	1,000,000			1,000,000	11.186			May 06-Nov 12
	2	8.12.03	800,000			800,000	12.760			May 07-Dec 13
	2	6.12.04	800,000			800,000	15.470			May 08-Dec 14
	2	5.12.05	800,000			800,000	18.100			May 09-Dec 15
	2	8.12.06	800,000			800,000	22.570			May 10-Dec 16
	2	11.12.07	600,000			600,000	29.440			May 11-Dec 17
	2	8.12.08		600,000		600,000	27.290			May 12-Dec 18
Performance-based restricted shares	2	22.12.99	80,000			80,000		5.810		May 03-Dec 09
	2	6.12.04	400,000		400,000	–		15.370	29.21	May 2008
	2	5.12.05	400,000			400,000		18.160		May 2009
	2	8.12.06	400,000			400,000		23.000		May 2010
	2	11.12.07	300,000			300,000		29.720		May 2011
	2	8.12.08		300,000		300,000		27.800		May 2012
Colin Day										
Options	2	8.12.03	160,000		160,000	–	12.760		25.81-25.98	May 07-Dec 13
	2	6.12.04	160,000			160,000	15.470			May 08-Dec 14
	2	5.12.05	160,000			160,000	18.100			May 09-Dec 15
	2	8.12.06	160,000			160,000	22.570			May 10-Dec 16
	2	11.12.07	120,000			120,000	29.440			May 11-Dec 17
	2	8.12.08		120,000		120,000	27.290			May 12-Dec 18
Performance-based restricted shares	2	6.12.04	80,000		80,000	–		15.370	29.21	May 2008
	2	5.12.05	80,000			80,000		18.160		May 2009
	2	8.12.06	80,000			80,000		23.000		May 2010
	2	11.12.07	60,000			60,000		29.720		May 2011
	2	8.12.08		60,000		60,000		27.800		May 2012

Sharesave Scheme	Grant date	At 01.01.08	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.08	Option price (£)	Market price at exercise	Exercise period
Bart Becht	04.09.06	1,011				1,011	16.900		Feb 14-July 14
Colin Day	04.09.06	553				553	16.900		Feb 10-July 10

Notes

1 For compound average annual growth (CAAG) in earnings per share over a three-year period of 6%, 9%, 12% and 15%, the percentage of options vesting under the initial grant on 29 September 1999 is 40%, 60%, 80% and 100% respectively. This grant vested 100% on 7 May 2003 but is exercisable as to one-third of the grant from that date, the second one-third exercisable from 1 January 2004 and the final one-third from 1 January 2005.

2 Vesting of long-term incentives is subject to the achievement of the following compound average annual growth (CAAG) in earnings per share over a three year period.

				Proportion of grant vesting (%)
	40	60	80	100
CAAG for long-term incentives granted in December 99 and September 00	6	9	12	15
CAAG for long-term incentives granted in December 00	6	8	10	12
CAAG for long-term incentives granted in December 01, November 02, December 03-08	6	7	8	9

3 The grant made in December 2004 vested in full following the Company's Annual General Meeting in May 2008. The Company exceeded its target compound average actual growth (CAAG) in earnings per share over a three year period (2005-2008) of 9%.

Table 3 – Service contracts for Executive Directors

	Date of original service contract	Date of amendment	Unexpired term	Notice period	Compensation for early termination
Bart Becht	3 December 1999	19 November 2003	n/a	6 months	0.5 x base salary, 1 x average bonus in previous two years
Colin Day	21 July 2000	9 December 2003	n/a	6 months	0.5 x base salary 1 x average bonus in previous two years

Table 4 (not auditable)
In 2008, members of the Executive Committee (9) received around 38%, Senior Executives (next 27) around 17% and other Executives (next 380) around 45% of the total awards made under the long-term incentive plans. The total grants have resulted in 0.8% (based on the current issued share capital) being used for discretionary long-term incentive plans in 2008 and 7.9% over a rolling ten-year period from 1999 to 2008. See table below.

Shares placed under option in all schemes in the last ten years, less lapsed

	Total (millions)
Discretionary Plans	
Reckitt Benckiser Executive Plans	55.3
Reckitt & Colman Executive Plans	1.3
Share Ownership Policy Plan	0.3
Employee	
Sharesave UK	1.4
Sharesave US	2.7
Sharesave Overseas	4.0
Share Participation Scheme	0.2
Total	**65.2**

Independent auditors' report to the members of Reckitt Benckiser Group plc

We have audited the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2008 which comprise the Group income statement, the Group statement of recognised income and expense, the Group balance sheet, the Group cash flow statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' responsibilities section of the Report of the Directors.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Group financial statements. The information given in the Report of the Directors includes that specific information presented in the Business Review 2008 that is cross referred from the review of the activities and development of the Group's business section of the Report of the Directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services 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 other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chief Executive's Statement, the Board of Directors and Executive Committee, the Chairman's Statement, the Business Review 2008, the Report of the Directors (including statements on Corporate governance), the unaudited part of the Directors' Remuneration Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, 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 Group 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 Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the Group financial statements.

Separate opinion in relation to IFRSs

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 March 2009

Notes:

- The maintenance and integrity of the Reckitt Benckiser Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

For the year ended 31 December 2008	Notes	2008 £m	2007 £m
Net revenues	2	**6,563**	5,269
Cost of sales	3	**(2,673)**	(2,197)
Gross profit		**3,890**	3,072
Net operating expenses	3	**(2,385)**	(1,839)
Operating profit	2	**1,505**	1,233
Operating profit before exceptional items		**1,535**	1,190
Exceptional items	3	**(30)**	43
Operating profit		**1,505**	1,233
Finance income		**31**	22
Finance expense		**(62)**	(46)
Net finance expense	6	**(31)**	(24)
Profit on ordinary activities before taxation		**1,474**	1,209
Tax on profit on ordinary activities	7	**(354)**	(271)
Profit for the year		**1,120**	938
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity holders of the parent		**1,120**	938
Profit for the year		**1,120**	938
Earnings per ordinary share			
On profit for the year, basic	8	**157.6p**	131.2p
On profit for the year, diluted	8	**154.7p**	127.9p
Dividend per ordinary share	9	**62.0p**	50.0p
Total dividends for the year	9	**441**	358

Group statement of recognised income and expense

For the year ended 31 December 2008	Notes	2008 £m	2007 £m
Profit for the year		**1,120**	938
Net exchange adjustments on foreign currency translation	22	**491**	93
Actuarial gains and losses	5	**(85)**	25
Movement of deferred tax on pension liability	22	**11**	(5)
Available for sale reserve	22	**(8)**	–
Tax movement on share option exercises	22	**(23)**	18
Net hedged gains and losses taken to reserves	22	**19**	(5)
Net gains not recognised in income statement		**405**	126
Total recognised income relating to the year		**1,525**	1,064
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity shareholders of the parent		**1,525**	1,064
		1,525	1,064

Group balance sheet

As at 31 December 2008	Notes	2008 £m	2007 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	10	**6,454**	3,811
Property, plant and equipment	11	**637**	479
Deferred tax assets	20	**93**	106
Available for sale financial assets	14	**25**	–
Other receivables		**19**	30
		7,228	4,426
Current assets			
Inventories	12	**556**	382
Trade and other receivables	13	**906**	682
Derivative financial instruments	24	**69**	11
Available for sale financial assets	14	**6**	39
Cash and cash equivalents	15	**417**	328
		1,954	1,442
Total assets		**9,182**	5,868
LIABILITIES			
Current liabilities			
Borrowings	16	**(1,571)**	(487)
Provisions for liabilities and charges	17	**(73)**	(36)
Trade and other payables	18	**(2,189)**	(1,635)
Tax liabilities		**(383)**	(266)
		(4,216)	(2,424)
Non-current liabilities			
Borrowings	16	**(4)**	(5)
Deferred tax liabilities	20	**(1,172)**	(705)
Retirement benefit obligations	5	**(316)**	(187)
Provisions for liabilities and charges	17	**(31)**	(19)
Tax liabilities		**(128)**	(120)
Other non-current liabilities	19	**(21)**	(23)
		(1,672)	(1,059)
Total liabilities		**(5,888)**	(3,483)
Net assets		**3,294**	2,385
EQUITY			
Capital and reserves			
Share capital	21	**72**	72
Merger reserve	22	**(14,229)**	(14,229)
Hedging reserve	22	**13**	(6)
Available for sale reserve	22	**(8)**	–
Foreign currency translation reserve	22	**432**	(59)
Retained earnings	22	**17,012**	16,605
		3,292	2,383
Equity minority interests	23	**2**	2
Total equity		**3,294**	2,385

Approved by the Board on 10 March 2009.

Adrian Bellamy
Director

Bart Becht
Director

Group cash flow statement

For the year ended 31 December 2008	2008 £m	2007 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Operating profit	**1,505**	1,233
Depreciation	**100**	84
Amortisation	**7**	9
Impairment of tangible fixed assets	**–**	5
Impairment of intangible fixed assets	**–**	27
Fair value gains	**–**	(2)
Loss/(gain) on sale of property, plant and equipment and intangible assets	**5**	(1)
Gain on disposal of subsidiary undertakings	**–**	(127)
Increase in inventories	**(65)**	(39)
Increase in trade and other receivables	**(32)**	(13)
Increase in payables and provisions	**61**	3
Share award expense	**59**	52
Cash generated from operations	**1,640**	1,231
Interest paid	**(58)**	(46)
Interest received	**31**	22
Tax paid	**(280)**	(232)
Net cash generated from operating activities	**1,333**	975
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	**(216)**	(134)
Disposal of property, plant and equipment	**9**	19
Acquisition of businesses, net of cash acquired	**(1,081)**	–
Disposal of subsidiary undertakings	**–**	260
Maturity of short-term investments	**34**	(17)
Net cash (used)/generated by investing activities	**(1,254)**	128
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**63**	52
Share purchases	**(300)**	(300)
Proceeds from borrowings	**1,146**	–
Repayments of borrowings	**(506)**	(503)
Dividends paid to the Company's shareholders	**(441)**	(358)
Net cash used in financing activities	**(38)**	(1,109)
Net increase/(decrease) in cash and cash equivalents	**41**	(6)
Cash and cash equivalents at beginning of period	**311**	298
Exchange gains	**46**	19
Cash and cash equivalents at end of year	**398**	311
Cash and cash equivalents comprise		
Cash and cash equivalents	**417**	328
Overdrafts	**(19)**	(17)
	398	311
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS		
Net cash generated from operating activities	**1,333**	975
Net purchases of property, plant and equipment	**(156)**	(114)
Net cash flow from operations	**1,177**	861

Management uses net cash flow from operations as a performance measure.

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

Basis of preparation

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through the Group income statement. A summary of the Group's more important accounting policies is set out below.

The preparation of financial statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates.

The following standards, amendments and interpretations became effective for accounting periods beginning on or after 1 January 2008:

- IFRIC 11 "Group and Treasury share transactions". The standard does not have a material impact on the Group accounts.
- IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". The standard does not have a material impact on the Group accounts.

The following standard, although not yet effective, has been early adopted by the Group for the accounting year beginning 1 January 2008:

- IFRS 8 "Operating segments", effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 "Segment reporting", and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the Reckitt Benckiser Pharmaceuticals ('RB Pharmaceuticals') segment is now reported separately having previously been included within Europe and NAA based upon the geographical location of its sales. Operating segments are reported in a manner consistent with the internal reporting provided to the executive management responsible for key operating decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level. The change in reportable segments has not resulted in any goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2007 have been restated.

The following standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2008, but are not relevant to the Group's operations:

- IFRIC 12 "Service concession arrangements".
- IFRIC 13 "Customer loyalty programmes".
- IFRIC 17 "Distributions of non-cash assets to owners".
- IFRIC 18 "Transfers of assets from customers".

The following standards and interpretations are not yet effective and have not been early adopted by the Group:

- IAS 23 (amendment), "Borrowing costs", effective from 1 January 2009.
- IAS 1 (revised), "Presentation of Financial Statements", effective from 1 January 2009.
- IFRS 2 (amendment), "Share based payments", effective from 1 January 2009.
- IAS 32 (amendment), "Financial instruments: presentation" and IAS 1 (amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation", effective from 1 January 2009.
- IFRS 1 (amendment), "First time adoption of IFRS", and IAS 27 "Consolidated and separate financial statements", effective from 1 January 2009.
- IAS 27 (revised), "Consolidated and separate financial statements", effective from 1 July 2009.
- IFRS 3 (revised), "Business combinations: revised", effective from 1 July 2009.
- IFRS 5 (amendment), "Non-current assets held-for-sale and discontinued operations", (and consequential amendment to IFRS 1 "First time adoption"), effective from 1 July 2009.
- IAS 28 (amendment), "Investments in associates", (and consequential amendment to IAS 32 "Financial instruments: presentation", and IFRS 7 "Financial instruments: disclosure"), effective from 1 January 2009.
- IAS 36 (amendment), "Impairment of assets", effective from 1 January 2009.
- IAS 38 (amendment), "Intangible assets", effective from 1 January 2009.
- IAS 19 (amendment), "Employee Benefits", effective from 1 January 2009.
- IAS 1 (amendment), "Presentation of Financial Statements", effective from 1 January 2009.
- There are a number of minor amendments to IFRS 7, "Financial instruments: Disclosures", IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10, "Events after the reporting period", IAS 18, "Revenue", and IAS 34, "Interim financial reporting", which are part of the IASB's annual improvements project published in May 2008 (not addressed above). The amendments to the standards are still subject to endorsement by the EU.
- IFRIC 16 (amendment), "Hedges of a net investment in a foreign operation", effective from 1 October 2008 (still subject to endorsement by the EU). The Group will apply IFRIC 16 from 1 January 2009 but it is not expected to have a material impact on the Group financial statements.
- IAS 16 (amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows"), effective from 1 January 2009.
- IAS 20 (amendment), "Accounting for government grants and disclosure of government assistance", effective from 1 January 2009.

