Annual Report and Financial Statements 2006

live it

Reckitt Benckiser

Live it. Love it. Breathe it.
It’s the passion of our people that drives our business.

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Reckitt Benckiser plc. Registered in England No. 527217

Chairman's Statement

We are pleased to report to shareholders another year of progress and considerable achievement. The Company again exceeded its financial targets and has put in place a powerful platform in consumer healthcare, through the acquisition and integration of Boots Healthcare International (BHI), offering new growth opportunities.

Strategy

The Company's strategy, as clearly set out in the Chief Executive's Review, remains unchanged but with raised horizons in consumer healthcare. The management team continues to develop a world-leading business in household cleaning and health & personal care with powerful brands, global reach and a clear focus on delivering better products to consumers.

Management

The year has seen some evolution in the management team. Fortunately we have replaced strength with strength confirming that our long-term succession planning is working well, ensuring both a supply of talented people and strong continuity in culture and style.

Returning cash to shareholders

Shareholders have again benefited from the very strong cash generation of the business. Despite the cost of acquiring Boots Healthcare International (£1.9bn) and integrating it into Reckitt Benckiser, the Company has continued to return cash to shareholders. If the proposed final dividend is approved, declared dividends for the year will total 45.5p, an overall increase of 17%. Together with the £300m share buy back programme completed during the year, this will mean that over £625m will have been returned to shareholders in total. Even with these distributions the Company's finances remain strong.

The Board of Directors

George Greener retired at the last AGM following ten years as a Director. Once again I thank him for his considerable contribution. I welcome David Tyler who has joined the Board as a Non-Executive Director since the year end. Ken Hydon has taken over the chair of the Audit Committee and has therefore relinquished his role as Senior Non-Executive Director. Peter White, who is no longer an independent director due to his tenure on the Board, has been an excellent Chairman of the Audit Committee since 1998 and I thank him very much. Graham Mackay has been appointed Senior Non-Executive Director. The Board continually seeks to strengthen itself with new Non-Executive Directors as appropriate opportunities arise.

The Board reviewed various aspects of the business during the year, including annual reviews of corporate governance, corporate responsibility, reputational and business risk. The Board regularly reviews the performance and results of the business and holds specific reviews with management on brand, area and functional performance. The Board also conducted its annual appraisal of its own performance.

Annual General Meeting resolutions

The Board strongly recommends that shareholders support the resolutions at the AGM on 3 May 2007, endorsing the policies that have brought the Company continuing success.

Thanks

On behalf of all shareholders I extend thanks to Bart Becht and his team for the fine achievements of this past year. My thanks also to the members of the Board for their helpful and supportive contributions.

Adrian Bellamy
Chairman

2006 was another good year for Reckitt Benckiser.

Let me briefly explain why:

- Financial results for the year were ahead of target. Net revenues grew by 7% on a like-for-like basis and by 18% overall, while adjusted earnings per share rose by 19%. Net cash flow rose by 26%, while we reduced the net borrowings following the BHI acquisition to £660m. Dividends were increased by 17% and we returned £300m to shareholders through share buy back.
- We launched even better products and invested at record levels in our Power Brands to excite consumers and stimulate growth. Examples of successful new products include Vanish Oxi Action Crystal White, Cillit Bang Stain & Drain, Finish 5in1 and Quantum and Air Wick Freshmatic.
- We established a strong platform in consumer healthcare. The acquisition of BHI in February, and its subsequent integration into Reckitt Benckiser has been executed ahead of plan, delivering more savings than originally expected. We will now turn our attention to driving growth from this platform.

We therefore ended the year a stronger business than we began it.

People ask me why Reckitt Benckiser continues to deliver. I think it is down to several factors. First, and perhaps most important, is a highly capable management team and broader workforce bound together with a strong, unifying and enabling culture. Second is our very clear strategy for the business, a roadmap that is understood and followed by all in the business. Finally our strong portfolio of leading brands in above average growth categories with attractive margins underpins our strategy.

Strong management team sharing a compelling culture

At the heart of any successful company is a set of strong, commonly-held beliefs and ways of working. At Reckitt Benckiser, we work together with passion and commitment to excite consumers. We truly live our business, it is fun and therefore rewarding and it is an obsession that goes beyond just being a job. Our culture breeds pride in achievement, a truly personal commitment to delivery, pleasure in co-operating in teams and the excitement of taking business risks in the search for better solutions. Not for us a culture of consensus, rather we enjoy constructive conflict if it leads to better decision making.

It is a culture that works for us. That is why we work very hard in recruiting and developing our management talent to fit with our culture, ensuring that our succession planning is as seamless as possible.

During the past year we have passed the baton in a number of senior executive positions but the business has continued to prosper without major disruption. Erhard Schoewel, after 27 years with the Company, latterly as Executive Vice President (EVP) Europe, retired in June. His contribution to Reckitt Benckiser was immense, not least in demonstrating how our cultural values deliver superior business performance. We thank him and wish him a long and happy retirement. His position has been taken by Elio Leoni-Sceti, whose role as EVP Category Development has been assumed by Rakesh Kapoor. We wish them both well in their new challenges. Tony Gallagher also retired during the year after eight years of achievement for which we thank him, and we welcome Gareth Hill who has joined the Company as Senior Vice President (SVP) Information Services. A large number of changes in management down the line followed, but I am happy to report minimal disruption and strong continuity.

Strong management, bound together in a common culture, properly targeted by a compelling strategy and appropriately incentivised makes a powerful force for business performance. That is why we continue to place so much credence on our remuneration system, which pays for performance. For the most senior management, 80% or more of total remuneration is performance-related from our annual bonus and long-term incentive programmes, rewarding the achievement of superior in-year results, and the building of long-term shareholder value. At the same time, senior management commits its own capital to the business through our stringent share ownership policy, making us behave like part-proprietors of the business, sharing the risks and rewards of shareholders.

A clear strategy

I make no apology for repeating our strategy for delivering profitable growth. It has served the Company and its shareholders well for six consecutive years now, and we intend to do plenty more of the same. We believe that the simplicity and clarity of our strategy helps us with the execution as our strategy is so well understood throughout the Company.

Our vision is to keep delivering better products to consumers that improve their lives at crucial moments. Our strategy is equally simple: in essence, to drive sales growth through focus and constant innovation while optimising costs to expand margins and profits.

We deliver this through a clear and simple strategy:

1. Deliver above industry average growth in net revenues.

Focus investment and innovation on 'the right brands in the right categories'. That means categories with strong growth potential where we can invest behind our world-leading brands. Most of our effort goes behind the 18 flagship Power Brands that now represent almost 60% of our net revenues.

Reinforce our brands with an exceptional rate of product innovation. Offering consumers ever-better solutions stimulates them to purchase, helping to grow both the category and our market share. Up to 40% of our net revenues come from products launched in the past three years.

Back our brands with consistently high marketing investment. Our media spend rate, at around 12% of net revenues, is consistently the industry's highest. And in the past year we have put even greater investment behind direct interaction with consumers through in-store demonstrations, sampling programmes and point-of-sale communication.

Roll out our major brands into new geographies. Few of our major brands are yet present in all our territories, and we continue to roll them out as market opportunities develop.

Finally, leverage our financial strength to enhance long-term growth by making add-on acquisitions that strengthen our core business.

2. Convert growth into even more attractive profit and cash flow through continuing margin expansion and cash conversion.

We expand margins through intensive work on cost containment and mix management. We find exciting rewards in the most unglamorous places: using less packaging, standardising product formulas, renegotiating supply contracts, simplifying processes. We also drive margins by focusing on active mix management by driving higher margin products and categories. Margin expansion fuels the business, funding marketing investment and driving profit growth.

Finally, we focus on converting all of this into cash through intensive work on net working capital and relentless attention to cash. It is no accident that we have the lowest net working capital and the highest cash conversion rates in our industry peer group.

A strong brand portfolio

We have the benefit of executing this strategy with a portfolio of strong brands in attractive categories, but this too is not an accident. Our portfolio strategy has always been to focus on those categories that can give us growth at attractive economics and where we can own the leading brands globally. That is why we focus on categories such as Fabric Treatment, where Vanish is the world No.1, disinfecting cleaning, where Lysol and Dettol combined lead the world, Automatic Dishwashing, where Finish, Calgonit and Electrasol combined have over 40% of the world market, or Air Care, where Air Wick is now a strong No.2 brand. Having secured these leading positions, we are determined to continue to drive their growth with more innovations and more marketing and selling investment.

Reckitt Benckiser Healthcare – a new platform for growth

These considerations explain why we are building a strong platform for future growth in consumer healthcare, the over-the-counter drug market. Combining our existing strength in selected markets with the newly acquired BHI brands, gives us many opportunities to grow in future.

First, we now have a strong brand portfolio in interesting categories of consumer healthcare. Combining Nurofen (No.2 analgesic in Europe), Strepsils (No.1 medicated sore throat globally), Clearasil (No.2 anti-acne treatment worldwide) with Gaviscon (No.1 upper Gastro-Intestinal in Europe) and Lemsip (No.1 UK cold/flu) gives us an interesting platform.

Healthcare is a good growth category with particularly attractive margins. Although the intrinsic growth rate is not much higher than for household cleaning, it is sustainable over the long-term, driven by an ageing population, increasing self-medication for minor illnesses and gradual market liberalisation as governments shift the burden of healthcare to the individual. The real attraction of the category is the margin, which comes from the higher levels of brand loyalty. Extra growth in this category, therefore, will enhance the overall Company margin.

In 2006 our emphasis was primarily on integrating BHI and establishing our platform across Europe and selected other markets. We now have largely in place the necessary regulatory infrastructure, the medical professional detailing capability, and both the specialist pharmacy and general mass market selling capability to ensure that we can market and sell our brands. BHI is fully integrated into Reckitt Benckiser, indeed it is no longer possible to identify a separate BHI entity. At the same time we are on track to deliver the cost and net working capital synergies that we identified, as we will exceed the original cost-saving estimate with a new target of £80m.