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not currently considered significant for the Group's operations:

- IAS 29 (amendment), "Financial reporting in hyperinflationary economies", effective from 1 January 2009.
- IAS 31 (amendment), "Interests in joint ventures", (and consequential amendments to IAS 32 and IFRS 7), effective from 1 January 2009.
- IAS 40 (amendment), "Investment property" (and consequential amendments to IAS 16), effective from 1 January 2009.
- IAS 41 (amendment), "Agriculture", effective from 1 January 2009.
- IFRIC 15, "Agreements for construction of real estates", effective from 1 January 2009.

Basis of consolidation

In October 2007, pursuant to a Scheme of Arrangement under s425 of the Companies Act 1985, a new parent company was introduced which is called Reckitt Benckiser Group plc. The introduction of a new holding company constitutes a Group reconstruction and has been accounted for using merger accounting principles. Therefore, although the Group reconstruction did not become effective until October 2007, the consolidated financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2007 are presented as if both Reckitt Benckiser plc and Reckitt Benckiser Group plc had always been part of the same Group. Accordingly, the results of the Group for the entire year ended 31 December 2007 are shown in the consolidated income statement. Earnings per share are unaffected by the reorganisation.

1 ACCOUNTING POLICIES (CONTINUED)

The consolidated financial statements include the results of Reckitt Benckiser Group plc and all its subsidiary undertakings made up to the same accounting date. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

Inter-company transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The results and net assets of the Group's subsidiary in Zimbabwe have been excluded from the consolidated Group results. This is on the basis that the Group does not consider the Zimbabwean business to be a subsidiary due to the loss of power to govern the financial and operating policies of the Zimbabwean business due to the restrictions on remitting funds out of the country. Results for 2007 and 2008, and its balance sheets as at 31 December 2007 and 31 December 2008, were insignificant.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the Group's functional currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied.

The accounts of overseas subsidiary undertakings are translated into sterling on the following basis:

- Assets and liabilities at the rate of exchange ruling at the year end date.
- Profit and loss account items at the average rate of exchange for the period.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation.

The currencies that most influence these translations and the relevant exchange rates were:

	2008 full year	2007 full year
Average rates:		
£/Euro	**1.2575**	1.4602
£/US dollar	**1.8524**	2.0018
Closing rates:		
£/Euro	**1.0445**	1.3605
£/US dollar	**1.4593**	1.9849

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Except for freehold land, the cost of property, plant and equipment is written off on a straight line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

Freehold buildings: not more than 50 years;

Leasehold land and buildings: the lesser of 50 years or the life of the lease; and

Owned plant and equipment: not more than 15 years (except for environmental assets which are not more than 20 years). In general, production plant and equipment and office equipment are written off over ten years or less; motor vehicles and computer equipment over five years or less.

Assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date. Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate. Freehold land is reviewed for impairment on an annual basis.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the asset's carrying value with any sale proceeds, and are included in the income statement.

Business combinations

The purchase method is used to account for the acquisition of subsidiaries. Identifiable net assets acquired (including intangibles) in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (including intangibles) is recorded as goodwill.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition, plus costs directly attributable to the acquisition.

The results of the subsidiaries acquired are included in the Group financial statements from the acquisition date.

Goodwill and intangible fixed assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries since 4 January 1998 is included in intangible assets. Goodwill written off to reserves prior to this date has not been reinstated. Goodwill is allocated to the cash generating units to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Separately acquired brands are shown at historical cost. Brands acquired as part of a business combination are recognised at fair value at the acquistition date, where they are separately identifiable and their fair value can be reliably measured. Brands are amortised over their useful economic life, except when their life is determined as being indefinite.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and sustained and rising marketing (particularly media) investment. Within Reckitt Benckiser, a brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. Indefinite life brands are allocated to the cash generating units to which they relate and are tested annually for impairment.

The Directors also review the useful economic life of brands annually, to ensure that their economic lives are still appropriate. If a brand is considered to have a finite life, its carrying value is amortised over that period.

Payments made in respect of product registration and distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands. If the registration or distribution rights are for a defined time period, the intangible asset is amortised over that period. If no time period is defined the intangible asset is treated in the same way as acquired brands.

Acquired computer software licences are capitalised at cost. These costs are amortised over a period of five years or less.

1 ACCOUNTING POLICIES (CONTINUED)

Research and development
Research expenditure is written off in the year in which it is incurred.

Development expenditure is written off in the year in which it is incurred, unless it meets the requirements of IAS 38 to be capitalised and then amortised over the useful life of the developed product.

Exceptional items
Where material, non-recurring expenses or income are incurred during a period these items are disclosed as exceptional items in the income statement. Examples of such items are:

- Expenses relating to the integration of an acquired business.
- Expenses relating to reconfiguration of the Group's activities.
- Impairments of current and non-current assets.
- Gains/losses on disposal of businesses.

The Group also presents an alternative, adjusted basis, earnings per share calculation, to exclude the impact of the exceptional items.

Management believe that the use of adjusted measures such as adjusted operating profit, adjusted net income and adjusted earnings per share provide additional useful information on underlying trends to shareholders.

Impairment of assets
Assets that have indefinite lives are tested annually for impairment. All assets are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If an asset's carrying value exceeds its recoverable amount an impairment loss is recognised in the income statement. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Value in use is calculated with reference to the future cash flows expected to be generated by an asset (or group of assets where cash flows are not identifiable to specific assets). The discount rate used in brand impairment reviews is based on the Group's weighted average cost of capital including, where appropriate, an adjustment for the specific risks associated with the relevant asset.

Inventories
Inventories are stated at the lower of cost or net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses (based on normal operating capacity). Net realisable value is the estimated selling price less applicable selling expenses.

Trade receivables
Trade receivables are initially recognised at fair value. If there is objective evidence that the Group will not be able to collect the full amount of the receivable an impairment is recognised through the income statement. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The impairment is calculated as the difference between the carrying value of the receivable and the present value of the related estimated future cash flows, discounted at the original interest rate. The amount of any impairment is recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and other deposits with a maturity of less than three months when deposited. For the purpose of the cash flow statement, bank overdrafts that form an integral part of the Group's cash management and are repayable on demand, are included as a component of cash and cash equivalents.

Available for sale financial assets
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified in current assets unless management expects to dispose of them more than 12 months after the balance sheet date. Available for sale financial assets are stated at fair value, with any gain or less resulting from changes in fair value recognised in equity. When the asset is sold or impaired the accumulated gains or losses are moved from equity to the income statement.

Borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Income tax
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, when the income tax is also then recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Pension commitments
Group companies operate defined contribution and (funded and unfunded) defined benefit pension schemes.

The cost of providing pensions to employees who are members of defined contribution schemes is charged to the income statement as contributions are made. The Group has no further payment obligations once the contributions have been paid.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows by the yield on high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have a maturity approximating to the terms of the pension obligations. The costs of providing these defined benefit schemes are accrued over the period of employment. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense (SORIE).

Post-retirement benefits other than pensions
Some Group companies provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognised in the balance sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Employee share schemes
Incentives in the form of shares are provided to employees under share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the awards at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to the retained earnings reserve. Additional employer costs in respect of options and awards are charged to the income statement over the same period with the credit included in payables. Where awards are contingent upon performance conditions an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

1 ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial instruments held for trading are classified as current assets and current liabilities, and are stated at fair value, with any gain or loss resulting from changes in fair value recognised in the income statement.

The fair value of financial assets classified as held for trading is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading are recognised/de-recognised by the Group on the date it commits to purchase/sell the instrument.

Derivative financial instruments and hedging activity

The Group may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as either a hedge of a highly probable forecast transaction (cash flow hedge) or a hedge of net investment in foreign operations (net investment hedge).

At inception the relationship between the hedging instrument and the hedged item is documented, as is an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

1. Derivatives classified as cash flow hedges: the effective portion of changes in the fair value is recognised in equity. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

   Amounts recognised in equity are recycled to the income statement in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity, and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is immediately transferred to the income statement.

2. Derivatives classified as net investment hedges: the effective portion of any changes in fair value is recognised in equity. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

   Gains or losses accumulated in equity are included in the income statement when the foreign operation is disposed.

3. Derivatives that do not qualify for hedge accounting: these are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Net revenues

Net revenues are defined as the amount invoiced to external customers during the year, that is gross sales net of trade discounts, customer allowances for credit notes and returns and consumer coupons, and exclusive of VAT and other sales-related taxes. Net revenues are recognised at the time that the risks and rewards of ownership of the products are substantially transferred to the customer.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at lease inception at the lower of the asset's fair value and the present value of the minimum lease payments. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within borrowings. The interest element of the finance cost is charged to the income statement over the life of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant, property and equipment is depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals (net of any related lease incentives) are charged against profit on a straight line basis over the period of the lease.

Capital transactions

When the Group repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are either held in Treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from Retained Earnings to the Capital Redemption Reserve.

Accounting estimates and judgements

The Directors make a number of estimates and assumptions regarding the future, and make some significant judgements in applying the Group's accounting policies. These include:

- Estimates of future business performance and cash generation supporting the net book value of intangible assets at the balance sheet date (note 10);
- The determination of the carrying value of property, plant and equipment and related depreciation, and the estimation of useful economic life of these assets (note 11);
- The continuing enduring nature of the Group's brands supporting the assumed indefinite useful lives of these assets (note 10);
- Long-term rates of return, inflation rates and discount rates have been assumed in calculating the pension and other employee post-retirement benefits. If the real rates are significantly different over time to those assumed, the amounts recognised in the income statement and in the balance sheet will be impacted (note 5);
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (note 20);
- Assumptions are made in relation to share awards, both in the Black-Scholes model used to calculate the charge and in terms of the recoverability of the deferred tax asset related to the share award reserve (note 5);
- The actual tax paid on profits is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined (note 7).

2 OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Committee considers the business principally from a geographical perspective, but with the Pharmaceuticals business (RBP) being managed separately given the significantly different nature of the business and the different risks and rewards associated with it. The geographical segments, being Europe, NAA and Developing Markets, derive their revenue primarily from the manufacture and sale of branded products in household cleaning and health & personal care, whilst RBP derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence.

The Executive Committee assesses the performance of the operating segments based on net revenue and adjusted operating profit. This measurement basis excludes the effects of exceptional items.

Inter-segment revenues are charged according to internally agreed pricing terms that are designed to be equivalent to an arm's length basis, and have been consistently applied throughout 2007 and 2008. The net revenue from external customers reported to the Executive Committee is measured in a manner consistent with that in the income statement. 2007 comparatives have been restated to disclose RBP separately, previously reported within Europe and NAA.

Reportable Segments

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2008 is as follows:

2008	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RBP £m**	**Elimination £m**	**Total £m**
Total gross segment net revenues	**3,350**	**1,766**	**1,192**	**341**	**(86)**	**6,563**
Inter-segment revenues	**(81)**	**–**	**(5)**	**–**	**86**	**–**
Net revenues	**3,269**	**1,766**	**1,187**	**341**	**–**	**6,563**
Depreciation and amortisation	**65**	**22**	**14**	**7**	**–**	**108**
Operating profit	**782**	**367**	**163**	**193**	**–**	**1,505**
Exceptional items	**–**	**30**	**–**	**–**	**–**	**30**
Operating profit – adjusted*	**782**	**397**	**163**	**193**	**–**	**1,535**

2007 – Restated	Europe £m	NAA £m	Developing Markets £m	RBP £m	Elimination £m	Total £m
Total gross segment net revenues	2,844	1,325	975	211	(86)	5,269
Inter-segment revenues	(79)	–	(7)	–	86	–
Net revenues	2,765	1,325	968	211	–	5,269
Depreciation and amortisation	55	19	12	7	–	93
Operating profit	726	285	104	118	–	1,233
Exceptional items	(69)	–	26	–	–	(43)
Operating profit – adjusted*	657	285	130	118	–	1,190

*Adjusted to exclude the impact of exceptional items. The profits arising on inter-segment sales are insignificant.

There are no reconciling items between net revenues and operating profit shown above and those shown in the income statement.