From 2007 onwards, the opportunity is to build our business in several ways:

- Building our brands through higher marketing investment and better sales execution. We are already testing higher marketing investment models in the business.
- Rolling out our existing brands to new geographies – we do not by any means have all our brands in all our countries, but we will be testing roll-outs in a few new countries.
- Introducing new brand extensions or new claims that deliver a meaningful improvement to consumers. This takes longer to achieve, given the regulatory regimes, but we expect to start introducing these from 2008 onwards.

It is not an accident that these opportunities chime closely with our overall strategy for the Company – we see consumer healthcare as another category in which our strategy and our core competencies of innovation, marketing investment and sales excellence can deliver interesting growth.

The future

I believe that Reckitt Benckiser has an exciting future. Our people, our strategy and our brands can continue to deliver profitable growth to the benefit of employees and shareholders.

We are increasingly building a business we are proud to be part of. Our products and our business are a force for good in the world. That includes our powerful and developing track record on sustainability through initiatives such as our Trees for Change programme on carbon reduction, or the ‘reduce energy and water’ programme on automatic dishwashing. Sustainability is not just important to managing risk, it is good for business, good for consumers, good for employees and ultimately good for society as a whole. That is why we are so committed to it. I hope you will find time to read about our commitment in greater detail in our separate Sustainability Report.

Fundamental to our success, however, are the almost 22,000 people who work so passionately for Reckitt Benckiser each and every day. The results of the past year and my confidence in the future are based on their efforts and I thank them for it – and for the heart and soul they bring to work each day so that we really do ‘live it’.

Bart Becht
Chief Executive

This review for the financial year ending 31 December 2006 conforms to the Business Review required under the Companies Act 1985. It should be read in conjunction with the rest of this annual report, the Company's 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 70% of net revenues in 2006 were generated by brands that are either market leader or ranked second in their markets. The Company's principal product categories and brands are listed on pages 10 and 11 of the Shareholders' Review.

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 it is to:

- Generate above industry average net revenue growth through focus on strong brands in high growth categories, by innovation and by geographical expansion
- Convert this growth into higher profit and cash flow through margin expansion mainly as a result of cost optimisation programmes and mix management.

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 Power Brands, 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

- Vanish (plus Spray 'n Wash and Resolve in North America) is the world's No.1 brand in Fabric Treatment (stain treatment on fabrics, carpets and upholstery).
- Woolite Garment Care is the world's No.1 brand in its category although the Company overall is No.2 in this market.
- Calgon Water Softener is the market leader by a substantial margin in its category.

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

- The Company is the world leader in disinfectant sprays and cleaners with Lysol in North America and the Surface Care products in the Dettol range outside North America.
- Cillit/Easy-Off Bang is a newly developed franchise in powerful multi-purpose cleaners. The strength of Lysol, Dettol, Cillit/Easy-Off Bang and a number of local brands makes the Company the global leader in multi-purpose cleaners.
- Harpic and Lysol are the Company's two brands in the lavatory cleaning category, jointly No.1 worldwide.

The Company also has a number of local brands in this category in the areas of furniture, floor and other polishes and cleaners.

Dishwashing

The Company is the world leader in automatic dishwashing products with a share of market of over 40%. The Company has some small, local positions in the declining manual dishwashing products market.

- Finish/Calgonit are the Company's brands in Europe and Developing Markets in automatic dishwashing.
- Electrasol/Jet Dry are the Company's brands in North America, where they hold a No.2 position in the market.

Home Care

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

- Air Wick is the Company's Air Care brand, the No.2 brand worldwide.
- The Company is the No.2 in the global Pest Control category due to the strength of Mortein, the Company's international brand, supported by local brand franchises like d-Con in North America.

The Company is also the No.2 worldwide in Shoe Care with such brands as Cherry Blossom and Nugget.

Health & Personal Care

The Health & Personal Care category incorporates depilatory, Antiseptic personal care products and teenage anti-acne treatments, local positions in Denture Care and the Company's position in OTC medicines including categories such as analgesics, cough/cold/sore throat and Gastro-Intestinal which are major focuses for the Company, plus more localised categories such as medicated skincare.

- Veet is the Company's brand of depilatory, chemical and wax treatments for removal of unwanted hair. The brand is comfortably No.1 in the global depilatory category.
- Dettol is the Company's brand of topical Antiseptic and Antiseptic personal care. Dettol is the No.1 brand in the majority of markets where present.
- Clearasil is the Company's brand of teenage anti-acne treatment. The brand is the worldwide No.2 in anti-acne.
- Nurofen is the Company's major analgesic brand, a leading ibuprofen-based brand in Europe and selected developing markets. The Company also owns Disprin, a leading brand of asprin-based analgesic in selected developing markets.
- In cough/cold/flu/sore throat, the Company owns Strepsils, the world No.1 in medicated sore throat, and Lemsip, a leading local brand of cold/flu treatment in the UK and selected other markets.
- In Gastro-Intestinal, the Company has Gaviscon, the No.1 upper GI treatment in the UK and selected European and Developing Markets.

Other

The Company also has two non-strategic businesses, Food and BBG.

- 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.
- BBG. The Buprenorphine Business Group is responsible for the development of the Company's Subutex and Suboxone prescription drug business. Both products are forms of Buprenorphine for treatment of opiate dependence.

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, 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, 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 for consumers with private label products sold by major retail companies. Private label penetration has continued to grow globally in recent years. The Company competes with private label primarily by focusing on delivering innovative new products with real consumer benefits, which private label typically does not focus on, 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 invests over £84m a year in R&D. 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 almost 40% of its net revenues come 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 some 60 countries and has sales in up to 180 countries worldwide. At present, over 75% of the Company's net revenues derive from Europe, North America and Australia/New Zealand with the remainder coming from mostly semi-established or developing economies. The Company is expanding its operations in these semi-established and developing 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, information services) combined with three Area organisations, Europe, North America & Australia, and Developing Markets.

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

The geographical structure is in three Areas that 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. The Area covers the markets of North America (USA, Canada) and Australia and New Zealand.
- Developing Markets 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 43 production facilities worldwide. Approximately 80% of manufacturing and supply is through these 43 sites around the world, with facilities located in Europe (17 facilities), North America (6 facilities), Australia New Zealand (1 facility) and the remaining facilities spread across Asia (10), Latin America (4) and Africa Middle East (5). 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, and a policy on product safety. Internal controls on issues of environmental, social, governance and reputational risk are further outlined on page 14 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 in more than adequate supply globally. The costs of these items fluctuate from time to time but not at levels that seriously impinge on the ability of the Company to supply its products or generate margin. 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, particularly those at Ladenburg (Germany), Nowy Dwor (Poland) and Sao Paolo (Brazil), and 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 to its highly performance-oriented remuneration system 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, and through a deliberate policy of training on the job. The Company has 12 formal training modules for middle management and Top 400 managers. During 2006 the Company ran 52 courses on these modules, training over 900 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 53 nationalities, and over half of the T400 group 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 2006 was 9.2% which the Company considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2006 saw a relatively high rate of activity in terms of promotions, moves and recruitment to the T400 group due to the integration of BHI and associated reorganisation. As a result, the levels of promotions, moves within the T400 and new recruitment ran at levels higher than in recent years (around 40 of each). However the Company ended the year with a historically low level of vacancies within the T400 group – between 15 and 20, or less than 5% 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 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. 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 brand names are protected by nationally or internationally registered trademarks. The Company also maintains patents or other protection for its significant product formulation 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 revenues, and the top 10 customers only accounting for between a quarter and a third of total net revenues. 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 Company 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 protection beyond 2009 (see additional disclosures below)
- Competition from private label and unbranded products may intensify. Specifically, generic competition may erode Subutex's business in Europe.

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
- The Company may not be able to protect its intellectual property rights.

Environmental, social and governance 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) are discussed in the Report of the Directors on pages 14-15. These should be read in conjunction with the Company's Sustainability Report (available on the Company's website) which addresses the Company's exposures to a number of reputation-affecting issues and how the Company is addressing such risks, and which is independently verified.

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

- Industry Sector/Product & Consumer Safety Risks. The Household products and Health & Personal Care sectors have a number of product and ingredient issues relating to concerns voiced over the long-term effects of household chemicals and OTC 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 suppliers
- Product Quality & Safety 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, building on its central Code of Business Conduct, that address all aspects of the Company's ESG behaviour. The Code itself is the subject of an annual review and certification process. The Board holds an annual review of ESG issues.

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 reviews and controls, and through regular auditing, both internal and external.

Additional information on BBG

A small but rapidly growing part of Reckitt Benckiser's healthcare business is the prescription business of BBG which principally markets two products: Subutex and Suboxone. Both products are forms of Buprenorphine for treatment of opiate dependence. Suboxone is a more advanced form 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. Suboxone has recently received marketing approval from the European Commission for treatment in the 25 states of the European Union, Norway and Iceland.

Since 2002, the BBG business has grown from a very small proportion to represent 3% of the total Company net revenues and a higher proportion of operating profits.

Net revenues for BBG were as follows:

2004 £m	% change @ const FX	**2005 £m**	% change @ const FX	**2006 £m**	% change @ const FX
89	+32%	121	+35%	156	+30%

As with all prescription drugs, the intellectual property 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. Reckitt Benckiser has market exclusivity for Suboxone in the United States, until the end of 2009. The recent approval for Suboxone in Europe will result in a ten-year market exclusivity. 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.

PERFORMANCE OF THE BUSINESS IN 2006

Net revenues grew by 18% (18% constant) to £4,922m. The underlying business grew by 6% (7% constant) to £4,428m. BHI contributed net revenues of £494m for the 11 months of ownership.

Adjusted operating profit increased 26% (27% constant) to £1,059m. Gross margins were 180bps ahead of last year at 56.7% due to the higher gross margins on the BHI business and the benefit of price increases and cost optimisation on the base business. Marketing investment increased broadly in line with net revenue growth, with media investment increasing by 18% at 11.9% of net revenues and further increases in other consumer marketing. Adjusted operating margins increased by 140bps to 21.5% due to the gross margin expansion.

Restructuring charges in the year were £149m. Net interest charges were £36m (2005 £36m income) due to the interest cost of the debt that financed the BHI acquisition. The tax rate is 23% (2005 24%) benefiting from one-off tax releases of £19m (2005 £16m).

Reported net income for the year to date was 1% (2% constant) higher at £674m. Reported diluted EPS was 91.8 pence per share, an increase of 2%.

Adjusted net income for the year to date increased 17% (19% constant) to £786m. Adjusted diluted EPS increased by 19% to 107.1 pence per share with the growth rate benefiting from the ongoing share buy back programme by two percentage points.

GEOGRAPHIC ANALYSIS AT CONSTANT EXCHANGE FOR CONTINUING OPERATIONS

Europe – 53% of net revenues

Full year net revenues grew by 23% to £2,624m. Underlying growth was 6%. Key growth drivers of the underlying business were Vanish, Air Wick, Cillit Bang and Finish/Calgonit. In Fabric Care, the increase came due to the success of Vanish Oxi Action Crystal White, Vanish Oxi Action Multi and growth in Laundry Detergents. In Surface Care, the key driver was Cillit Bang Stain & Drain. In Automatic Dishwashing, Finish/Calgonit grew helped by the launch of Finish/Calgonit 5in1 and Finish/Calgonit Quantum. In Home Care, Air Wick grew due to further success for Air Wick Freshmatic and the launch of Air Wick Xpress electricals. In Health & Personal Care, Veet Depilatories grew following the launch of the new In Shower cream and new Eternally Smooth Wax Strips.

Operating margins (adjusted) were 10bps ahead of last year at 23.6% due to higher gross margins due to cost optimisation and favourable mix offset by higher marketing investment in new products. This resulted in a 24% increase in adjusted operating profits to £618m.

North America & Australia – 29% of net revenues

Full year net revenues increased 12% to £1,421m. Underlying growth was 5%. Key growth drivers were Air Wick, Lysol, Easy-Off Bang and Suboxone. In Surface Care, the key drivers were Lysol wipes and the roll-out of Easy-Off Bang Degreaser and Stain & Drain. In Home Care, Air Wick grew due to Air Wick Freshmatic and Air Wick electrical oils in part due to the launch of Air Wick Xpress. In Health and Personal Care, Suboxone prescription drug continued its expansion. Food saw growth from French's and Frank's Red Hot in retail offset by lost contracts in food service channels.

Adjusted operating margins were 310bps higher at 24.2% due to gross margin expansion from better mix, excellent cost optimisation savings and price increases in 2005 and 2006, resulting in adjusted operating profits increasing 30% to £344m.

Developing markets – 18% of net revenues
Full year net revenues grew 15% to £877m. Underlying growth was 10%. Key growth drivers were Dettol, Vanish, Easy-Off Bang and Harpic. In Fabric Treatment the increase was a result of Vanish Oxi Action Wow and the roll-out of the brand into further markets. In Surface Care, the increase came from the roll-out of Easy-Off Bang and further growth for Harpic. In Health & Personal Care, the Dettol personal care range performed strongly benefiting from higher investment and the launch of Dettol Active Soap.

Adjusted operating margins expanded 220bps to 11.1%, due to strong gross margin expansion as a result of favourable mix, price increases and cost optimisation, resulting in adjusted operating profits increasing by 45% to £97m.

BHI integration update
The integration of the former BHI business is essentially complete. Physical, commercial and systems integration is all complete. The manufacturing reconfiguration programme is ongoing and is in line with plan.

For full year 2006 (January to December), BHI total net revenues were 3% higher than in 2005 on a like-for-like basis, with strong growth particularly for Strepsils and Nurofen. For the period of ownership, from 1 February 2006, BHI had net revenues of £494m which was 1% ahead of the equivalent period last year.

Cost synergies for the year were £39m, higher than the initial target of £30m due to earlier achievement of the integration. These are part of the full cost-savings programme which is expected to deliver £80m, rather than the initial target of £75m, by the end of 2008.

The reduction in net working capital associated with the BHI acquisition was £55m compared to an initial target for the year of £50m. The target remains to reduce net working capital associated with BHI by £130m by the end of 2008.

Restructuring charges
Restructuring charges were £149m (compared to an initial estimate of £150m). Charges mainly relate to contract termination and headcount reduction in commercial operations and HQ functions plus write-offs related to redundant systems, together with the implementation of the manufacturing reconfiguration programme in the enlarged Company.

CATEGORY REVIEW AT CONSTANT EXCHANGE RATES
Fabric Care. Net revenues grew 8% to £1,194m. Vanish Oxi Action grew strongly due to Vanish Oxi Action Crystal White, Vanish Oxi Action Multi in Europe and the roll-out of Vanish in new markets. Woolite grew behind the introduction of Woolite Color. Calgon grew as a result of new advertising copy. Laundry Detergent net revenues recovered from a low base last year.

Surface Care. Net revenues grew 5% to £909m. The major category growth driver was the roll-out of Cillit/Easy-Off Bang Stain & Drain. Disinfectant cleaners also grew due to Lysol/Dettol multi-purpose cleaners and Lysol wipes. Harpic lavatory care growth came from the roll-out of Harpic 2in1 Max in-bowl gadget, the launch of Harpic Power Plus and from strong growth in Developing Markets.

Dishwashing. Net revenues grew 3% to £591m. The Company's market share remained strong in Europe and worldwide helped by the launch of Finish/Calgonit 5in1 and Finish/Calgonit Quantum. Net revenue growth was somewhat held back due to higher promotional investment.

Home Care. Net revenues grew 11% to £692m with strong growth for Air Care. Air Care benefited from the continuing success of Air Wick Freshmatic and Air Wick electricals, the latter in part due the launch of Air Wick Xpress electricals with boost button for extra freshness. Mortein Pest Control was modestly ahead of last year due to a different promotional phasing but growth improved in H2 driven by the introduction of Mortein Instant Kill aerosol and Mortein Liquid Vaporizer low cost electrical.

Health & Personal Care. Net revenues grew 88% to £1,234m with underlying growth of 13%. Dettol Antiseptics benefited from higher investment and new additions to the personal care range, notably Dettol Active Soap. Veet Depilatories benefited in particular from the launch of Veet In Shower cream and new Eternally Smooth Veet Wax Strips with specific skin type ingredients. Gaviscon grew in Europe and due to new market launches in Developing Markets while Lemsip was down due to a weak flu season. Prescription drug Suboxone continued its substantial expansion in North America. The BHI core brands were ahead of 2005 on a like-for-like basis.

BBG. The prescription business of BBG, which markets two products, Subutex and Suboxone, contributed net revenues of £156m in the full year 2006 (2005 £121m), an increase of 30% due to strong growth of Suboxone in North America. Excluding BBG and BHI, the underlying growth in Health & Personal Care in 2006 was 9%.

Food. Net revenues were 1% ahead of last year at £194m with good retail performance particularly on French's and Frank's Red Hot offset by contract losses in the food service channel. Profits improved 4% to £49m, resulting in an operating margin of 25.3% +120bps.

FINANCIAL REVIEW
Basis of preparation
The results include BHI from 1 February 2006, the date of acquisition. Where appropriate, the term 'adjusted' excludes the impact of the restructuring charge, and the term 'underlying' represents the results excluding restructuring and on a like-for-like basis (ie excluding BHI).

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

Restructuring. The charge of £149m in the full year covers the necessary reorganisation post-acquisition of BHI in order to integrate the business into Reckitt Benckiser, plus some further restructuring of manufacturing configuration in the enlarged company.

Net interest. The net interest charge of £36m (2005 income £36m) was due to interest on the capital cost of the BHI acquisition (£1,893m) offset by strong cash generation over the past year reducing the net debt.

Tax. The tax rate for the period was 23% after non-recurring credits of £19m (2005 £16m) relating to the recent resolution of long outstanding tax enquiries. The tax charge of £200m (2005 £207m) is split between United Kingdom tax of £6m (2005 £22m) and overseas tax of £194m (2005 £185m).

Net working capital. (defined as inventories, short-term receivables and short-term liabilities, excluding borrowings and provisions) further decreased during the year by £112m to minus £728m. BHI net working capital reduced £55m in the period since consolidation on 1 February 2006 compared to a full year target reduction of £50m.

Cash flow. Operating cash flow increased to £1,017m, due to higher operating profit and further improvement from net working capital in the base business and BHI.

Net cash flow from operations increased to £953m. Net interest paid was £30m (2005 £34m received) while tax payments increased by £24m.

Capital expenditure was slightly higher than prior year at £88m (2005 £78m). Proceeds from disposals of fixed assets were £19m (2005 £17m).

Net debt at the year end was £660m (2005 funds of £887m). The movement is principally the result of the requirement to fund the acquisition on 31 January 2006 of BHI, offset by strong cash flow.

Balance sheet. At the end of 2006, the Group had shareholders' funds of £1,866m (2005 £1,856m), an increase of 0.5%. Net debt was £660m (2005 funds of £887m) and total capital employed in the business was £2,526m (2005 £969m).

This finances non-current assets of £4,421m (2005 £2,343m) of which £425m (2005 £485m) is tangible fixed assets, the remainder being intangible assets, goodwill, deferred tax and other receivables. The Company maintains negative net working capital of £728m (2005 £616m), has current provisions of £47m (2005 £4m) and has long-term liabilities other than borrowings of £1,120m (2005 £754m).

The Company's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 36.1% (2005 36.0%) on a reported basis or 42.1% on an adjusted basis.

Dividends
The Board of Directors recommend a final dividend of 25 pence per share, an increase of 19%, to give a full year dividend of 45.5 pence per share, an overall increase of 17%. The dividend, if approved by shareholders at the AGM on 3 May 2007, will be paid on 31 May to shareholders on the register on 2 March. The ex dividend date will be 28 February 2007.