The split of assets and liabilities by segment provided to the Executive Committee is as follows:

2008	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RBP £m**	**Total £m**
Inventories	**294**	**148**	**122**	**35**	**599**
Trade and other receivables	**507**	**191**	**207**	**44**	**949**
Total segment assets	**801**	**339**	**329**	**79**	**1,548**
Trade and other payables	**(1,153)**	**(419)**	**(363)**	**(87)**	**(2,022)**

2007 – Restated	Europe £m	NAA £m	Developing Markets £m	RBP £m	Total £m
Inventories	211	96	82	19	408
Trade and other receivables	394	118	161	24	697
Total segement assets	605	214	243	43	1,105
Trade and other payables	**(892)**	**(290)**	**(267)**	**(34)**	**(1,483)**

2 OPERATING SEGMENTS (CONTINUED)

The assets and liabilities are allocated based upon the operations of the segment and the physical location of the asset or liability. There are a number of unallocated assets and liabilities that comprise corporate items that are not specifically attributable to one segment. Reconciliation of these assets and liabilities to total assets or liabilities in the balance sheet is shown below:

	2008 £m	Restated 2007 £m
Inventories for reportable segments	**599**	408
Unallocated:		
Elimination of profit on inter-company inventory	**(43)**	(26)
Total inventories per the balance sheet	**556**	382
Trade and other receivables for reportable segments	**949**	697
Unallocated:		
Corporate items	**(43)**	(15)
Total trade and other receivables per the balance sheet	**906**	682
Total inventories and trade and other receivables per the balance sheet	**1,462**	1,064
Other unallocated assets	**7,720**	4,804
Total assets per the balance sheet	**9,182**	5,868
Trade and other payables for reportable segments	**(2,022)**	(1,483)
Unallocated:		
Corporate items	**(167)**	(152)
Total trade and other payables per the balance sheet	**(2,189)**	(1,635)
Other unallocated liabilities	**(3,699)**	(1,848)
Total liabilities per the balance sheet	**(5,888)**	(3,483)

Unallocated assets include goodwill and intangible assets, property plant and equipment and cash and cash equivalents, while unallocated liabilities include borrowings and deferred tax liabilities.

Analysis of product groups

The Group analyses its revenue by the following product groups: Fabric Care, Surface Care, Dishwashing, Home Care, Health & Personal Care, making up core business, together with Other Household, Pharmaceuticals and Food.

	Net revenues	
	2008 £m	2007 £m
Fabric Care	**1,473**	1,241
Surface Care	**1,112**	951
Dishwashing	**754**	616
Home Care	**908**	779
Health & Personal Care	**1,682**	1,199
Core Business	**5,929**	4,786
Other Household	**67**	81
Household, Health & Personal Care	**5,996**	4,867
Pharmaceuticals	**341**	211
Food	**226**	191
Total	**6,563**	5,269

Certain minor brands previously disclosed in the Other Household category have been reclassified across the core categories. The comparatives have not been reclassified as the amounts involved are not significant.

The majority of the categories above are split across the three geographical segments being Europe, NAA and Developing Markets. The notable exceptions to this are: Food, which is sold exclusively in NAA and Pharmaceuticals which is within its own reportable segment.

2 OPERATING SEGMENTS (CONTINUED)

The entity is domiciled in the UK. The split of revenue from external customers and non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) between the UK, the US (being the single biggest country outside the Country of Domicile) and that from all other countries is:

2008	**UK £m**	**US £m**	**All other countries £m**	**Total £m**
Net revenues	**619**	**1,623**	**4,321**	**6,563**
Goodwill and other intangible assets	**1,086**	**3,069**	**2,299**	**6,454**
Property, plant and equipment	**130**	**143**	**364**	**637**
Other receivables	**–**	**–**	**4**	**4**

The other receivables of £4m are included, along with the post-employment benefit asset of £15m, within the other receivables of £19m in the balance sheet.

2007 – Restated	UK £m	US £m	All other countries £m	Total £m
Net Revenues	592	1,108	3,569	5,269
Goodwill and other intangible assets	1,093	914	1,804	3,811
Property, plant and equipment	110	85	284	479
Other receivables	–	–	2	2

The net revenue from external customers reported on a geographical basis above is measured in a manner consistent with that in the reportable segments.

The other receivables of £2m are included, along with the post-employment benefit asset of £28m within the other receivables of £30m in the balance sheet.

Major customers are typically large grocery chains, mass market and multiple retailers. The Company's customer base is diverse with no single external customer accounting for more than 10% of net revenues, and the top ten customers only accounting for between a quarter and a third of total net revenues.

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2008 £m	2007 £m
Cost of sales	**(2,673)**	(2,197)
Distribution costs	**(1,857)**	(1,503)
Administrative expenses:		
Research and development	**(109)**	(92)
Other	**(412)**	(304)
Total administrative expenses	**(521)**	(396)
Other net operating income	**23**	17
Exceptional items	**(30)**	43
Net operating expenses	**(2,385)**	(1,839)

All results relate to continuing operations.

Included within cost of sales is a fair value loss of £5m (2007 £2m loss) transferred from the hedging reserve.

Depreciation charges by income statement line	**2008 £m**	2007 £m
Within:		
Cost of sales	**81**	67
Distribution costs	**5**	4
Administrative expenses:		
Research and development	**4**	4
Other	**10**	9
Total administrative expenses	**14**	13
Total depreciation charge (note 11)	**100**	84

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES (CONTINUED)

Amortisation and impairment charge by income statement line

Amortisation charges (note 10) of £8m in 2008 (2007 £9m) are included within Administrative expenses: Other in the income statement.
Impairment charges of £2m (2007 £nil) are included within Administrative expenses: Other in the income statement.
Impairment charges of current and non-current assets of £nil (2007 £54m) are included within Exceptional items.

Exceptional items	2008 £m	2007 £m
Business disposals and impairments:		
Profit of disposal of business	–	127
Impairments of current and non-current assets	–	(54)
	–	73
Restructuring	(30)	(30)
Total exceptional items	(30)	43

The Group incurred restructuring charges of £30m as a result of the acquisition and integration of the Adams business, plus some further restructuring in the enlarged Group. In 2007 the Group incurred impairment charges of £54m in respect of current and non-current assets, and restructuring charges of £30m as a result of further restructuring of configuration of the Group. This consisted of redundancy costs of £13m and other charges of £17m.

The Company announced on 16 July 2007 that it had agreed to dispose of the Hermal prescription skincare business to Laboratorios Almirall S.A. for a consideration of £260m in cash. The disposal was completed on 31 August 2007. The Group recognised a profit on disposal of £127m, being proceeds less brands (£94m), goodwill (£17m), and net assets and directly attributable disposal costs (£22m). Results for Hermal were included in the 2007 consolidated accounts up to the date of disposal.

Total foreign exchange gains of less than £1m (2007 gains of £3m) have been recognised through the income statement. These amounts exclude financial instruments fair valued through the income statement and amounts recognised directly in the foreign currency translation reserve.

Pension costs by income statement line	2008 £m	2007 £m
Within:		
Cost of sales	9	8
Distribution costs	8	7
Administrative expenses:		
Research and development	3	3
Other	14	10
Total administrative expenses	17	13
Total net pensions costs (note 5d)	34	28

Total net pensions costs are the total amounts in respect of all the Group's defined contribution and defined benefit pension and other post-retirement schemes charged to the income statement, and exclude the actuarial gains and losses that have been recognised in the SORIE.

4 AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and network firms.

	2008 £m	2007 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.8	0.8
Fees payable to the Group's auditor and network firms for other services:		
The audit of accounts of the Company's subsidiaries pursuant to legislation	2.8	2.2
Other services provided pursuant to such legislation	0.2	1.1
Services relating to taxation	1.9	0.6
Services relating to information technology	–	0.1
Services relating to corporate finance transactions	–	0.2
All other services	0.1	–
	5.8	5.0

In addition, the Group's auditor and its associates have provided services in relation to the audit of accounts of associated pension schemes of the Group at a cost of £0.2m (2007 £0.1m).

5 EMPLOYEES

(a) Staff costs

	2008 £m	2007 £m
The total employment costs, including Directors, were:		
Wages and salaries	**650**	564
Social security costs	**121**	97
Net pension costs	**34**	28
Share based payments	**59**	52
	864	741

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 30 to 35, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2008 £m	2007 £m
Salaries and short-term employee benefits	**14**	13
Post-employment benefits	**1**	1
Share based payments	**20**	19
	35	33

There were no other long-term benefits (2007 £nil) or termination benefits (2007 £nil) paid to key management in 2008.

(b) Staff numbers

The average number of people employed by the Group, including Directors, during the year was:

	2008 000s	Restated 2007 000s
Europe*	**11.5**	10.9
North America and Australia	**4.0**	3.3
Developing Markets	**8.5**	8.9
RBP	**0.3**	0.3
	24.3	23.4

*Included in Europe are 2,400 (2007 2,200) UK employees.

(c) Share based remuneration

All share awards that were not fully vested as at 31 December 2008 and 31 December 2007 are included in the tables below which analyse the charge for 2008 and 2007. The Group has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

				Black-Scholes model assumptions					
Award	Grant date	Exercise price £	Performance period	Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk free interest rate %	Fair value of one award £
Share Options									
2002	17 December 2001	9.50	2002-04	9.70	25	2.7	4	4.50	1.95
2003	22 November 2002	11.19	2003-05	10.96	25	2.7	4	4.50	2.05
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.46
2005	06 December 2004	15.47	2005-07	15.44	23	2.3	4	4.88	2.99
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.33
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.23
2008	11 December 2007	29.44	2008-10	29.72	20	1.8	4	5.53	5.99
2009	08 December 2008	27.29	2009-11	27.80	25	3.1	4	2.78	4.69
Restricted Shares									
2005	06 December 2004	–	2005-07	15.44	23	2.3	4	4.88	13.92
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.38
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.01
2008	11 December 2007	–	2008-10	29.72	20	1.8	4	5.53	27.55
2009	08 December 2008	–	2009-11	27.80	25	3.1	4	2.78	24.31

5 EMPLOYEES (CONTINUED)

(c) Share based remuneration (continued)

Table 2: Share awards expense 2008

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2008 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2008 number	Total fair value of grant as at 31 Dec 2008 £m	Charge for 2008 £m
			Movement in number of options						
Share Options									
2002	17 December 2001	1.95	1,182,545	–	(2,500)	(363,224)	816,821	1.6	–
2003	22 November 2002	2.05	2,059,774	–	–	(570,380)	1,489,394	3.1	–
2004	08 December 2003	2.46	2,713,800	–	–	(899,000)	1,814.800	4.5	–
2005	06 December 2004	2.99	4,366,000	–	(8,000)	(1,761,528)	2,596,472	7.8	–
2006	05 December 2005	3.33	4,045,000	–	(100,000)	–	3,945,000	13.1	4.2
2007	08 December 2006	4.23	4,302,307	–	(390,294)	–	3,912,013	16.5	5.0
2008	11 December 2007	5.99	4,483,300	–	(606,992)	–	3,876,308	23.2	7.8
2009	08 December 2008	4.69	–	4,026,400	–	–	4,026,400	18.9	–
Restricted Shares									
2005	06 December 2004	13.92	1,919,357	–	–	(1,919,357)	–	–	–
2006	05 December 2005	16.38	1,800,895	–	(41,950)	–	1,758,945	28.8	9.1
2007	08 December 2006	21.02	2,042,653	–	(191,936)	(2,237)	1,848,480	38.8	11.6
2008	11 December 2007	27.56	2,241,650	–	(450,744)	–	1,790,906	49.3	16.5
2009	08 December 2008	24.31	–	1,988,200	–	–	1,988,200	48.3	–
Other Share Awards									
UK SAYE	Various	Various	598,371	173,351	(55,364)	(7,449)	708,909	n/a	1.2
US SAYE	Various	Various	587,736	297,896	(36,733)	(17,086)	831,813	n/a	1.4
Overseas SAYE	Various	Various	1,187,287	1,343,381	(88,487)	(34,292)	2,407,889	n/a	1.7
SOPP	Various	Various	100,000	30,000	(10,000)	(10,000)	110,000	n/a	0.5
Total									59.0

Table 3: Share awards expense 2007

	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2007 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2007 number	Total fair value of grant as at 31 Dec 2007 £m	Charge for 2007 £m
			Movement in number of options						
Share Options									
2002	17 December 2001	1.95	1,601,011	–	–	(418,466)	1,182,545	2.3	–
2003	22 November 2002	2.05	3,336,896	–	(3,000)	(1,274,122)	2,059,774	4.2	–
2004	08 December 2003	2.46	4,233,500	–	(4,000)	(1,515,700)	2,713,800	6.7	–
2005	06 December 2004	2.99	4,430,000	–	(64,000)	–	4,366,000	13.1	4.2
2006	05 December 2005	3.33	4,227,198	–	(182,198)	–	4,045,000	13.5	4.3
2007	08 December 2006	4.23	4,993,300	–	(690,993)	–	4,302,307	18.2	6.1
2008	11 December 2007	5.99	–	4,483,300	–	–	4,483,300	26.9	–
Restricted Shares									
2002	17 December 2001	8.64	–	–	–	–	–	–	–
2003	22 November 2002	9.79	–	–	–	–	–	–	–
2004	08 December 2003	11.49	2,000,346	–	(2,000)	(1,998,346)	–	–	–
2005	06 December 2004	13.92	1,948,049	–	(28,692)	–	1,919,357	26.7	8.6
2006	05 December 2005	16.38	1,870,286	–	(69,391)	–	1,800,895	29.5	9.5
2007	08 December 2006	21.01	2,466,650	–	(423,997)	–	2,042,653	42.9	14.3
2008	11 December 2007	27.55	–	2,241,650	–	–	2,241,650	61.8	–
Other Share Awards									
UK SAYE	Various	Various	785,726	123,591	(71,679)	(239,267)	598,371	n/a	1.1
US SAYE	Various	Various	973,567	109,280	(67,626)	(427,485)	587,736	n/a	1.3
Overseas SAYE	Various	Various	1,427,813	–	(155,952)	(84,574)	1,187,287	n/a	2.3
SOPP	Various	Various	90,000	20,000	–	(10,000)	100,000	n/a	0.5
Total									52.2

Options outstanding at 31 December 2008 that could have been exercised at that date were 6,717,487 (2007 5,956,119).