Share buy back
During 2006, the Group purchased 13.9m shares for cancellation at a cost of £300m as part of its ongoing share buy back programme.

The Company has confirmed its intention to repurchase a further £300m of its own shares during 2007.

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.

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.

As at 31 December 2006, 9% (92%) of the Group's financial liabilities were in currencies other than sterling, including 6% (77%) being denominated in US dollars. All the Group's major currency net assets exceeded the borrowings in the corresponding individual currencies.

(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.

Interest rate risk
The Group has both interest-bearing assets and interest-bearing liabilities. The Group manages its interest expense rate exposure using a mixture of fixed-rate and floating rate term debt. At the end of 2006, the Group had 7% (85%) of financial liabilities at fixed rates. 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 better. 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.

The Group's own credit ratings at the end of 2006 were as follows:

	Long-term	Short-term
Moody's	A1	P-1
Standard & Poor's	A+	A-1

Liquidity risk
The Company 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 2006, the Group had, in addition to its long-term debt of £11m (£80m), committed borrowing facilities totalling £1,225m (£2,250m), all exceeded 12 months' maturity. Of the total facilities at the year end, £1m (£1m) 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.

Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to the corporate centre. 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.

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	2005	2006	Comments
Net Revenue growth % like-for-like growth of net revenues at constant exchange	+6%	+7%	Measures the increase in sales of the Company
Power Brands % of net revenue from top 18 brands	57%	58%	Measures the growth and importance of the Company's flagship brands
Gross Margin % gross profit as % of net revenues	54.9%	56.7%	Measures the resources available for reinvestment or profit growth
Media Investment media investment as % of net revenues	11.9%	11.9%	Measures the rate of reinvestment in the Company's brands
Operating Margin %* Operating profit as % of net revenues	20.1%	21.5%	Measures the profitability of the Company
EPS (fully diluted)* % change in EPS (fully diluted)*	90.0p +17%	107.1p +19%	Measures the increase in profit per share of the Company
Net Cash Flow £m See page 30	£758m	£953m +26%	Measures how the Company converts its profits into cash
Net Working Capital Ratio NWC (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) as % of net revenue	-£616m -14.7%	-£728m -14.8%	Measures the ability of the Company to finance its expansion and release cash from working capital
Management Turnover	14.3%	9.2%	% of T400 management that has left the Company
% of Net Revenues in No. 1 or No. 2 Brand Positions	73%	76%	Measures the health of the Company's brand market positions

*Adjusted to exclude the impact of the restructuring charge.

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 revenues, converted into interesting 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.

With the benefit of the strong momentum from Quarter 4 2006, the Company's 2007 targets are for net revenue growth of at least 6% (base £4,922m) and net income percentage growth in the low double digits, both at constant exchange (base £786m, excluding restructuring costs).

Cautionary note concerning forward-looking statements

This document contains 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. By their nature, forward-looking statements involve risk and uncertainty 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.

The Board

Adrian Bellamy (65, British) ‡ #
Was appointed a Non-Executive Director of the Company in 1999 and became Non-Executive Chairman in May 2003. He is Chairman of The Body Shop International Plc and a Director of The Gap and Williams-Sonoma, Inc. He was formerly a director of Gucci Group NV and The Robert Mondavi Corporation.

Bart Becht (50, Dutch) #
Joined the Board in 1999 on his appointment as Chief Executive Officer of the Company. He was Chief Executive of Benckiser Detergents, subsequently Benckiser N.V. since 1995 and Chairman of Benckiser's Management Board from May 1999. He holds no current external directorships.

Colin Day (51, 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 currently a Non-Executive Director of WPP Group plc.

Dr Peter Harf (60, 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 InBev and a Director of the Brunswick Corporation. He is Chief Executive Officer of Joh. A. Benckiser GmbH.

Kenneth Hydon (62, British)* #
Was appointed a Non-Executive Director in December 2003 and Chairman of the Audit Committee from November 2006. 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. He is a Non-Executive Director of Tesco plc, Pearson plc and the Royal Berkshire NHS Foundation Trust.

Graham Mackay (57, 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 60 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.

Dr Gerard Murphy (51, Irish) *
Was appointed a Non-Executive Director in June 2005. He is the current Chief Executive Officer of Kingfisher plc. He was previously Chief Executive Officer of Carlton Communications plc, Exel plc and Greencore Group plc. Earlier in his career, he held various senior positions within food and drink group, Grand Metropolitan (now Diageo plc) in Ireland, UK and USA.

Judith Sprieser (53, American) ‡#
Chairman of the Remuneration Committee. Was appointed a Non-Executive Director in August 2003. 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., and Royal Ahold, NV.

David Tyler (54, British)
Was appointed Non-Executive Director in February 2007. He was Group Finance Director of GUS plc from February 1997 until October 2006. Previously he was Group Finance Director at Christie's International plc and in his early career he held positions within County NatWest Limited and Unilever Plc. He is a Non-Executive Director of Burberry Group and Experian Group.

Peter White (65, British) *
Was appointed a Non-Executive Director in December 1997. He was previously Group Chief Executive of Alliance & Leicester Plc. He was Chairman of the Audit Committee between May 1998 and November 2006.

Executive Committee

Javed Ahmed (47, Pakistani)
Executive Vice President, North America and Australia and Regional Director North American Household. Joined Benckiser in 1992 as General Manager, Canada and in 1995 became General Manager, UK. Appointed SVP North American Household in 2001 and EVP, North America and Australia in September 2003. Prior to joining Benckiser, he previously worked with Procter & Gamble and Bain & Company.

Javed is responsible for North America and Australia/New Zealand.

Bart Becht (50, Dutch)
Chief Executive Officer. Joined Benckiser in 1988 and served as General Manager in Canada, the UK, France and Italy before being appointed Chief Executive of Benckiser Detergents, subsequently Benckiser N.V., in 1995. He was appointed Chief Executive Officer of Reckitt Benckiser following the merger in December 1999. He was previously with Procter & Gamble both in the USA and Germany.

Bart is Chairman of the Executive Committee.

Freddy Caspers (46, German)
Executive Vice President, Developing Markets. Joined Benckiser in September 1997 as EVP for Eastern Europe. He previously served in PepsiCo and Johnson & Johnson in a variety of international assignments in Europe, US, Eastern Europe and Turkey.

Freddy is responsible for all companies in Asia Pacific, Latin America and Africa Middle East.

Colin Day (51, British)
Chief Financial Officer. Joined Reckitt Benckiser in September 2000 from Aegis Group plc where he was Group Finance Director from 1995. Prior to that he was at 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.

Gareth Hill (40, South African)
Senior Vice President, Information Services. Joined Reckitt Benckiser in October 2006. He was previously Information Systems Director at Arcadia Group Ltd since 2000, having joined as the e-Commerce Development Director. 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 and has a BA in Commerce from the University of Cape Town, South Africa.

Gareth is responsible for global information systems and services and telecommunications.

Rakesh Kapoor (48, Indian)
Executive Vice President, Category Development. Joined Reckitt & Colman in 1987 serving in various roles including Regional Marketing Director, South Asia. Following the merger in 1999, he assumed the position of Global Category Director, Pest Control. He was appointed SVP, Regional Director, Northern Europe in 2002 and then EVP Category Development in July 2006.

Rakesh is responsible for global category management, R&D, media and market research.

Alain Le Goff (54, French)
Executive Vice President, Supply. Was appointed EVP for Operations at Benckiser in October 1996. He joined the Company in 1986, serving as Industrial Director in France, Monaco, Germany and as Logistics Director for the Group. He was previously with Lesieur.

Alain is responsible for the global supply chain including procurement, manufacturing, warehousing and logistics. Also responsible for management of Squeeze and X-trim gross margin enhancement programmes.

Elio Leoni-Sceti (41, Italian)
Executive Vice President, Europe. Joined Benckiser in 1992 serving in various marketing roles and as General Manager of Germany and Italy. Following the merger in 1999, Elio was promoted to SVP, North American Household and to EVP Category Development in 2001. He was appointed EVP, Europe in July 2006. Elio was previously with Procter & Gamble in Italy and France.

Elio is responsible for all European markets, Western and Eastern.

Frank Ruether (54, German)
Senior Vice President, Human Resources. Joined Benckiser in July 1996 as Personnel Director and was appointed SVP Human Resources in March 1997. He was previously with Mars, 1986–1996, as Director of Compensation & Benefits (Europe).

Frank is responsible for human resources management, remuneration and benefits, and organisational development.

* Member of the Audit Committee

‡ Member of the Remuneration Committee

Member of the Nomination Committee

The Directors submit their fifty-fourth Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2006.

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

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

A review of the results and activities for the year ended 31 December 2006 and information about business risks, uncertainties and financial risk management appears under the Business Review on pages 4 to 10. The Directors endorse the content of that review.

In July 2006, the Directors resolved to pay an interim dividend of 20.5p per ordinary share (2005 18p). The dividend was paid on 28 September 2006. The Directors are recommending a final dividend for the year of 25p per share (2005 21p), which, together with the interim dividend, makes a total for the year of 45.5p per share (2005 39p). The final dividend, if approved by the shareholders, will be paid on 31 May 2007 to ordinary shareholders on the register at the close of business on 2 March 2007.

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 2006 amounted to £84m (2005 £63m).

Acquisitions and disposals

On 31 January 2006, following regulatory clearance, the Group completed an agreement with Boots Group plc to purchase the Boots Healthcare International business.

There have been no material disposals during the year.

Employees

During 2006, the Group employed an average of 21,900 (2005 20,300) people worldwide, of whom 2,100 (2005 1,400) 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 now give more employees the opportunity to acquire shares in the Company by means of regular savings.

Share capital

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 20 to the accounts.