5 EMPLOYEES (CONTINUED)

Notes

Scope: Executive Share Awards are awarded to the Top 400 Management Group. Other Share Awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Individual tranches of these awards are not material for detailed disclosure and therefore have been aggregated in the table above.

Contractual Life: Executive Share Awards have a contractual life of ten years but vest according to EPS growth criteria over a three-year period. Accordingly, the cost is spread over the three years of the performance period. Other share awards have contractual lives of either three, five or seven years.

Performance criteria: Executive Share Awards are subject to performance criteria based on compound average annual growth (CAAG) rates in earnings per share over the performance period. Other Share Awards are generally not subject to any criteria other than the employee's continued employment. Executive Share Awards included in the above table vest as follows: CAAG of 6%: 40% of awards vest; 7% CAAG: 60%; 8% CAAG: 80%; 9% CAAG: 100%.

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation. The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2007 or 2008 for the purposes of the valuation.

Volatility: An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate.

Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

Income statement charge: the income statement charge may not exactly equal one third of the total fair value included in the table above due to adjustments for in-year lapses or award revisions.

National Insurance contributions are payable in respect of certain share based payments transactions and are treated as cash-settled transactions. At 31 December 2008, the carrying amount of National Insurance contributions payable was £17m (2007 £19m) of which £8m (2007 £14m) was in respect of vested grants.

Any additional terms of these shares are shown in the Directors' Remuneration report on pages 30 to 35.

The weighted average share price for the year was £27.15 (2007 £27.06).

(d) Pension and other post-retirement commitments

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally funded. The Group's two most significant defined benefit pension schemes (UK and US) are both funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US retiree health care scheme), where salaried participants become eligible for retiree health care benefits after they reach a combined "age and years of service rendered" figure of 70, although the age must be a minimum of 55. As at 31 December 2008 there were 2,655 (2007 2,738) eligible retirees and 1,682 (2007 1,415) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2008 £m	2007 £m
Defined contribution schemes	**19**	17
Defined benefit schemes (net charge)	**15**	11
Total pension costs recognised in the income statement (note 3)	**34**	28

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2007 and updated at 31 December 2008. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2007 and updated at 31 December 2008. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the three major schemes as at 31 December 2008 were:

	2008			2007		
	UK %	**US (pension) %**	**US (medical) %**	UK %	US (pension) %	US (medical) %
Rate of increase in pensionable salaries	**3.6**	**4.5**	**–**	5.3	5.0	–
Rate of increase in deferred pensions during deferment	**2.6**	**–**	**–**	3.3	–	–
Rate of increase in pension payments – pensioners	**2.8**	**–**	**–**	3.3	–	–
Rate of increase in pension payments – non-pensioners	**2.6**	**–**	**–**	3.3	–	–
Discount rate	**6.5**	**5.7**	**5.7**	5.8	6.0	6.0
Inflation assumption	**2.6**	**3.0**	**–**	3.3	3.0	–
Annual medical cost inflation	**–**	**–**	**5.0-9.0**	–	–	5.0-9.0
Long-term expected rate of return on:						
Equities	**7.7**	**9.5**	**–**	7.9	10.1	–
Bonds	**4.7**	**5.7**	**–**	5.1	4.8	–
Other	**5.8**	**6.7**	**–**	6.2	–	–

5 EMPLOYEES (CONTINUED)

The expected rate of return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. For the UK scheme the mortality assumptions were based on the following tables. The average remaining life expectancy in years of a pensioner retiring at aged 60 on the balance sheet date is as follows:

	2008	2007
Male	**25.6**	25.5
Female	**28.0**	27.9

The average remaining life expectancy in years of a pensioner retiring at aged 60, 20 years after the balance sheet date is as follows:

	2008	2007
Male	**26.9**	26.8
Female	**29.1**	29.1

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 22.4 years (2007 22.4 years) for males and 24.7 years (2007 24.7 years) for females.

Impact of medical cost trends rates

A one percentage point change in the assumed health care cost trend rates would have the following effects:

	+1% £m	-1% £m
Effect on service cost and interest cost	1	(1)
Effect on post-retirement benefit obligation	17	(14)

The amounts recognised in the balance sheet are determined as follows:

	2008					2007				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Total equities	**287**	**52**	**–**	**27**	**366**	392	72	–	25	489
Total bonds	**219**	**38**	**–**	**27**	**284**	240	40	–	16	296
Total other assets	**47**	**7**	**–**	**6**	**60**	81	–	–	7	88
Fair value of plan assets	**553**	**97**	**–**	**60**	**710**	713	112	–	48	873
Present value of scheme liabilities	**(573)**	**(160)**	**(130)**	**(148)**	**(1,011)**	(695)	(113)	(99)	(125)	(1,032)
Net (liability)/asset recognised in the balance sheet	**(20)**	**(63)**	**(130)**	**(88)**	**(301)**	18	(1)	(99)	(77)	(159)

Other represents the total of post-retirement benefits and Group defined benefit schemes not material for individual disclosure.

The net pension liability is recognised in the balance sheet as follows:

	2008 £m	2007 £m
Non-current asset:		
Funded scheme surplus	**15**	28
Non-current liability:		
Funded scheme deficit	**(94)**	(14)
Unfunded scheme liability	**(222)**	(173)
Retirement benefit obligation	**(316)**	(187)
Net pension liability	**(301)**	(159)

The funded scheme surplus of £15m (2007 £28m) is included within other receivables in non-current assets of £19m (2007 £30m).

None of the pension schemes' assets includes an investment in shares of the Company.

The amounts recognised in the income statement are as follows:

	2008					2007				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Current service cost	**(8)**	**(3)**	**(2)**	**(5)**	**(18)**	(8)	(3)	(2)	(4)	(17)
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	–	–
Expected return on pension scheme assets	**47**	**9**	**–**	**5**	**61**	43	9	–	5	57
Interest on pension scheme liabilities	**(39)**	**(7)**	**(6)**	**(7)**	**(59)**	(35)	(5)	(5)	(6)	(51)
Curtailment	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Total charge to the income statement	**–**	**(1)**	**(8)**	**(6)**	**(15)**	–	1	(7)	(5)	(11)

5 EMPLOYEES (CONTINUED)

The amounts recognised in shareholders' equity for the Group are as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Actual return less expected return on pension scheme assets	**(191)**	4	29	71	19
Experience gains and losses on scheme liabilities	**3**	(16)	(1)	(19)	(5)
Changes in assumptions underlying present value of scheme liabilities	**103**	37	15	(66)	(90)
Actuarial (loss)/gain recognised	**(85)**	25	43	(14)	(76)

The movements in the amounts recognised in the balance sheet are as follows:

	2008					2007				
Movement of net (liability)/ assets during the year	**UK £m**	**US (pension) £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Surplus/(deficit) at 1 January	**18**	**(1)**	**(99)**	**(77)**	**(159)**	2	(6)	(99)	(105)	(208)
Current service cost	**(8)**	**(3)**	**(2)**	**(5)**	**(18)**	(8)	(3)	(2)	(4)	(17)
Liabilities disposed/(acquired) in a business combination	**–**	**–**	**–**	**–**	**–**	–	–	–	23	23
Contributions	**5**	**–**	**6**	**15**	**26**	4	–	6	6	16
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	–	–
Other finance income/(costs)	**8**	**2**	**(6)**	**(2)**	**2**	8	4	(5)	(1)	6
Actuarial gain/(loss)	**(43)**	**(47)**	**5**	**–**	**(85)**	12	4	(1)	10	25
Exchange adjustments	**–**	**(14)**	**(34)**	**(20)**	**(68)**	–	–	2	(6)	(4)
(Deficit)/surplus at 31 December	**(20)**	**(63)**	**(130)**	**(88)**	**(301)**	18	(1)	(99)	(77)	(159)

The actual return on plan assets was a loss of £136m (2007 £46m gain) for the UK scheme and a loss of £34m (2007 £10m gain) for the US scheme.

Changes in the present value of scheme liabilities are as follows:

	2008					2007				
	UK £m	**US (pension) £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Present value of liabilities at 1 January	**695**	**113**	**99**	**125**	**1,032**	691	119	99	149	1,058
Liabilities (disposed)/acquired on business combination	**–**	**–**	**–**	**–**	**–**	–	–	–	(23)	(23)
Service cost	**8**	**3**	**2**	**5**	**18**	8	3	2	4	17
Interest cost	**39**	**7**	**6**	**7**	**59**	35	5	5	6	51
Benefits paid	**(29)**	**(9)**	**(6)**	**(15)**	**(59)**	(30)	(10)	(6)	(7)	(53)
Actuarial (gains)/losses	**(140)**	**4**	**(5)**	**35**	**(106)**	(9)	(4)	1	(9)	(21)
Curtailment	**–**	**–**	**–**	**(1)**	**(1)**	–	–	–	–	–
Exchange adjustments	**–**	**42**	**34**	**(8)**	**68**	–	–	(2)	5	3
Present value of liabilities at 31 December	**573**	**160**	**130**	**148**	**1,011**	695	113	99	125	1,032

Changes in the fair value of plan assets are as follows:

	2008				2007			
	UK £m	**US (pension) £m**	**Other £m**	**Total £m**	UK £m	US (pension) £m	Other £m	Total £m
Fair value of plan assets at 1 January	**713**	**112**	**48**	**873**	693	113	44	850
Expected rate of return	**47**	**9**	**5**	**61**	43	9	5	57
Contributions	**5**	**–**	**15**	**20**	4	–	6	10
Benefits paid	**(29)**	**(9)**	**(15)**	**(53)**	(30)	(10)	(7)	(47)
Actuarial (losses)/gains	**(183)**	**(43)**	**35**	**(191)**	3	–	1	4
Exchange adjustments	**–**	**28**	**(28)**	**–**	–	–	(1)	(1)
Fair value of plan assets at 31 December	**553**	**97**	**60**	**710**	713	112	48	873

5 EMPLOYEES (CONTINUED)

Cumulative actuarial gains and losses recognised in equity:

	2008 £m	2007 £m
At 1 January	**(22)**	(47)
Net actuarial (loss)/gain recognised in the year	**(85)**	25
At 31 December	**(107)**	(22)

History of experience gains and losses:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Experience adjustments arising on scheme assets:					
Amount	**(191)**	4	29	71	19
Percentage of scheme assets	**(26.9%)**	0.5%	3.4%	8.7%	2.6%
Experience adjustments arising on scheme liabilities:					
Amount	**106**	21	14	(85)	(95)
Percentage of scheme liabilities	**(10.5%)**	-2.0%	-1.3%	7.9%	9.7%
Present value of scheme liabilities	**(1,011)**	(1,032)	(1,058)	(1,072)	(983)
Fair value of scheme assets	**710**	873	850	818	734
Net pension liability	**(301)**	(159)	(208)	(254)	(249)

Expected employer contributions to be paid to funded defined benefit schemes in 2009 are £6m for the UK and £15m for other schemes. The majority of these contributions to other schemes relate to the US defined benefit scheme where an additional minimum funding payment is expected to be made during 2009.

6 NET FINANCE EXPENSE

Finance income	**2008 £m**	2007 £m
Interest income on cash and cash equivalents	**30**	20
Gain on available for sale financial instruments (Interest on short-term deposits)	**1**	2
Total finance income	**31**	22
Finance expense		
Interest payable on bank borrowings	**(14)**	(13)
Amortisation of issue costs of bank loans	**(1)**	(1)
Interest payable on other loans	**(44)**	(31)
Other interest expense	**(3)**	–
Interest payable on finance leases	**–**	(1)
Total finance expense	**(62)**	(46)
Net finance expense	**(31)**	(24)

Interest payable and similar charges relating to borrowings repayable after more than five years was less than £1m (2007 less than £1m).

There are no other gains or losses from fair value adjustments recognised within finance income or expense.

7 INCOME TAX EXPENSE

	2008 £m	2007 £m
Current tax	**352**	318
Prior year adjustments	**(17)**	(20)
Total current tax	**335**	298
Deferred tax	**19**	(27)
Total tax	**354**	271

Within current tax, UK income tax of £6m (2007 £13m credit) is included within current tax and is calculated at 28.5% (2007 30%) of the estimated assessable profit/loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2008 £m	2007 £m
Profit before tax:	**1,474**	1,209
Tax at the UK corporation tax rate of 28.5% (2007 30%)	**420**	363
Effects of:		
Tax at rates other than the UK corporation tax rate	**(148)**	(125)
Adjustments to amounts carried in respect of unresolved tax matters	**54**	35
Tax losses not recognised/(utilised tax losses)	**(2)**	10
Withholdings and local taxes	**39**	30
Adjustment in respect of prior periods	**(19)**	(20)
Other permanent differences	**10**	(22)
Total tax charge	**354**	271

Certain deferred tax assets totalling £47m (2007: £33m) in respect of overseas corporation tax losses and other temporary differences have not been recognised at 31 December 2008 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes reasonably certain. The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

Included within other permanent differences is the impact of tax law changes in the UK and tax rate changes in other jurisdictions of £6m charge (2007 £24m credit).

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (2008 £1,120m (2007 £938m)) by the weighted average number of ordinary shares in issue during the period (2008 710,569,582 (2007 715,039,130)).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: Executive Options and Employee Sharesave schemes. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2008, there were 4.7m (2007 4.5m) of Executive Options not included within the dilution because the contingent performance targets had not been met.

The reconciliation between profit for the year and the weighted average number of shares used in the calculation of the diluted earnings per share is set out below:

	2008			2007		
	Profit for the year £m	Average number of shares	Earnings per share pence	Profit for the year £m	Average number of shares	Earnings per share pence
Profit attributable to shareholders	**1,120**	**710,569,582**	**157.6**	938	715,039,130	131.2
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**12,491,457**			17,345,740	
Dilution for Employee Sharesave scheme options outstanding		**1,047,123**			1,240,227	
On a diluted basis	**1,120**	**724,108,162**	**154.7**	938	733,625,097	127.9

8 EARNINGS PER SHARE (CONTINUED)

Adjusted basis

The reconciliation between profit for the year and the weighted average number of shares used in the calculations of the diluted earnings per share is set out below:

	2008			2007		
	Profit for the year £m	**Average number of shares**	**Earnings per share pence**	Profit for the year £m	Average number of shares	Earnings per share pence
Profit attributable to shareholders*	**1,143**	**710,569,582**	**160.9**	905	715,039,130	126.6
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**12,491,457**			17,345,740	
Dilution for Employee Sharesave scheme options outstanding		**1,047,123**			1,240,227	
On a diluted basis	**1,143**	**724,108,162**	**157.8**	905	733,625,097	123.4

*adjusted to exclude exceptional items.

The Directors believe that a diluted earnings per ordinary share, adjusted for the impact of the exceptional items after the appropriate tax amount, provides additional useful information on underlying trends to shareholders in respect of earnings per ordinary share.

9 DIVIDENDS

	2008 £m	2007 £m
Dividends on equity ordinary shares:		
2007 Final paid: 30.0p (2006 Final 25.0p) per share	**214**	179
2008 Interim paid: 32.0p (2007 Interim 25.0p) per share	**227**	179
Total dividends for the year	**441**	358

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 48.0p per share which will absorb an estimated £340m of shareholders' funds. It will be paid on 28 May 2009 to shareholders who are on the register on 27 February 2009. The expected tax impact of this dividend is £nil (2007 £nil).

10 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	**Goodwill £m**	**Software £m**	**Other £m**	**Total £m**
Cost					
At 1 January 2008	**2,970**	**859**	**27**	**99**	**3,955**
Additions	**31**	**–**	**–**	**20**	**51**
Acquisitions	**776**	**567**	**–**	**–**	**1,343**
Disposals	**–**	**–**	**(5)**	**–**	**(5)**
Exchange adjustments	**939**	**318**	**4**	**8**	**1,269**
At 31 December 2008	**4,716**	**1,744**	**26**	**127**	**6,613**
Accumulated impairment and amortisation					
At 1 January 2008	**53**	**29**	**26**	**36**	**144**
Amortisation charge	**1**	**–**	**–**	**7**	**8**
Impairment	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(5)**	**–**	**(5)**
Exchange adjustments	**3**	**3**	**4**	**2**	**12**
At 31 December 2008	**57**	**32**	**25**	**45**	**159**
Net book amount at 31 December 2008	**4,659**	**1,712**	**1**	**82**	**6,454**

10 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2007	2,967	857	26	99	3,949
Additions	–	1	–	–	1
Disposals	(94)	(17)	–	–	(111)
Exchange adjustments	97	18	1	–	116
At 31 December 2007	2,970	859	27	99	3,955
Accumulated impairment and amortisation					
At 1 January 2007	31	23	25	28	107
Amortisation charge	1	–	1	7	9
Impairment	20	6	–	1	27
Disposals	–	–	–	–	–
Exchange adjustments	1	–	–	–	1
At 31 December 2007	53	29	26	36	144
Net book amount at 31 December 2007	2,917	830	1	63	3,811

The amount originally stated for brands represents the fair value at the date of acquisition of brands since 1985. Other includes product registration, distribution rights and capitalised product development costs.

The majority of brands, all of goodwill and certain other intangibles are considered to have indefinite lives for the reasons noted in the Accounting Policies and accordingly are subject to an annual impairment review. A number of small non-core brands are deemed to have a finite life and are amortised accordingly.

The net book values of indefinite and finite life assets are as follows:

Net book value	**2008 £m**	2007 £m
Indefinite life assets:		
Brands	**4,651**	2,908
Goodwill	**1,712**	830
Other	**36**	35
Total indefinite life assets	**6,399**	3,773
Finite life assets:		
Brands	**8**	9
Software	**1**	1
Other	**46**	28
Total finite life assets	**55**	38
Total net book value intangible assets	**6,454**	3,811

The annual impairment review for goodwill and other intangible assets is based on an assessment of each asset's value in use. Value in use is calculated from cash flow projections based on historical operating results, short-term budgets, medium-term business plans (five years) and longer-term extrapolation. The long-term extrapolations assume a growth rate of no more than the long-term inflation assumption for the relevant markets (range of 2%-4%). A pre-tax discount rate of 12% (2007 12%) has been used in discounting the projected cash flows. A higher rate is used where appropriate to reflect specific risks associated with the relevant product group (range of 11%–17%). Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands.

No reasonably possible change to a key assumption would cause any product group's recoverable amount to be less than its carrying value.

An analysis of the net book value of brands by product group, which the Group considers cash generating units, is shown below:

Product group	**Key brands**	**2008 £m**	2007 £m
Fabric Care	*Calgon, Vanish, Woolite*	**647**	501
Surface Care	*Dettol, Lysol*	**745**	562
Dishwashing	*Calgonit, Finish*	**209**	160
Home Care	*Air Wick*	**220**	173
Health & Personal Care	*Veet, Nurofen, Strepsils, Clearasil, Mucinex*	**2,802**	1,494
Food	*French's*	**36**	27
Brands total		**4,659**	2,917

The impairment charge for the year ended 31 December 2008 is £nil (2007 £27m). Amortisation for the year ended 31 December 2008 is £8m (2007 £9m). Of the Group's total value of goodwill of £1,712m (2007: £830m), £1,666m (2007: £799m) relates to the Health & Personal Care product group. No other product group contains a significant goodwill balance.

During 2008 £nil (2007 £nil) of development expenditure has been assessed as meeting the requirements of IAS 38 and so has been capitalised within other intangible assets. The net book value of internally generated intangible assets included within other intangible assets, at 31 December 2008 is £6m (2007 £8m).

No borrowing costs have been capitalised as an intangible asset in 2008 (2007 £nil).

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2008	**326**	**882**	**1,208**
Additions	**15**	**150**	**165**
Acquisitions	**2**	**11**	**13**
Disposals	**(9)**	**(74)**	**(83)**
Reclassifications	**15**	**(15)**	**–**
Exchange adjustments	**67**	**188**	**255**
At 31 December 2008	**416**	**1,142**	**1,558**

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2008	**122**	**607**	**729**
Charge for the year	**15**	**85**	**100**
Acquisitions	**–**	**7**	**7**
Disposals	**(7)**	**(67)**	**(74)**
Exchange adjustments	**30**	**129**	**159**
At 31 December 2008	**160**	**761**	**921**
Net book amount at 31 December 2008	**256**	**381**	**637**

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2007	302	861	1,163
Additions	35	99	134
Disposals	(30)	(96)	(126)
Reclassifications	6	(6)	–
Exchange adjustments	13	24	37
At 31 December 2007	326	882	1,208

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2007	128	610	738
Charge for the year	12	72	84
Disposals	(21)	(86)	(107)
Impairment	–	5	5
Exchange adjustments	3	6	9
At 31 December 2007	122	607	729
Net book amount at 31 December 2007	204	275	479

Included in plant and equipment are assets held under finance leases with a net book value of £8m (2007 £9m). The depreciation charge for assets held under finance leases was £3m (2007 £2m).

Minimum lease payments for plant and equipment held under finance leases are £5m (2007 £4m) within one year and £4m (2007 £5m) in two to five years. There are no lease payments falling due after more than five years (2007 £nil).

No revaluations have taken place in 2008 or in 2007.

The net book amount of assets under construction is £64m (2007 £39m). Assets under construction are included within plant and equipment. The reclassification from plant and equipment to land and buildings of £15m (2007 £6m) shows the transfer of completed assets.

The analysis of depreciation charge by income statement line is shown in note 3.

No borrowing costs have been capitalised as plant, property and equipment in 2008 (2007 £nil).

Capital expenditure which was contracted but not capitalised at 31 December 2008 was £25m (2007 £20m).

12 INVENTORIES

	2008 £m	2007 £m
Raw materials and consumables	**138**	91
Work in progress	**27**	14
Finished goods and goods held for resale	**391**	277
Total inventories	**556**	382

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £2,524m (2007 £2,078m).

The Group inventory provision at 31 December 2008 was £42m (2007 £32m). All inventory that was provided for at 31 December 2007 was sold or otherwise disposed of during 2008.

The Group does not have any inventories pledged as security for liabilities.

13 TRADE AND OTHER RECEIVABLES – CURRENT

Amounts falling due within one year	2008 £m	2007 £m
Trade receivables	**804**	596
Less: Provision for impairment of receivables	**(13)**	(11)
Trade receivables – net	**791**	585
Other receivables	**86**	76
Prepayments and accrued income	**29**	21
	906	682

Trade receivables consist of a broad cross section of our international customer base for whom there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

As of 31 December 2008, trade receivables of £51m (2007 £40m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2008 £m	2007 £m
Up to 3 months	**51**	40

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2008 £m	2007 £m
Sterling	**20**	51
Euro	**352**	260
US dollar	**186**	113
Other currencies	**348**	258
	906	682

As at 31 December 2008, trade receivables of £20m (2007 £15m) were considered to be impaired. The amount of provision of 31 December 2008 was £13m (2007 £11m). It was assessed that a portion of the receivables is expected to be recovered due to the nature and historical collection of trade receivables. The ageing analysis of these receivables is as follows:

	2008 £m	2007 £m
Up to 3 months	**14**	10
Over 3 months	**6**	5
	20	15

The movement in the provision for impaired receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the income statement. The gross movements in the provision are considered to be insignificant.

The other receivables do not contain impaired assets. They consist of items including reclaimable turnover tax and other tax receivables, and are from a broad selection of countries within the Group.

The maximum exposure to credit risk at the year end is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14 AVAILABLE FOR SALE FINANCIAL ASSETS

Current

These investments do not meet the requirements to be classified as cash equivalents due to having maturities of greater than three months. They are, however, highly liquid assets, consisting solely of short-term deposits. All of these deposits are held with financial institutions with a BBB rating or above. The effective interest rate on these short-term deposits is 10.46% (2007 8.0%) and they have an average maturity of 438 days (2007 256 days) from inception.

Non-current

These investments are auction rate securities issued by US state authorities denominated in US dollars with redemption dates falling beyond 2009. They are typically traded on a secondary market, however due to the current inactivity of this market there is uncertainty over whether they are likely to be redeemed within one year and therefore have been classified as non-current.

The market for auction rate securities is inactive and therefore management has adopted a discounted cashflow valuation technique to determine a fair value of the securities at 31 December 2008. The movement in the fair value of auction rate securities is detailed below:

	2008 £m	2007 £m
At 1 January	**–**	–
Acquisition – fair value	**35**	–
Disposals	**(17)**	–
Fair value adjustments transferred to equity (note 22)	**(8)**	–
Exchange adjustments	**15**	–
At 31 December	**25**	–

15 CASH AND CASH EQUIVALENTS

	2008 £m	2007 £m
Cash at bank and in hand	**213**	130
Short-term bank deposits	**204**	198
Cash and cash equivalents	**417**	328

Due to foreign currency exchange restrictions £50m (2007 £67m) of cash included in cash and cash equivalents is restricted for use by the Group.

16 FINANCIAL LIABILITIES – BORROWINGS

Current	**2008 £m**	2007 £m
Bank loans and overdrafts[a]	**225**	32
Commercial paper[b]	**1,341**	451
Finance lease obligations	**5**	4
	1,571	487

Non-current	**2008 £m**	2007 £m
Finance lease obligations	**4**	5
	4	5

(a) Bank loans are denominated in a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.
(b) Commercial paper was issued in a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.