As described in the Chairman's Statement on page 1 a rolling share buy back programme has continued throughout 2006. Details of market purchases made, under the authority given to the Directors by shareholders at the Annual General Meeting held on 4 May 2006 to make such purchases up to a maximum of 72,280,000 shares, are given in Note 20 on page 47. The shares purchased may be held as Treasury shares or cancelled, depending upon the best interests of the Company.

A resolution seeking to renew this authority will be put to shareholders at the Annual General Meeting (AGM) on 3 May 2007.

Directors

Information regarding the Directors of the Company who were serving on 31 December 2006 and those serving at the date of this report is set out on page 15 in the separately published Shareholders' Review and Summary Financial Statement 2006. Further biographical details of all Directors are available from the Company's website.

During the year there was one change to the Board of Directors. George Greener, having served on the Board for more than nine years, did not offer himself for re-election at the AGM in 2006 and he therefore stepped down from the Board at the conclusion of that AGM.

Directors to retire by rotation at the forthcoming AGM are Colin Day, Judith Sprieser and Ken Hydon and, being eligible, they offer themselves for re-election.

Peter White has served on the Board for more than nine years and, under the Combined Code, is therefore obliged to offer himself for re-election on an annual basis.

David Tyler joined the Board as Non-Executive Director on 26 February 2007. As Mr Tyler's appointment was made subsequent to the date of the 2006 AGM, he will offer himself for election at this year's AGM.

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 21 in the audited part of the Directors' Remuneration Report.

Details of the Directors' service agreements are given on page 22.

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 2003, 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 eight 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, having taken over the role from Kenneth Hydon, the latter having been appointed as Chairman of the Audit Committee. The majority of Non-Executive Directors are independent, as recommended by the Combined Code. Three of the Non-Executive Directors are not considered to be independent for all purposes: Adrian Bellamy, as Chairman of the Board, Peter Harf, because of the shareholding he represents and Peter White, since he has served as a Director for more than nine years.

The Company's policy is to allow Executive Directors one external directorship. An exception had been made in the case of Colin Day who held two external directorships, both on the boards of other FTSE 100 companies which was not in accordance with Code provision A.4.5. However, Mr Day resigned as Non-Executive Director of Imperial Tobacco plc on 16 February 2007 and the Company is now in compliance with Code provision A.4.5.

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 2006, there were five regular meetings and two held by telephone conference. 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. Kenneth Hydon, as the then 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.

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, chaired by Kenneth Hydon since 16 November 2006, comprises three Non-Executive Directors. The Committee does not comply with provision C.3.1 of the Combined Code as Peter White is no longer deemed to be independent, having now served more than nine years on the Board. Kenneth Hydon has recent and relevant financial experience, having been Financial Director of Vodafone Group plc until July 2005. 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 CFO and other senior management attend by invitation. The Group's external auditors and the Group's Vice President, Internal Audit attend meetings and have direct access to the Committee. In evaluating its performance during the year, the Committee analysed responses from all Committee members to a detailed questionnaire.

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. Accordingly the Company does not comply with provision B.2.1 of the Combined Code issued in July 2003, since Adrian Bellamy is not considered independent being the Chairman of Reckitt Benckiser plc. Under the revised Combined Code issued in July 2006, however, it is now 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 plc, Peter Harf is not considered independent because of the shareholding he represents and Bart Becht is not considered independent because he is the CEO.

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 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. To this end, key corporate risks include the ongoing development of the new product pipeline, protection of intellectual property, financial and business controls in emerging markets and continuing recruitment and retention of high-quality management.

A summary of the most significant risks faced by the Group is included in the Business Review on pages 4 to 10.

- 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 3 on page 33.

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

The Board regularly considers and takes account of the significance of ESG matters and their potential risks to the business of the Company, including 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 review of the arrangements for, and effectiveness of, risk management and internal audit, including the full range of risks facing the Company, which include ESG matters and reputational risks.

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 significant ESG 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 reputational risks common to businesses with well-known brands.

The issues of potential reputational risk considered by the Board include:

- Industry sector and product safety risks: The household products and health & personal care sectors have a number of potential product and ingredient risks relating to concerns voiced over the long-term effects of household chemicals on human health and the environment. The Company has comprehensive management processes in place 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 formulas and packaging/device component specifications globally. For example, recent programmes include: removal of nitro and polycyclic (artificial) musks 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; and the replacement of formaldehyde preservative.

  REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is the new framework for regulation of chemicals in Europe which was formally adopted by the European Union in December 2006 and enters into force on 1st June 2007. Under REACH, as part of a phased programme over several years, industry is required to register substances that are manufactured, imported or used in Europe. 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 will continue 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 established an internal REACH Task Force to ensure that all of its products and their ingredients remain compliant.

- 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 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, including Group, Area, Regional and site-level Quality Assurance functions that oversee and monitor product quality globally.

Further information on the Company's management of ESG matters, specifically its forward-looking programmes to help tackle climate change and invest in communities, is provided on page 9 of the separately published Shareholders' Review and Summary Financial Statement 2006. 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 arising 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 on page 9 of the separately published Shareholders' Review and Summary Financial Statement 2006 and in its annual Sustainability Report, which provides 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 Senior Vice President and the Manager, 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 and the Senior Independent Non-Executive Director have met with shareholders in satisfaction of Code Provision D.1.1. 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. As at 31 December 2006 and 31 December 2005 the Company did not have any amounts due to its suppliers.

Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' Reports set out on pages 23 and 55, 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 24 to 63 including the information on Directors' remuneration on pages 17 to 22, 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 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.

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 £599,000 (2005 £568,000). No political donations were made (2005 nil).

AGM

The notice convening the fifty-fourth AGM of the Company to be held on Thursday, 3 May 2007 at 11.15 a.m. at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN is contained in a separate document for shareholders.

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.

Other information

As at 2 March 2007 the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

JAB Holdings B.V.: 111,105,415 shares (15.5%).

Legal & General Investment Management Limited: 24,500,964 shares (3.41%).

FMR Corp. and its direct and indirect subsidiaries, and Fidelity International Limited and its direct and indirect subsidiaries: 22,751,882 shares (3.2%).

By order of the Board

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

19 March 2007

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 in the ordinary shares of the Company:

	Note	**2 March 2007**	31 December 2006	31 December 2005
Adrian Bellamy		**15,306**	15,306	14,130
Bart Becht	(3)	**1,232,484**	1,232,484	996,731
Colin Day		**304,074**	302,107	249,591
Peter Harf		**841,686**	841,686	841,303
Kenneth Hydon		**3,937**	3,937	3,643
Graham Mackay		**756**	756	373
Gerard Murphy		**472**	472	178
David Tyler (appointed 26 February 2007)		**–**	–	–
Judith Sprieser		**2,149**	2,149	1,850
Peter White		**2,335**	2,335	2,041

Notes
1. No person who was a Director (or a member of a Director's family) on 31 December 2006 had any notifiable share interests in any subsidiary of the Company.
2. The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.
3. As at both 31 December 2006 and 2 March 2007, Bart Becht also had a non-beneficial shareholding in the Company of 299,655 shares.

Table 2 – Attendance at meetings
In 2006, there were seven Board meetings (two held by telephone conference in accordance with the Articles of Association), three Audit Committee meetings, four Remuneration Committee meetings (one held by telephone conference) and three Nomination Committee meetings. Written resolutions are required to be signed by all Directors on the Board. 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		4	3
Peter Harf		7			3
Bart Becht		7			3
Colin Day		7			
George Greener	(a)	2		1	
Kenneth Hydon		7	3		
Graham Mackay		7		4	
Gerard Murphy		7	3		
Judith Sprieser		7		4	3
Peter White		7	3		3

Notes
(a) George Greener resigned his appointment at the AGM on 4 May 2006. 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 2006 there were four meetings, one of which was via telephone conference call. The Committee comprised three members in 2006. Judith Sprieser has served as Chairman of the Committee since June 2004. She joined the Committee in November 2003. Graham Mackay joined the Committee in February 2005. Adrian Bellamy has served on the Committee since 1999. Although he is not considered independent for the purposes of the 2003 Combined Code, his two roles as Chairman, and member of the Remuneration Committee, are in compliance with the new Combined Code published in June 2006. The Board is satisfied that his personal integrity and experience makes him a highly effective member of the Remuneration 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. 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.

The core principles on which Reckitt Benckiser's remuneration 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.

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 final principle underlying the Committee's remuneration policy is to create a global executive team through a cost-effective international transfer programme.

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

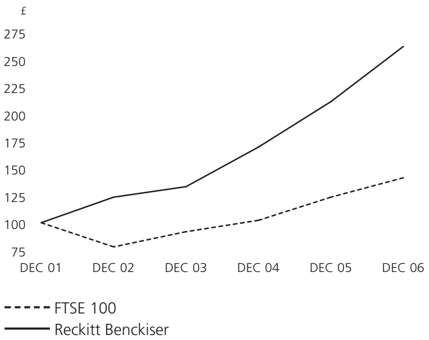
Base salaries

Base salaries are normally reviewed annually with effect from 1 January. Increases are determined by reference to a peer group, comprising our main competitors, 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 2007 were 4% in line with typical base pay increases for executives in Reckitt Benckiser.

Historical TSR performance

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

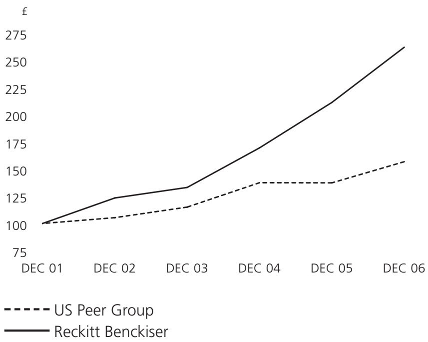


Notes

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.

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 2007, as in 2006, 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 360% (CEO) and 270% (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 restricted shares. Both the levels and combination of share options and restricted shares have been reviewed 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. The total remuneration comprises target total cash compensation 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 a standard valuation methodology which is widely accepted and enables 'like for like' comparisons.