Maturity of debt	**2008 £m**	2007 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**225**	32
Other borrowings repayable:		
Within one year:		
Commercial paper	**1,341**	451
Finance leases	**5**	4
Between two and five years:		
Finance leases (payable by instalments)	**4**	5
	1,350	460
Gross borrowings (unsecured)	**1,575**	492

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2007	51	11	62
Charged to the income statement	30	27	57
Utilised during the year	(46)	(19)	(65)
Exchange adjustments	1	–	1
At 31 December 2007	36	19	55
Charged to the income statement	38	–	38
Additional provisions on acquisition of Adams	–	39	39
Utilised during the year	(30)	(17)	(47)
Exchange adjustments	7	12	19
At 31 December 2008	**51**	**53**	**104**

Provisions have been analysed between current and non-current as follows:

	2008 £m	2007 £m
Current	**73**	36
Non-current	**31**	19
	104	55

Other provisions include an onerous lease provision expiring in 2016 of £8m (2007 £9m). The remainder of the balance relates to various legal and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

The restructuring provision relates to further restructuring of configuration in the Group predominantly relating to the recent acquisition. The majority is expected to be utilised in 2009 with the remainder being utilised in 2010.

18 TRADE AND OTHER PAYABLES

	2008 £m	2007 £m
Trade payables	**882**	658
Other payables	**64**	57
Other tax and social security payable	**91**	77
Derivative financial instruments	**3**	6
Accruals and deferred income	**1,149**	837
	2,189	1,635

19 OTHER NON-CURRENT LIABILITIES

	2008 £m	2007 £m
Accruals and deferred income	**2**	3
Other payables	**19**	20
	21	23

20 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior year reporting periods.

Deferred tax liabilities	Accelerated capital allowances £m	Intangible assets £m	Short-term timing differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2007	22	810	(64)	(1)	(1)	766
Credited to the income statement	(10)	(23)	(32)	(7)	–	(72)
Credited to equity	–	(3)	–	–	–	(3)
Exchange differences	–	14	–	–	–	14
At 31 December 2007	12	798	(96)	(8)	(1)	705
Acquisition	–	254	–	–	–	254
Charged/(credited) to the income statement	5	46	(81)	6	–	(24)
Charged to equity	–	–	6	–	1	7
Exchange differences	2	237	(8)	(1)	–	230
At 31 December 2008	**19**	**1,335**	**(179)**	**(3)**	**–**	**1,172**

Deferred tax assets	Accelerated capital allowances £m	Intangible assets £m	Short-term timing differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2007	17	7	92	20	8	144
Credited/(charged) to the income statement	(13)	(16)	8	(20)	(4)	(45)
Credited/(charged) to equity	–	–	11	–	(5)	6
Exchange differences	–	–	1	–	–	1
At 31 December 2007	4	(9)	112	–	(1)	106
Acquisition	–	–	31	–	–	31
Credited/(charged) to the income statement	3	6	(50)	–	(2)	(43)
(Charged)/credited to equity	–	–	(17)	–	11	(6)
Exchange differences	2	2	1	–	–	5
At 31 December 2008	**9**	**(1)**	**77**	**–**	**8**	**93**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

The current element of deferred tax is considered to be within short-term timing differences and tax losses.

No deferred tax liability has been recognised on the unremitted earnings of overseas subsidiaries as no tax is expected to be payable on them in the foreseeable future based on the current repatriation policy of the Group.

21 SHARE CAPITAL

Authorised	Equity ordinary shares	Nominal value £m	Non voting redeemable preference shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
At 1 January 2008						
Ordinary shares of 10p each	945,500,000	95				
	945,500,000	95				
At 31 December 2008						
Ordinary shares of 10p each	945,500,000	95				
	945,500,000	95				
Issued and fully paid						
At 1 January 2008	722,368,512	72	50,000	–	2	–
Redemptions	–	–	(50,000)	–	–	–
At 31 December 2008	**722,568,512**	**72**	**–**	**–**	**2**	**–**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

Release of Treasury shares
During the year ordinary shares were released from Treasury to satisfy vestings/exercises under the Company's various share schemes as follows:

Ordinary shares of 10p	Number of shares	Consideration £m
Executive Share Options – exercises	5,417,086	–
Award of Restricted Shares – vesting	2,003,794	–
Total under Executive Share Option and Restricted Share Schemes	7,420,880	–
Senior Executives Share Ownership Policy Plan – vesting	10,000	–
Savings-Related Share Option Schemes – exercises	60,807	–
Total	**7,491,687**	**–**

Market purchases of shares
During 2008, as part of the Group's share buy back programme, the Group spent £300m repurchasing 10,723,500 shares all of which were held as Treasury shares. 7,491,687 Treasury shares have been used to satisfy exercises during the year under the Group's various share option schemes.
This leaves a balance of 13,621,538 held as Treasury shares at 31 December 2008 (2007 10,389,725). The shares repurchased represent 1.48% of the parent company's called up share capital at 31 December 2008 and had a nominal value of £1m.

21 SHARE CAPITAL (CONTINUED)

Options and restricted shares granted during the year

Options and restricted shares which may vest or become exercisable at various dates between 2012 and 2018 were as follows:

	Price to be paid £	Number of shares under option
Long-Term Incentive Plan 2007 (granted April 2008) – share options	27.92	6,000
Long-Term Incentive Plan 2007 (granted April 2008) – restricted shares	–	3,000
Long-Term Incentive Plan 2007 (granted December 2008) – share options	27.29	4,020,400
Long-Term Incentive Plan 2007 (granted December 2008) – restricted shares	–	1,985,200
Total		**6,014,600**
Savings-Related Share Option Schemes		
UK Scheme	21.92	171,901
Overseas Scheme	21.95	1,334,566
USA Scheme	21.95	297,896
Total		**1,804,363**

Options and restricted shares unvested/unexercised at 31 December 2008

Options and restricted shares which have vested or may vest at various dates between 2008 and 2018 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2008**	2007
Reckitt & Colman Schemes		7.140	**23,931**	93,821
Benckiser 1999 Schemes		7.480	**0**	102,468
Benckiser Initial Options Award Agreement 29 September 1999		7.040	**200,000**	1,533,666
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		7.220	**24,500**	204,500
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	**0**	4,500
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	5.538	18.100	**10,837,587**	14,678,943
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**1,963,295**	4,004,302
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	**3,912,013**	4,302,307
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – restricted shares		–	**1,848,480**	2,042,653
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	29.44	**7,902,708**	4,483,300
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	**3,779,106**	2,241,650
Reckitt Benckiser Senior Executives Share Ownership Policy Plan			**110,000**	100,000
			30,601,620	33,792,110

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	**2008**	2007
UK Scheme	13.710	21.920	**708,909**	598,371
Overseas Scheme	13.710	21.950	**2,407,889**	1,187,287
USA Scheme	13.710	21.950	**831,813**	587,736
Total			**3,948,611**	2,373,394

Those Benckiser options which were granted prior to the merger on 3 December 1999 were granted over Benckiser N.V. B shares. On the merger, these options converted to options over ordinary shares at a ratio of five ordinary shares for every Benckiser N.V. B share with a matching exercise price adjustment. In the tables above the outstanding Benckiser options have been stated at their equivalent Reckitt Benckiser Group plc number of options and their exercise prices have been adjusted accordingly.

Executive Share Options are awarded at an exercise price determined on grant and payable on exercise following satisfaction of performance criteria. Restricted share awards entitle the recipient to receive shares at no cost following satisfaction of performance criteria.

22 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Attributable to equity holders of the Company								
	Share capital £m	Share premium £m	Merger reserve £m	Available for sale reserve £m	Hedging reserve £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Minority interest £m	Total £m
Balance at 1 January 2007	**76**	**527**	**142**	**–**	**(1)**	**5**	**(152)**	**1,266**	**3**	**1,866**
Shares allotted under share schemes:		7								7
Share based payments:								52		52
Deferred tax movement on share awards:								13		13
Tax movement on share option exercises:								18		18
Profit for the year:								938		938
Dividends:								(358)		(358)
Actuarial gains and losses:								25		25
Movement of deferred tax on pension liability:								(5)		(5)
Cancellation of RB plc shares:	(76)	(534)				(5)		615		–
Issue of RB Group plc shares:	14,447									14,447
Capital reduction – merger accounting:	(14,375)		(14,371)					14,299		(14,447)
RB Group plc share issue costs:								(3)		(3)
Net exchange adjustments on foreign currency translation:							93			93
Gains and losses taken to reserves on cash flow hedges:					(5)					(5)
Shares repurchased and held in Treasury:								(300)		(300)
Treasury shares re-issued:								45		45
Minority interest acquired:									(1)	(1)
Balance at 31 December 2007	**72**	**–**	**(14,229)**	**–**	**(6)**	**–**	**(59)**	**16,605**	**2**	**2,385**
Shares allotted under share schemes:										
Share based payments:								59		59
Deferred tax on share awards:								(23)		(23)
Tax movement in reserves:								3		3
Profit for the year:								1,120		1,120
Dividends:								(441)		(441)
Actuarial gains and losses:								(85)		(85)
Movement of deferred tax on pension liability:								11		11
Revaluation of available for sale assets				(8)						(8)
Net exchange adjustments on foreign currency translation:							491			491
Gains and losses taken to reserves on cash flow hedges:					19					19
Shares repurchased and held in Treasury:								(300)		(300)
Treasury shares re-issued:								63		63
Balance at 31 December 2008	**72**	**–**	**(14,229)**	**(8)**	**13**	**–**	**432**	**17,012**	**2**	**3,294**

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £2,829m (2007 £3,154m). The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were £345m of Treasury shares at 1 January 2008. £300m of shares were repurchased and held in Treasury, of which £63m were issued to satisfy Executive Share Options exercised. £582m of Treasury shares were carried forward at 31 December 2008.

Reserves

The original merger reserve arose in 1999 following the combination of Reckitt & Colman plc and Benckiser N.V. to form Reckitt Benckiser plc. This transaction was accounted for as a merger. During the year ended 31 December 2007 there was a debit of £14,371m to the merger reserve as a result of the Group reconstruction which was treated as a merger under Section 425 of the Companies Act 1985.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that are extant at year end.

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations arising when the Group's entities are consolidated. The reserve also contains the translation of liabilities that hedge the Group's net exposure in a foreign currency.

23 EQUITY MINORITY INTERESTS

	2008 £m	2007 £m
At 1 January 2008	**2**	3
Purchase of minority shareholdings	**–**	(1)
As at 31 December 2008	**2**	2

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments by category

At 31 December 2008	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet:						
Auction rate securities	–	–	–	25	25	25
Short-term deposits	–	–	–	6	6	6
Trade and other receivables[1]	877	–	–	–	877	877
Derivative financial instruments – FX forward exchange contracts	–	16	53	–	69	69
Cash and cash equivalents	417	–	–	–	417	417

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations) [2]	–	–	1,566	1,566	1,566
Finance lease obligations[2]	–	–	9	9	9
Derivative financial instruments – FX forward exchange contracts	3	–	–	3	3
Trade and other payables[3]	–	–	2,087	2,087	2,087

At 31 December 2007	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Short-term deposits	–	–	–	39	39	39
Trade and other receivables[1]	661	–	–	–	661	661
Derivative financial instruments – FX forward exchange contracts	–	11	–	–	11	11
Cash and cash equivalents	328	–	–	–	328	328

	Derivatives used for through £m	Fair value for sale the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[2]	–	–	483	483	483
Finance lease obligations[2]	–	–	9	9	9
Derivative financial instruments – FX forward exchange contracts	6	–	–	6	6
Trade and other payables[3]	–	–	1,547	1,547	1,547

[1] Prepayments and accrued income are excluded from the trade and other receivables balance as the analysis above is required only for financial instruments.

[2] The categories in this disclosure are determined by IAS 39. Finance leases are outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

[3] Only includes trade and other payables classified as financial liabilities.

In determining the fair value of the financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques such as estimated discounted cash flows are used to determine fair value for the auction rate securities. The fair value of forward exchange contracts is determined using quoted forward rates at the balance sheet date.

The carrying value less impairment provision of investments, current borrowings, cash at bank, trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using foreign currency financial instruments, including debt and other instruments, to fix interest rates.

The Group's financing and financial risk management activities are centralised into the Group Treasury Centre (GTC) to achieve benefits of scale and control. The GTC is not a profit centre, but adds value to the business operations by managing financial exposures of the Group centrally in a manner consistent with underlying business risks. The GTC manages only those risks and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of treasury activity and individually approves significant activities. The GTC operates under close control of the Chief Financial Officer and is subject to periodic independent reviews and audits, both internal and external.

1. Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans. The local business units enter into forward foreign exchange contracts with the GTC to manage these exposures where practical and allowed by local regulations. The GTC matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2008 was £829m payable (2007 £902m payable).

Hedge of net investment in foreign entity

The Group had US dollar-denominated borrowings which it has designated as a hedge of net investment in its subsidiaries in the USA. The carrying value of the dollar borrowings at 31 December 2008 was £1,245m (2007 £nil). The foreign exchange loss of £378m (2007 gain of £2m) on translation of the borrowings into sterling has been recognised in the foreign currency translation reserve. There was no ineffectiveness to be recorded from net investment in foreign entity hedges. At 31 December 2008, if the US dollar had strengthened by 15% against sterling, with all other variables held constant, the foreign exchange loss recognised in the foreign currency translation reserve would have been £220m higher.

Cash flow hedge profile

As at 31 December 2008, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2007.

The Group held forward foreign exchange contracts denominated as cash flow hedges primarily in US dollars, Euros and Australian dollars. Nominal value of the payable leg resulting from these financial instruments was as follows:

	2008 £m	2007 £m
US dollar	**70**	45
Euro	**55**	11
Australian dollars	**12**	9
Other	**21**	16
	158	81

These forward foreign exchange contracts are expected to mature evenly over the period January 2009 to March 2010 (2007 January 2008 to March 2009).