While performance conditions for the vesting of long-term incentive awards are not typical practice among Reckitt Benckiser's peer group, the Committee believes that the vesting of options and restricted share awards should be subject to the satisfaction of appropriate performance conditions.

As such, long-term incentives only vest subject to the achievement of demanding earnings per share (EPS) growth targets. 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 restricted shares rewards superior performance. For 2007, 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 restricted 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 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 has 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.

Shareholders approved a consolidation and simplification of the plan rules at the Annual General Meeting held in May 2006. The Long-Term Incentive plan grant for 2007 was the first to be made under the new rules.

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 fulfill 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 (31)	30-75,000 shares

The Committee has increased the required level of ownership for the CEO from 400,000 to 600,000 shares. EVP ownership guidelines have remained constant. The requirement for new appointments to certain senior executive positions has been reduced. This is due to the significant increase in share price which has more than tripled since the plan was first implemented, and the increase in the executive population to which the plan applies. 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 restricted 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. Bart Becht and Colin Day are both members of this plan. Bart Becht's Company pension contribution was 30% of pensionable pay during 2006. Colin Day's Company pension contribution was 25% of pensionable pay in 2006.

In 2006, only Bart Becht was affected by the new lifetime limit brought about by the UK tax changes effective from April 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

For newly-appointed Executive Directors, termination payments, including compensation paid during any notice period, will not exceed 12 months' pay. Service contracts will be rolling and terminable on six months' notice. Contracts will also provide liquidated damages of six months' base salary plus an amount equal to one times the average 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.

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, Bart Becht and the CFO, Colin Day determines the remuneration of the Non-Executive Directors. Adrian Bellamy's annual fee as Chairman in 2006 was £240,000, and the net proceeds of £40,000 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 2006, the basic level of fees was £60,000. Of this, £10,000 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. In addition to the basic fees payable, Non-Executive Directors received an additional £10,000 and £15,000 per annum respectively for their Chairmanship of the Remuneration Committee and Audit Committee – see Table 1.

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 review in 2006, the fee levels for 2007 will be as follows:

Adrian Bellamy's annual fee as Chairman in 2007 will be £300,000, and the net proceeds of £50,000 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.

Non-Executive Directors' basic level of fee in 2007 will be £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 will receive an additional £15,000 per annum on top of the basic fee. Other Non-Executive Directors will receive an additional £5,000 per annum Committee membership fee on top of the basic fee.

External appointments

Executive Directors of the Company may accept one appointment as a Non-Executive Director of another company. The Board must approve such appointments and any exceptions. Directors are permitted to retain fees for Non-Executive appointments.

Bart Becht does not currently serve as a Non-Executive Director on any other board. In 2006, Colin Day received a fee of £59,167 for serving as a Non-Executive Director and Chairman of the Audit Committee of Imperial Tobacco plc. In addition, he received a fee of £50,000 for serving as a Non-Executive Director of WPP Group plc. He resigned from the Board of Imperial Tobacco plc on 16 February 2007.

The process of the Committee

The Committee has formally appointed Mercer Human Resource Consulting Ltd as its external adviser and, during the year, they have provided advice to the Board on executive compensation levels, structure and design and issues relating to retirement benefits.

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

The Remuneration 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 2006, the Company complied with the relevant sections of the 2003 Combined Code, except where noted above. It has complied fully with the 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 Directors' Remuneration Report Regulations 2002.

Approved by the Board on 19 March 2007 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

continued

The information on pages 20 to 22 (except where labelled) comprises the auditable disclosures of the Report on Directors' Remuneration.

In 2006, Reckitt Benckiser continued to perform very well against its peers. It exceeded the annual targets for acceptable performance set by the Board, while not exceeding the maximum stretch targets designed to achieve maximum bonus payments. Bonus payments for Executive Directors accordingly increased by an average of 26%. This increase is due to above industry average performance for the core business operations, combined with a highly successful integration of Boots Healthcare International (BHI) which delivered synergies ahead of target.

Remuneration disclosures

Table 1

	Notes	**Base salary and fees £000**	**Bonus £000**	**Benefits in kind £000**	**Other payments £000**	**Pension contributions £000**	**2006 Total £000**	2005 Total £000
Chairman								
Adrian Bellamy	1	**240**					**240**	240
Executive Directors								
Bart Becht	2	**877**	**2,763**	**99**	**94**	**261**	**4,094**	3,856
Colin Day	2	**384**	**907**	**28**	**23**	**94**	**1,436**	1,285
Non-Executive Directors								
George Greener (resigned 4 May 2006)	3	**21**					**21**	60
Peter Harf	3	**60**					**60**	60
Kenneth Hydon	3	**60**					**60**	60
Ana Maria Llopis (resigned 5 May 2005)	3	**–**					**–**	21
Graham Mackay	3	**60**					**60**	51
Gerard Murphy	3	**60**					**60**	32
Judith Sprieser	3	**70**					**70**	70
Hans van der Wielen (resigned 5 May 2005)	3	**–**					**–**	21
Peter White	3	**75**					**75**	75
Total		**1,907**	**3,670**	**127**	**117**	**355**	**6,176**	5,831

Notes

1. Adrian Bellamy's fees as Chairman for 2006 were £240,000. These fees include £40,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by Adrian Bellamy while in office.
2. The remuneration reported under "Other payments" in respect of Bart Becht and Colin Day relates to a non-pensionable cash supplement related to the unapproved element of their pension and other benefits (2005 £303,000 and £72,000 respectively).
3. Non-Executive Director fees include £10,000 (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 plc as defined by schedule 6 of the Companies Act were £5,821,000 (2005 £5,323,000).
5. The aggregate gains made by the Directors on the exercise of share options and vesting of restricted shares during the year were £22,103,500 (2005 £12,334,700). 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 £3,832,407 (2005 £3,438,497).

The 2006 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

Bart Becht and Colin 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 Bart Becht (2005 30%), and 25% for Colin Day (2005 25%).

Table 2 – Directors' options and restricted share awards

Table 2 sets out each Director's options over or rights to ordinary shares of the Company under the Company's various share option and restricted share schemes. The middle market price of the ordinary shares at the year end was £23.34 and the range during the year was £18.40 to £24.11.

Executive options and restricted shares	Notes	Grant date	At 01.01.06	Granted during the year	Exercised/ vested during the year	At 31.12.06	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Bart Becht										
Options	1	29.9.99	1,200,000			1,200,000	7.040			May 03-Dec 09
	2	22.12.99	100,000			100,000	5.538			May 03-Dec 09
	2	18.12.00	500,000		500,000	–	8.819		22.820	May 04-Dec 10
	2	17.12.01	1,000,000		250,000	750,000	9.504		22.820	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
Restricted shares	2	22.12.99	80,000			80,000		5.810		May 03-Dec 09
	2	22.11.02	400,000		400,000	–		10.960	19.810	May 06-Nov 12
	2	8.12.03	400,000			400,000		12.800		May 07-Dec 13
	2	6.12.04	400,000			400,000		15.370		May 08-Dec 14
	2	5.12.05	400,000			400,000		18.160		May 09-Dec 15
	2	8.12.06		400,000		400,000		23.000		May 10-Dec 16
Colin Day										
Options	2	17.12.01	200,000		200,000	–	9.504		20.830	May 05-Dec 11
	2	22.11.02	200,000			200,000	11.186			May 06-Nov 12
	2	8.12.03	160,000			160,000	12.760			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
Restricted shares	2	22.11.02	80,000		80,000	–		10.960	19.810	May 06-Nov 12
	2	8.12.03	80,000			80,000		12.800		May 07-Dec 13
	2	6.12.04	80,000			80,000		15.370		May 08-Dec 14
	2	5.12.05	80,000			80,000		18.160		May 09-Dec 15
	2	8.12.06		80,000		80,000		23.000		May 10-Dec 16

Sharesave scheme	Grant date	At 01.01.06	Granted during the year	Exercised during the year	At 31.12.06	Option price (£)	Market price at exercise	Exercise period
Bart Becht	15.9.00	2,777			2,777	6.616		Feb 08-Jul 08
	4.9.06		1,011		1,011	16.900		Feb 14-Jul 14
Colin Day	28.9.01	1,967			1,967	8.412		Feb 07-Jul 07
	4.9.06		553		553	16.900		Feb 10-Jul 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 options and restricted shares 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 options and restricted shares granted in December 99 & September 00	6	9	12	15
CAAG for options and restricted shares granted in December 00	6	8	10	12
CAAG for options and restricted shares granted in December 01, November 02, December 03-06	6	7	8	9

3. The grant made in November 2002 vested in full following the Company's Annual General Meeting in May 2006. The Company exceeded its target compound average actual growth (CAAG) in earnings per share over a three-year period from 2003 to 2006 of 9%.

continued

Table 3 – Service contracts for Executive Directors

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

Table 4 (not auditable)

In 2006, members of the Executive Committee (9) received around 41%, senior Executives (next 33) around 37% and other executives (next 347) around 22% of the total awards made under the long-term incentive plans. The total grants have resulted in 1.04% (based on the current issued share capital) being used for discretionary long-term incentive plans in 2006 and 6.8% over a rolling ten-year period from 1996 to 2006. 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	46.3
Reckitt & Colman Executive Plans	2.3
Share Ownership Policy Plan	0.3
Employee	
Sharesave UK	1.5
Sharesave US	2.3
Sharesave Overseas	2.6
Share Participation Scheme	0.3
Total	**55.6**

Independent auditors' report to the members of Reckitt Benckiser plc

We have audited the Group financial statements of Reckitt Benckiser plc for the year ended 31 December 2006 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 plc for the year ended 31 December 2006 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 (EU) are set out in the Statement of Directors' Responsibilities.

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 Directors' Report is consistent with the Group financial statements.

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 (2003) 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 Chairman's Statement, Chief Executive's Review, Business Review 2006, Report of the Directors (including statements on Corporate Governance), the unaudited part of the Directors' Remuneration Report, the biographies of the Board of Directors and Executive Committee, and the Shareholder information. 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 affairs of the Group as at 31 December 2006 and of the profit and cash flows of the Group 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 Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
19 March 2007

Notes

The maintenance and integrity of the Reckitt Benckiser 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 policies for the year ended 31 December 2006

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 (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. 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.

Basis of consolidation

The accounts of the Group represent the consolidation of Reckitt Benckiser plc and its subsidiary undertakings. 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 2005 and 2006, and the balance sheets as at 31 December 2005 and 31 December 2006, were insignificant.

The following standards, amendments and interpretations are effective for accounting periods ending after 1 January 2006, but are not relevant to the Group's operations:

- IAS 21 (Amendment) Net investment in foreign operations.
- IAS 39 (Amendment) The fair value option.
- IAS 39 and IFRS 4 (Amendment) First time adoption of international financial reporting standards and IFRS 6 (Amendment) Exploration for and evaluation of mineral resources.
- IFRS 6 Exploration for and evaluation of mineral resources.
- IFRIC 4 Determining whether an arrangement contains a lease.
- IFRIC 5 Rights to interests arising for decommissioning, restoration and environmental rehabilitation funds.

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

- IFRS 7 Financial Instruments: Disclosures (and related amendment to IAS 1 Presentation of Financial Statements). These will be applied by the Group with effect from 1 January 2007 and will result in changes to the disclosure of financial instruments presented in the Annual Report and Accounts. There is, however, no impact on the classification, recognition or valuation of the Group's financial instruments.
- IFRIC 8 Scope of IFRS 2 will be applied from 1 January 2007, although it is not expected to have any impact on the Group's Annual Report and Accounts.
- IFRIC 7 Applying the restatement approach under IAS 39 Financial Reporting in Hyperinflationary Economies and IFRIC 9 Reassessment of Embedded Derivatives are not relevant to the Group.
- IFRS 8 Operating Segments is expected to be adopted (assuming EU endorsement) with effect from 1 January 2009. It may lead to changes in the determination of the Group's disclosed segments.
- IFRIC 10 Interim Financial Reporting and Impairment (applied with effect from 1 January 2007) and IFRIC 11 IFRS 2: Group and Treasury Share Transactions (will be applied with effect from 1 January 2008) have no impact on the Group's Annual Report and Accounts.
- IFRIC 12 Service Concession Arrangements is not relevant to the Group's operations.

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 Company'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:

	2006 full year	2005 full year
Average rates:		
£/Euro	**1.4672**	1.4621
£/US dollar	**1.8436**	1.8192
Closing rates:		
£/Euro	**1.4841**	1.4525
£/US dollar	**1.9589**	1.7187

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. 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.

An acquired brand is only recognised on the balance sheet as an intangible asset where it is supported by a registered trademark, is established in the marketplace, brand earnings are separately identifiable, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired.

Brands are not generally amortised, as it is considered that their useful economic lives are not limited. This policy 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 three years.

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. During 2006 £3m (2005 £4m) of development expenditure has been assessed as meeting the requirements of IAS 38 and so has been capitalised within other intangible assets.

Restructuring charges
Where certain material, non-recurring expenses are incurred during a period, for example relating to the integration of an acquired business or the reconfiguration of the Group's activities, these expenses are recognised on a separate line in the income statement. The Group also presents an alternative, adjusted basis, earnings per share calculation, to exclude the impact of the restructuring charge.

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. 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 effective interest rate. The amount of any impairment is recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprises 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.

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 substantially 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 substantially 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 project 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 shares 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 creditors. Where awards are contingent upon future events (other than continued employment) 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.

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.

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 income statement.

Where the Group 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 income statement.

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 Group on the date it commits to purchase/sell the instrument. Financial instruments held to maturity are recognised/derecognised on the day they are transferred to/by the Group.

The Group has no financial assets or financial liabilities designated as at fair value through profit or loss.

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.

Segmental Reporting
The Group's policy on determination of segments and related matters is included in Note 1.

Derivative financial instruments and hedging activity
The Group primarily uses forward rate agreements and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value 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. The Group designates derivatives as either a hedge of a highly probable forecast transaction (cash flow hedge) or a hedge of net investment in foreign operations.

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 the SORIE. 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 of.

3. Derivatives that do not qualify for hedge accounting; these are classified as 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.

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 9);
- 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 10);
- The continuing enduring nature of the Group's brands supporting the assumed indefinite useful lives of these assets (note 9);
- Long-term rates of return, inflation rates and discounted 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 4);
- 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 19);
- 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 4);
- 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 6).

Group income statement

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Net revenues	1	**4,922**	4,179
Cost of sales	2	**(2,133)**	(1,886)
Gross profit		**2,789**	2,293
Net operating expenses	2	**(1,879)**	(1,453)
Operating profit	1	**910**	840
Operating profit before restructuring		**1,059**	840
Restructuring charge	2	**(149)**	–
Operating profit		**910**	840
Finance income		**18**	50
Finance expense		**(54)**	(14)
Net finance income	5	**(36)**	36
Profit on ordinary activities before taxation		**874**	876
Tax on profit on ordinary activities	6	**(200)**	(207)
Profit for the year		**674**	669
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity holders of the parent		**674**	669
Profit for the year		**674**	669
Earnings per ordinary share			
On profit for the year, basic	7	**93.5p**	92.0p
On profit for the year, diluted	7	**91.8p**	90.0p
Dividend per ordinary share	8	**41.5p**	36.0p
Total dividends for the year	8	**300**	262

Group statement of recognised income and expense

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Profit for the year		**674**	669
Net exchange adjustments on foreign currency translation		**(194)**	85
Actuarial gains and losses	4	**43**	(14)
Movement of deferred tax on pension liability		**(15)**	(3)
Net hedged gains and losses taken to reserves		**–**	(1)
Net gains/(losses) not recognised in income statement		**(166)**	67
Total recognised income/(expense) relating to the year		**508**	736
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity shareholders of the parent		**508**	736
		508	736

Group balance sheet

As at 31 December 2006

	Notes	2006* £m	2005 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	9	**3,842**	1,766
Property, plant and equipment	10	**425**	485
Deferred tax assets	19	**144**	77
Other receivables		**10**	15
		4,421	2,343
Current assets			
Inventories	11	**322**	270
Trade and other receivables	12	**670**	545
Available for sale financial assets	13	**19**	77
Cash and cash equivalents	14	**305**	978
		1,316	1,870
Total assets		**5,737**	4,213
LIABILITIES			
Current liabilities			
Borrowings	15	**(973)**	(88)
Provisions	16	**(47)**	(4)
Trade and other payables	17	**(1,481)**	(1,225)
Tax liabilities		**(239)**	(206)
		(2,740)	(1,523)
Non-current liabilities			
Borrowings	15	**(11)**	(80)
Deferred tax liabilities	19	**(766)**	(377)
Retirement benefit obligations	4	**(216)**	(261)
Provisions	16	**(15)**	(10)
Tax liabilities		**(100)**	(85)
Other non-current liabilities	18	**(23)**	(21)
		(1,131)	(834)
Total liabilities		**(3,871)**	(2,357)
Net assets		**1,866**	1,856
EQUITY			
Capital and reserves			
Share capital	20	**76**	76
Share premium account	21	**527**	479
Capital redemption reserve	21	**5**	4
Merger reserve	21	**142**	142
Hedging reserve	21	**(1)**	(1)
Foreign currency translation reserve	21	**(152)**	42
Retained earnings	21	**1,266**	1,113
		1,863	1,855
Equity minority interest	22	**3**	1
Total equity		**1,866**	1,856

*Includes provisional fair values in respect of the BHI acquisition.

Approved by the Board on 19 March 2007.

Adrian Bellamy
Director

Bart Becht
Director

Group cash flow statement

For the year ended 31 December 2006

	2006 £m	2005 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Operating profit	**910**	840
Depreciation	**88**	82
Amortisation	**9**	9
Impairment of tangible fixed assets	**23**	–
Impairment of intangible fixed assets	**14**	–
Fair value (gains)/losses	**(2)**	–
(Gain)/loss on sale of property, plant and equipment and intangible assets	**–**	(8)
(Increase)/decrease in inventories	**(28)**	(1)
(Increase)/decrease in trade and other receivables	**(23)**	(30)
Increase/(decrease) in payables and other creditors	**144**	18
Increase/(decrease) in restructuring provisions	**51**	–
Share award expense	**42**	36
Cash generated from operations	**1,228**	946
Interest paid	**(50)**	(16)
Interest received	**20**	50
Tax paid	**(181)**	(157)
Net cash generated from operating activities	**1,017**	823
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	**(88)**	(78)
Disposal of property, plant and equipment	**19**	17
Acquisition of businesses	**(1,893)**	(4)
Maturity of short-term investments	**57**	493
Net cash (used)/generated by investing activities	**(1,905)**	428
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**56**	36
Share purchases	**(300)**	(300)
Proceeds from borrowings	**1,250**	–
Repayments of borrowings	**(473)**	(66)
Dividends paid to the Company's shareholders	**(300)**	(262)
Net cash generated/(used) in financing activities	**233**	(592)
Net (decrease)/increase in cash and cash equivalents	**(655)**	659
Cash and cash equivalents at beginning of period	**969**	301
Exchange gains/(losses)	**(16)**	9
Cash and cash equivalents at end of period	**298**	969
Cash and cash equivalents comprises		
Cash and cash equivalents	**305**	978
Overdrafts	**(7)**	(9)
	298	969
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS		
Net cash generated from operating activities	**1,017**	823
Net purchases of property, plant and equipment	**(64)**	(65)
Net cash flow from operations	**953**	758

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

1 SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's geographical and product group segments. The primary segment, geographical areas, is based on the Group's management and internal reporting structure. The individual operations based in the countries within each geographic segment are considered to have similar operational risk and generate a similar level of financial return for the Group.