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to £nil (2007 £nil).

Gains and losses recognised in the hedging reserve in equity (note 22) on forward exchange contracts as of 31 December 2008 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial recognition of a financial asset in which case recognition is over the lifetime of the asset.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Forward foreign exchange contracts

In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship with all others held constant does not have a significant effect on the consolidated profit or loss or shareholders' equity. The largest fluctuation is in respect of a forward contract between the Canadian and US dollar when at 31 December 2008, if the Canadian dollar had strengthened/weakened by 15% against the US dollar, with all other variables held constant, shareholders' equity would have been £8m (2007 5%: £2m) lower/higher.

The remaining major non-derivative monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. As at 31 December 2008 if all other currencies had strengthened/weakened by 15% against sterling with all other variables held constant, this would have had an insignificant effect on consolidated profit or loss or shareholders' equity (2007 insignificant).

(b) Price risk

The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods such as oil related and a diverse range of other raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

(c) Cash flow and fair value interest rate risk

The Group has both interest-bearing and non interest-bearing liabilities. The Group manages its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group manages its interest rate exposure on its gross financial assets by using a combination of fixed rate term deposits.

Finance leases are exposed to fixed interest rates and all other financial assets and liabilities are exposed to floating interest rates.

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full year and pre tax basis. The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the profit or loss of a 100 basis-point shift in interest rates would be a maximum increase of £10m (2007 50 bps: £2m) or decrease of £10m (2007 50 bps: £2m), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

2. Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The credit quality of trade and other receivables is detailed in note 13. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board. Derivative financial instruments are only traded with counterparties approved in accordance with the Board policy. Derivative risk is measured using a risk weighting method.

The table below summarises the Group's major financial institution counterparties by credit rating and balances (cash equivalents, derivative financial instruments, deposits) at the balance sheet date.

Counterparty risk

			2008			2007
Counterparty	**S&P Rating**	**Limit £m**	**Exposure £m**	S&P Rating	Limit £m	Exposure £m
Bank A	**A**	**125**	**104**	A	125	42
Bank B	**A**	**125**	**50**	AA	225	59
Bank C	**AAA**	**300**	**50**	AAA	300	42
Bank D	**AA**	**200**	**41**	AA	200	54
Bank E	**A**	**75**	**38**	A	75	20
Bank F	**A**	**125**	**33**	AA	200	16
Bank G	**A**	**125**	**29**	AA	200	10
Bank H	**A**	**125**	**22**	AA	175	23
Bank I	**AA**	**225**	**20**	AA	225	10
Bank J	**BBB**	**50**	**8**	BBB	50	9

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

3. Liquidity risk

Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to the GTC. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or better.

Borrowing facilities

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. At the end of 2008, the Group had, in addition to its long-term debt of £4m (2007 £5m), committed borrowing facilities totalling £1,675m (2007 £2,485m), of which £1,675m exceeded 12 months' maturity. Of the total facilities at the year end, £206m (2007 £nil) was utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

The undrawn committed facilities available, in respect of which all conditions precedent have been met at the balance sheet date, were as follows:

	2008 £m	2007 £m
Undrawn committed borrowing facilities		
Expiring within one year	**–**	1,260
Expiring between one and two years	**25**	–
Expiring after more than two years	**1,444**	1,225
	1,469	2,485

All borrowing facilities are at floating rates of interest.

The facilities have been arranged to cover general corporate purposes including support for commercial paper issuance. All facilities incur commitment fees at market rates.

Headroom between net debt and available facilities at 31 December 2008 was £579m (2007 £2,360m).

The Group's borrowing limit at 31 December 2008 calculated in accordance with the Articles of Association was £52,587m (2007 £43,149m).

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date, including interest to be paid.

At 31 December 2008	**Carrying values £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(1,341)**	**(1,350)**	**–**	**–**	**–**
Other borrowings	**(234)**	**(230)**	**(3)**	**(1)**	**–**
Trade payables	**(882)**	**(882)**	**–**	**–**	**–**
Other payables	**(1,205)**	**(1,184)**	**(21)**	**–**	**–**

At 31 December 2007	Carrying values £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(451)	(456)	–	–	–
Other borrowings	(41)	(37)	(3)	(1)	–
Trade payables	(658)	(658)	–	–	–
Other payables	(889)	(870)	(19)	–	–

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period between the balance sheet and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

At 31 December 2008	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Forward exchange contracts				
Outflow	**(824)**	**(5)**	**–**	**–**
Inflow	**890**	**5**	**–**	**–**

At 31 December 2007	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Forward exchange contracts				
Outflow	(897)	(5)	–	–
Inflow	902	3	–	–

4. Capital risk management

Capital risk management is discussed in detail in the Business Review on page 22.

25 OPERATING LEASE COMMITMENTS

	2008		2007	
	Land and buildings £m	**Plant and equipment £m**	Land and buildings £m	Plant and equipment £m
Total commitments under non-cancellable operating leases due:				
Within one year	**26**	**5**	19	3
Later than one and less than five years	**72**	**4**	49	2
After five years	**38**	**–**	35	–
	136	**9**	103	5

Operating lease rentals charged to the income statement in 2008 were £28m (2007 £24m) in respect of land and buildings and £8m (2007 £6m) in respect of plant and equipment.

As at 31 December 2008, total amounts expected to be received under non-cancellable sub-lease arrangements were £10m (2007 £12m). Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2007 £1m).

26 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2008 amounted to £41m (2007 £33m).

The Group is involved in the early stages of a number of enquiries from competition authorities. Any potential liability in respect of such enquiries is not quantifiable at the date of this report, therefore the Directors have made no provision for such potential liabilities.

27 RELATED PARTY TRANSACTIONS

The Group's subsidiary in Zimbabwe (Reckitt Benckiser (Zimbabwe) (Private) Ltd) is not consolidated as noted in the accounting policies. Therefore transactions between the Group and Reckitt Benckiser (Zimbabwe) (Private) Ltd are classified as related party transactions. During 2008 Group companies sold to and purchased from Reckitt Benckiser (Zimbabwe) (Private) Ltd products and services of less than £1m (2007 less than £1m). At 31 December 2008 Group companies had receivable and payable balances with Reckitt Benckiser (Zimbabwe) (Private) Ltd of less than £1m (2007 less than £1m). There are no other significant related party transactions in 2008 (2007 none).

Key management compensation is disclosed in note 5a.

28 BUSINESS ACQUISITIONS

Acquisition of Adams Respiratory Therapeutics, Inc. (Adams)

On 30 January 2008 the Group acquired 100% of the issued share capital of Adams Respiratory Therapeutics, Inc. (Adams) for a cash consideration of £1.1bn. Adams is a US based specialty pharmaceutical company focused on the late-stage development, commercialisation and marketing of over-the-counter and prescription pharmaceuticals for the treatment of respiratory disorders. This transaction has been accounted for by the purchase method of accounting.

From the date of acquisition to 31 December 2008 the acquisition contributed £233m to net revenues. Had the acquisition taken place at 1 January 2008, it would have contributed £252m to net revenues. Disclosure of operating profit information for the acquisition is considered by management to be impracticable due to the extent of integration into the combined Group. Similarly, disclosure of cash flows from the acquired business is considered by management to be impracticable as they are derived from one combined business.

All assets and liabilities were recognised at fair value. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

	Book value £m	Provisional fair value adjustment £m	Provisional fair value £m
Intangible fixed assets	61	715	776
Property, plant and equipment	10	(4)	6
Available for sale financial assets – non current	52	(17)	35
Inventories	19	(4)	15
Receivables	38	(1)	37
Current liabilities	(84)	(26)	(110)
Net cash	(3)	–	(3)
Available for sale financial assets	18	–	18
Deferred tax	19	12	31
Long-term liabilities	(1)	(21)	(22)
Deferred tax on intangibles	(4)	(250)	(254)
Net assets acquired	125	404	529
Goodwill			567
Total cost of acquisition			**1,096**

Total cash consideration	1,092
Direct costs related to the acquisition	4
Total cost of acquisition	**1,096**

The total consideration includes directly attributable costs of £4m. Goodwill represents the strategic premium to enter and establish critical mass in the US Health care market, and global expansion of the brands acquired. The intangible assets acquired as part of the acquisition of Adams are analysed as follows:

Product Group	Key brands	2008 £m
Health & Personal Care	*Mucinex, Delsym*	776

The fair value adjustments contain provisional amounts which will be finalised in the 2009 Annual Report and Financial Statements, once the permitted 12-month hindsight period has elapsed post-acquisition. Fair value adjustments cover the recognition of acquired intangible assets and their associated deferred tax, accounting policy alignment and other fair value adjustments on net working capital. All assets and liabilities acquired are located in the USA and as such are within the NAA reportable segment.

Acquisition of Muse

On 30 April 2008 the Group acquired a local Japanese antiseptic brand, ‘Muse’, for £31m.

There were no acquisitions in the prior year.

29 POST BALANCE SHEET EVENTS

Share capital issued since 31 December 2008

In the period 31 December 2008 to 28 February 2009 the parent company has not issued any ordinary shares.

Five year summary

Income statement	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Net revenues	**6,563**	5,269	4,922	4,179	3,871
Operating profit	**1,505**	1,233	910	840	749
Operating profit before exceptional items	**1,535**	1,190	1,059	840	749
Exceptional Items	**(30)**	43	(149)	–	–
Operating profit	**1,505**	1,233	910	840	749
Net finance (expense)/income	**(31)**	(24)	(36)	36	9
Profit on ordinary activities before tax	**1,474**	1,209	874	876	758
Tax on profit	**(354)**	(271)	(200)	(207)	(181)
Attributable to minority interests	**–**	–	–	–	–
Profit for the year	**1,120**	938	674	669	577
Ordinary dividends	**(441)**	(358)	(300)	(262)	(216)
Profit after deducting dividends	**679**	580	374	407	361
Balance sheet					
Fixed assets	**7,228**	4,426	4,421	2,343	2,212
Net current (liabilities)/assets (excluding current liability provisions)	**(2,189)**	(946)	(1,377)	351	240
Total assets less current liabilities (excluding current liability provisions)	**5,039**	3,480	3,044	2,694	2,452
Creditors due after more than one year:					
Borrowings/other	**(153)**	(148)	(134)	(186)	(255)
Provisions for liabilities and charges**	**(1,592)**	(947)	(1,044)	(652)	(617)
Equity minority interests	**(2)**	(2)	(3)	(1)	(3)
Total shareholders' funds	**3,292**	2,383	1,863	1,855	1,577
Statistics					
Reported basis					
Operating profit to net revenues	**22.9%**	23.4%	18.5%	20.1%	19.3%
Total interest to operating profit (times covered)	**48.5x**	51.4x	25.3x	n/a	n/a
Tax rate	**24.0%**	22.4%	22.9%	23.6%	23.9%
Dividend cover†	**2.5x**	2.6x	2.2x	2.6x	2.7x
Adjusted basis*					
Operating profit to net revenues	**23.4%**	22.6%	21.5%	20.1%	19.3%
Total interest to operating profit (times covered)	**49.5x**	49.6x	29.4x	n/a	n/a
Dividend cover†	**2.6x**	2.5x	2.6x	2.6x	2.7x
Dividends per ordinary share	**62.0p**	50.0p	41.5p	36.0p	30.0p

*Adjusted basis is calculated by deducting the exceptional items from profit for the year.
†Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends paid.

All the years included in the table are reported under IFRS.

**Provisions for liabilities and charges includes deferred tax liabilities, retirement benefit obligations and restructuring provisions.

We have audited the parent company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2008 which comprise the Parent company balance sheet, the Parent company accounting policies and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2008.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' responsibilities section of the Report of the Directors.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the parent company financial statements.

The information given in the Report of the Directors includes that specific information presented in the Business Review 2008 that is cross referred from the Review of the activities and development of the Group's business section of the Report of the Directors.

In addition we report to you if, in our opinion, 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 regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chief Executive's Statement, the Board of Directors and Executive Committee, the Chairman's Statement, the Business Review 2008, the Report of the Directors (including statements on Corporate governance), the unaudited part of the Directors' Remuneration Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 March 2009

Notes:

- The maintenance and integrity of the Reckitt Benckiser Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting convention
The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments and share based remuneration and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. As permitted by s.230 of the Companies Act 1985, no profit and loss account is presented for Reckitt Benckiser Group plc.

Foreign currency translation
Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at a forward contract rate.

Taxation
The tax charge is based on the profit for the period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable.

Fixed assets
Fixed asset investments are valued at cost less impairment.

Employee share schemes
Incentives in the form of shares are provided to employees under share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the awards at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to the retained earnings reserve. Additional employer costs in respect of options and awards are charged to the income statement account over the same period with the credit included in equity. Where awards are contingent upon future events an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made.

Where the Company grants rights to its equity instruments to employees of the group, and such share based compensation is accounted for as equity-settled in the consolidated financial statements of the group, UITF 44 requires the subsidiaries to record an expense for such compensation in accordance with FRS 20, "Share based payments", with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (Reckitt Benckiser group plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £51.5m in 2008, with a credit to equity fo the same amount.

Financial instruments
Financial instruments held for trading are classified as current assets and current liabilities, and are stated at fair value, with any resulting gain or loss recognised in the profit and loss account.

Where the Company has the positive intent and ability to hold a financial instrument until its maturity, the instruments are stated at amortised cost less any impairment losses recognised in the profit and loss account.

The fair value of financial instruments classified as held for trading is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading are recognised/derecognised by the Company on the date it commits to purchase/sell the instrument. Financial instruments held to maturity are recognised/de-recognised on the day they are transferred to/by the Company.

Capital transactions
When the Company repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are either held in Treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from Retained Earnings to the Capital Redemption Reserve.

Cash and cash equivalents
Cash and cash equivalents comprises cash balances and other deposits with a maturity of less than three months when deposited.

Cash flow statement
Reckitt Benckiser Group plc has presented a Group cash flow statement in its Annual Report and Accounts 2008, therefore as permitted by FRS 1, "Cash Flow Statements", the Directors have not prepared a cash flow statement for the Company.

Parent company balance sheet

As at 31 December 2008	Notes	2008 £m	2007 £m
Fixed assets			
Investments	1	**14,499**	14,447
Current assets			
Debtors due within one year	2	**22**	2
Debtors due after more than one year	3	**6**	1
		28	3
Current liabilities			
Creditors due within one year	4	**(798)**	(66)
Net current liabilities		**(770)**	(63)
Total assets less current liabilities		**13,729**	14,384
Net assets		**13,729**	14,384
EQUITY			
Capital and reserves			
Share capital	5	**72**	72
Profit and loss reserve	6	**13,657**	14,312
Total equity		**13,729**	14,384

Approved by the Board on 10 March 2009.

Adrian Bellamy
Director

Bart Becht
Director

1 INVESTMENTS CLASSIFIED AS FIXED ASSETS

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2008	14,447
Additions during the year	52
At 31 December 2008	**14,499**
Provision for impairment:	
At 1 January 2008	–
Provided for during the year	–
At 31 December 2008	**–**
Net book amounts:	
At 1 January 2008	14,447
At 31 December 2008	**14,499**

	Shares in subsidiary undertakings £m
At 6 June 2007	–
Acquisitions during the period (note 5)	14,447
At 31 December 2007	14,447
Provision for impairment:	
At 6 June 2007	–
Provided for during the period	–
At 31 December 2007	–
Net book amounts:	
At 6 June 2007	–
At 31 December 2007	14,447

Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2008, all of which are included in the consolidated financial statements, are shown below.

	Product segment	Country of incorporation or registration and operation	Effective % of share capital held by the Group
Propack	Household	Germany	Ordinary 100
Reckitt Benckiser (Australia) Pty Limited	Household	Australia	Ordinary 100
Reckitt Benckiser (Brasil) Limitada	Household	Brazil	Ordinary 100
Reckitt Benckiser (Canada) Inc.	Household and Food	Canada	Ordinary 100
Reckitt Benckiser Deutschland GmbH	Household	Germany	Ordinary 100
Reckitt Benckiser España SL	Household	Spain	Ordinary 100
Reckitt Benckiser France SAS	Household	France	Ordinary 100
Reckitt Benckiser Health care (UK) Limited	Household	UK	Ordinary 100
Reckitt Benckiser Inc.	Household and Food	USA	Ordinary 100
Reckitt Benckiser (India) Limited	Household	India	Ordinary 100
Reckitt Benckiser Italia SpA	Household	Italy	Ordinary 100
Reckitt Benckiser (Poland) SA	Household	Poland	Ordinary 100
Reckitt Benckiser (UK) Limited	Household	UK	Ordinary 100

None of the above subsidiaries are held directly by Reckitt Benckiser Group plc.

As permitted by s.231(5) of the Companies Act 1985, particulars of other subsidiary undertakings are not shown above. A full list of the Company's subsidiary undertakings will be annexed to the Company's annual return to Companies House.

2 DEBTORS DUE WITHIN ONE YEAR

	2008 £m	2007 £m
Amounts owed by Group undertakings	**22**	2

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2007 – interest free).

3 DEBTORS DUE AFTER MORE THAN ONE YEAR

	2008 £m	2007 £m
Deferred tax assets	**6**	1

4 CREDITORS DUE WITHIN ONE YEAR

	2008 £m	2007 £m
Amounts owed to Group undertakings	**789**	66
Other tax and social security	**9**	–
	798	66

Included in the amounts owed to the Group undertakings is an amount of £760,068,000 which is unsecured, carries interest at LIBOR (2007 – LIBOR) and is repayable on demand. All other amounts owed to Group undertakings are unsecured, interest free and are repayable on demand (2007 – interest free).

5 CALLED UP SHARE CAPITAL

Authorised, issued and fully paid	Non voting redeemable preference shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m	Equity ordinary shares	Nominal value £m
At 1 January 2008: Ordinary shares – allotted, called up and fully paid	50,000	–	2	–	**722,368,512**	72
At 31 December 2008: Ordinary shares – allotted, called up and fully paid	–	–	2	–	**722,368,512**	72

For details of the movement in ordinary shares during 2008 see note 21 of the Group Financial Statements on page 62.

On 23 October 2007 under a Scheme of Arrangement between Reckitt Benckiser plc, the former holding company of the Group, and its shareholders under Section 425 of the Companies Act 1985, and as sanctioned by the High Court, all the issued shares in that Company were cancelled and the same number of new shares were issued to Reckitt Benckiser Group plc in consideration for the allotment to shareholders of one ordinary share in Reckitt Benckiser Group plc for each ordinary share in Reckitt Benckiser plc held on the record date, 22 October 2007. Subsequent movements relate to shares in Reckitt Benckiser Group plc.

Reckitt Benckiser Group plc was incorporated on 8 June 2007 under the name Trushelfco (no.3293) Limited. On incorporation, the Company's authorised share capital was £100 divided into 100 ordinary shares of £1 each. Of such shares, two ordinary shares were taken by the subscribers to the Memorandum of Association and were paid up in full in cash. On 28 August 2007 the Company increased its share capital by £50,000 by the creation of 50,000 non-voting redeemable preference shares of £1 each. On 28 August 2007 the company authorised and allotted 50,000 redeemable preference shares of £1 each to the subscriber.

On 23 October 2007 as part of the Scheme of Arrangement noted above, a further 722,368,512 ordinary shares of 2000 pence were issued, whereby Reckitt Benckiser Group plc was interposed as the new holding company of the Group. As required by Section 131 of the Companies Act 1985 (Merger Relief), no share premium was recognised. On 25 October 2007 the share capital of Reckitt Benckiser Group plc was reduced by reducing the nominal value of the ordinary shares from 2000 pence to 10 pence as sanctioned by the High Court. As a result £14,375m was added to retained earnings for Reckitt Benckiser Group plc. For the Company this amount is distributable.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	**Profit and loss £m**	**Total £m**
Movements during the period:			
At 1 January 2008	**72**	**14,312**	**14,384**
Loss for the year		**(44)**	**(44)**
Dividends		**(441)**	**(441)**
Capital contribution in respect of share based payments		**54**	**54**
Share based payments		**13**	**13**
Shares repurchased as Treasury shares		**(300)**	**(300)**
Treasury shares reissued		**63**	**63**
At 31 December 2008	**72**	**13,657**	**13,729**

	Share capital £m	Profit and loss £m	Total £m
Movements during the period:			
Loss for the period		(5)	(5)
Issue of Reckitt Benckiser Group plc shares	14,447		14,447
Capital reduction	(14,375)	14,375	–
Share issue costs		(3)	(3)
Share based payments		2	2
Shares repurchased as Treasury shares		(66)	(66)
Treasury shares reissued		9	9
At 31 December 2007	72	14,312	14,384

Reckitt Benckiser Group plc has £13,642m (2007 £14,310m) of its profit and loss reserve available for distribution.

There were £57m of Treasury shares at 1 January 2008. £300m (2007 £66m) of shares were repurchased and held in Treasury, of which £63m (2007 £9m) were issued to satisfy exercises under the Group's various share option schemes. £294m of Treasury shares were carried forward at 31 December 2008.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 48.0p per share which will absorb an estimated £340m of shareholders' funds. It will be paid on 28 May 2009 to shareholders who are on the register on 27 February 2009.

Other post balance sheet events are described in note 29 on page 70 of the Group financial statements.

7 SHARE BASED REMUNERATION

Reckitt Benckiser Group plc has two employees, the Group's CEO and CFO. Details of their share awards that are not fully vested are set out in the Directors' Remuneration Report, and the charge in relation to the year ended 31 December 2008 is set out below. The Company has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the awards.

The fair value of awards with options outstanding at 31 December 2008 is shown in note 5(c) of the group accounts on page 48.

Table 1: Share awards expense 2008

				Movement in number of options					
Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2008 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2008 number	Total fair value of grant as at 31 December 2008 £m	Charge for the period ending 2008 £m
Share Options									
2002	17 December 2001	1.95	715,834	–	–	–	715,834	1.4	–
2003	22 November 2002	2.05	1,000,000	–	–	–	1,000,000	2.1	–
2004	08 December 2003	2.46	960,000	–	–	(160,000)	800,000	2.0	–
2005	06 December 2004	2.99	960,000	–	–	–	960,000	2.9	–
2006	05 December 2005	3.33	960,000	–	–	–	960,000	3.2	1.1
2007	08 December 2006	4.23	960,000	–	–	–	960,000	4.1	1.3
2008	11 December 2007	5.99	720,000	–	–	–	720,000	4.3	1.4
2009	08 December 2008	4.69	–	720,000	–	–	720,000	3.4	–
Restricted Shares									
2005	06 December 2004	13.92	480,000	–	–	(480,000)	–	–	–
2006	05 December 2005	16.38	480,000	–	–	–	480,000	7.9	2.6
2007	08 December 2006	21.02	480,000	–	–	–	480,000	10.1	3.4
2008	11 December 2007	27.56	360,000	–	–	–	360,000	9.9	3.3
2009	08 December 2008	24.31	–	360,000	–	–	360,000	8.8	–
Other Share Awards									
UK SAYE	04 September 2006	6.61	1,564	–	–	–	1,564	n/a	–
Total									13.1

For the period ended 31 December 2007 the share award expense was £2.2m. Further details of the share awards relating to the two employees are set out in the Directors' Remuneration Report on pages 30 to 35.

7 SHARE BASED REMUNERATION (CONTINUED)

Notes

Contractual life: Executive Share Awards have a contractual life of ten years but vest according to EPS growth criteria over a three-year period. Accordingly, the cost is spread over the three years of the performance period. Other share awards have contractual lives of either three, five or seven years.

Performance criteria: Executive Share Awards are subject to performance criteria based on compound average annual growth (CAAG) rates in earnings per share over the performance period. Other Share Awards are generally not subject to any criteria other than the employee's continued employment. Executive Share Awards included in the above table vest as follows: CAAG of 6%: 40% of awards vest; 7% CAAG: 60%; 8% CAAG: 80%; 9% CAAG: 100%.

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation. The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2008 or 2007 for the purposes of the valuation.

Volatility: An estimate of future volatility is made with reference to historical volatility over a similar time period, to the performance period or the contractual life as appropriate.

Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

Income statement charge: the income statement charge may not exactly equal one third of the total fair value included in the table above due to adjustments for in-year lapses or award revisions.

The weighted average share price for the year was £27.15 (2007 £27.06).

8 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m (2007 £0.05m).

9 RELATED PARTY TRANSACTIONS

There were no related party transactions (2007 none). The Company has taken advantage of the exemption within Financial Reporting Standard No. 8 not to disclose related party transactions with other members of the Reckitt Benckiser Group.

Shareholder information

Annual General Meeting
To be held on Thursday, 7 May 2009 at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex, UB3 5AN.

Every shareholder is entitled to attend and vote at the meeting. The notice convening the meeting is contained in a separate document for shareholders.

Final dividend for the year ended 31 December 2008
To be paid (if approved) on 28 May 2009 to shareholders on the register on 27 February 2009.

Company Secretary
Elizabeth Richardson

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Telephone: 01753 217800
Facsimile: 01753 217899

Registered and domiciled in England
No. 6270876

Company status
Public Limited Company

Auditors
PricewaterhouseCoopers LLP

Solicitors
Slaughter and May

Registrar and transfer office
If you have any queries about your shareholding, please write to, or telephone, the Company's Registrar at the following address:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

Dedicated Reckitt Benckiser shareholder helpline
Telephone: 0870 703 0118
Website: www-uk.computershare.com

Key dates

Announcement of quarter 1 results	28 April 2009
Annual General Meeting	7 May 2009
Payment of final ordinary dividend	28 May 2009
Announcement of interim results	29 July 2009
Payment of interim ordinary dividend	September 2009
Announcement of quarter 3 results	27 October 2009
Preliminary announcement of 2009 results	10 February 2010
Publication of 2009 Annual Report and Accounts	April 2010
Annual General Meeting	May 2010

This report is part of an integrated approach to reporting our total performance. Our family of reports also includes the Annual Report Highlights, the Sustainability Report on our social and environmental responsibilities, and regularly updated corporate responsibility information at **www.reckittbenckiser.com**

Far left: Annual Report Highlights 2008

Left: Sustainability Report 2008 (to be published July 2009)

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