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 2005 and 2006.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Primary Segment by Geographical Areas

For management purposes the Group is currently organised into three operating areas: Europe; North America, Australia and New Zealand (NAA); and Developing Markets and geographical segmental information is presented on this basis. Segment revenue is based on the geographic location of the Group's customers and segment assets are based on the geographic location of the assets.

2006	**Europe £m**	**NAA £m**	**Developing Markets £m**	**Elimination £m**	**Total £m**
Total gross segment net revenues	**2,661**	**1,422**	**885**	**(46)**	**4,922**
Inter-segment revenues	**(37)**	**(1)**	**(8)**	**46**	**–**
Net revenues	**2,624**	**1,421**	**877**	**–**	**4,922**
Operating profit	**522**	**308**	**80**	**–**	**910**
Operating profit – adjusted*	**618**	**344**	**97**	**–**	**1,059**

2005	Europe £m	NAA £m	Developing Markets £m	Elimination £m	Total £m
Total gross segment net revenues	2,177	1,282	771	(51)	4,179
Inter-segment revenues	(42)	(1)	(8)	51	–
Net revenues	2,135	1,281	763	–	4,179
Operating profit	502	270	68	–	840
Operating profit – adjusted*	502	270	68	–	840

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

Other items included analysed by primary segment are as follows:

2006	**Europe £m**	**NAA £m**	**Developing Markets £m**	**Unallocated £m**	**Group £m**
Segment assets	**3,162**	**1,555**	**584**	**436**	**5,737**
Segment liabilities	**(954)**	**(402)**	**(245)**	**(2,270)**	**(3,871)**
Capital expenditure	**50**	**17**	**21**	**–**	**88**
Depreciation and amortisation	**67**	**18**	**10**	**2**	**97**
Other non-cash movements	**8**	**6**	**5**	**23**	**42**

2005	Europe £m	NAA £m	Developing Markets £m	Unallocated £m	Group £m
Segment assets	1,113	1,333	523	1,244	4,213
Segment liabilities	(768)	(382)	(234)	(973)	(2,357)
Capital expenditure	48	14	13	3	78
Depreciation and amortisation	62	17	9	3	91
Other non-cash movements	8	5	4	19	36

There are no reconciling items between net revenues and operating profit shown above and those shown in the income statement. Unallocated assets and liabilities comprise headquarter items (deferred tax balances, treasury balances) that are not specifically attributable to one segment and there is no reasonable basis available to allocate them.

Impairment charges arose in Europe (£14m), North America, Australia New Zealand (£17m) and Developing Markets (£6m).

There is no material difference between geographic segments determined on a customer location basis and a location of assets basis.

1 SEGMENTAL REPORTING (CONTINUED)

Secondary Segment by Product Groups

The Secondary Segment presents the Group's results in the product groups. The product groups are Fabric Care, Surface Care, Dishwashing, Home Care, Health & Personal Care, making up core business together with Other Household and Food. Unallocated relates to headquarter assets for which there is no reliable method for allocating to any specific product group.

	Net revenues		Assets		Capital expenditure	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Fabric Care	**1,194**	1,113	**933**	942	**22**	20
Surface Care	**909**	871	**885**	952	**17**	15
Dishwashing	**591**	579	**359**	366	**11**	10
Home Care	**692**	628	**448**	458	**13**	11
Health & Personal Care	**1,234**	662	**2,764**	403	**23**	16
Core Business	**4,620**	3,853	**5,389**	3,121	**86**	72
Other Household	**108**	131	**39**	3	**1**	–
Household Health & Personal Care	**4,728**	3,984	**5,428**	3,124	**87**	72
Food	**194**	195	**78**	92	**3**	3
Unallocated	**–**	–	**231**	997	**2**	3
	4,922	4,179	**5,737**	4,213	**92**	78

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2006 £m	2005 £m
Cost of sales	**(2,133)**	(1,886)
Gross profit	**2,789**	2,293
Distribution costs	**(1,376)**	(1,161)
Administrative expenses:		
Research and development	**(82)**	(63)
Other	**(313)**	(256)
Total administrative expenses	**(395)**	(319)
Other net operating income	**41**	27
Restructuring charges	**(149)**	–
Net operating expenses	**(1,879)**	(1,453)

All results relate to continuing operations.

Depreciation charges by income statement line	**2006 £m**	2005 £m
Within		
Cost of sales	**70**	66
Distribution costs	**4**	4
Administrative expenses:		
Research and development	**4**	3
Other	**10**	9
Total administrative expenses	**14**	12
Total depreciation charge (Note 10)	**88**	82

Amortisation and impairment charge by income statement line

Amortisation charges (Note 9) of £9m in 2006 (2005 £9m) are included within Administrative expenses: Other in the income statement. Impairment charges of £6m are included within Administrative expenses: Other in the income statement, and charges of £31m are included within restructuring charges.

Restructuring charges

The Group incurred restructuring charges of £149m (2005 £nil) as a result of the acquisition and integration of the Boots Healthcare International (BHI) business, plus some further restructuring of manufacturing configuration in the enlarged company. This consisted of redundancy costs of £80m, fixed asset write-offs of £23m, other integration charges of £38m and non-cash items of £8m.

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

Total foreign exchange losses of less than £1m (2005 gains of less than £1m) 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	2006 £m	2005 £m
Within		
Cost of sales	**7**	6
Distribution costs	**7**	5
Administrative expenses:		
Research and development	**2**	2
Other	**8**	12
Total administrative expenses	**10**	14
Total net pensions costs (Note 4d)	**24**	25

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.

3 AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and network firms at costs as detailed below:

	2006 £m	2005 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.8**	0.6
Fees payable to the company's auditor and network firms for other services:		
– the audit of accounts of the company's subsidiaries pursuant to legislation	**2.4**	1.7
– other services provided pursuant to such legislation	**0.2**	0.3
– services relating to taxation	**0.7**	0.6
– services relating to information technology	**0.1**	0.1
	4.2	3.3

In addition, the company's auditor and its associates have provided other services in relation to the audit of accounts of associated pension schemes of the company at a cost of £0.1m (2005 £0.1m).

4 EMPLOYEES

(a) Staff costs	2006 £m	2005 £m
The total employment costs, including Directors, were:		
Wages and salaries	**559**	436
Social security costs	**91**	78
Net pension costs	**15**	17
Post-retirement benefits other than pensions	**9**	8
	674	539

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 17 to 22, which forms part of the financial statements.

Compensation awarded to key management (including Directors):

	2006 £m	2005 £m
Salaries and short-term employee benefits	**12**	10
Post-employment benefits	**1**	1
Share-based payment	**17**	15
	30	26

There were no other long-term benefits (2005 £nil) or termination benefits (2005 £nil) paid to key management in 2006.

(b) Staff numbers

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

	2006 000s	2005 000s
Europe*	**10.3**	8.4
North America and Australia	**3.3**	3.1
Developing Markets	**8.3**	8.8
	21.9	20.3

*Included in Europe are 2,100 (2005 1,400) UK employees.

4 EMPLOYEES (CONTINUED)

(c) Share-based remuneration

All share awards that were not fully vested as at 31 December 2006 and 31 December 2005 are included in the tables below which analyse the IFRS charge for 2006 and 2005. 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 of awards with options outstanding at 31 December 2006 and 2005

				Black-Scholes model assumptions					
	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	9.504	2002-04	9.70	25	2.7	4	4.50	1.954
2003	22 November 2002	11.186	2003-05	10.96	25	2.7	4	4.50	2.054
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.462
2005	06 December 2004	15.47	2005-07	15.37	23	2.3	4	4.88	2.991
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.334
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.227
Restricted Shares									
2002	17 December 2001	–	2002-04	9.70	25	2.7	4	4.50	8.644
2003	22 November 2002	–	2003-05	10.96	25	2.7	4	4.50	9.791
2004	08 December 2003	–	2004-06	12.80	24	2.6	4	4.50	11.493
2005	06 December 2004	–	2005-07	15.37	23	2.3	4	4.88	13.920
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.376
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.015

The charge for 2006 in respect of share-based remuneration under IFRS 2 is as set out below:

Table 2: Share awards expense 2006

			Movement in number of options						
	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2006 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2006 number	Total fair value of grant as at 31 Dec 2006 £m	IFRS charge for 2006 £m
Share Options									
2002	17 December 2001	1.954	3,062,005	–	–	(1,460,994)	1,601,011	3.1	–
2003	22 November 2002	2.054	5,497,750	–	(21,000)	(2,139,854)	3,336,896	6.9	–
2004	08 December 2003	2.462	4,343,500	–	(110,000)	–	4,233,500	10.4	3.3
2005	06 December 2004	2.991	4,732,000	–	(302,000)	–	4,430,000	13.3	4.1
2006	05 December 2005	3.334	4,765,000	–	(537,802)	–	4,227,198	14.1	4.7
2007	08 December 2006	4.227	–	4,933,300	–	–	4,993,300	21.1	–
Restricted Shares									
2002	17 December 2001	8.644	–	–	–	–	–	–	–
2003	22 November 2002	9.791	1,758,371	–	(2,798)	(1,755,573)	–	–	–
2004	08 December 2003	11.493	2,082,525	–	(82,179)	–	2,000,346	23.0	7.0
2005	06 December 2004	13.920	2,109,624	–	(161,575)	–	1,948,049	27.1	8.3
2006	05 December 2005	16.376	2,382,500	–	(512,214)	–	1,870,286	30.6	10.2
2007	08 December 2006	21.015	–	2,466,650	–	–	2,466,650	51.8	–
Other Share Awards									
UK SAYE	Various	Various	689,726	275,737	(32,517)	(147,220)	785,726	n/a	0.8
US SAYE	Various	Various	814,298	323,681	(68,989)	(95,423)	973,567	n/a	1.2
Overseas SAYE	Various	Various	1,743,337	5,434	(87,892)	(233,066)	1,427,813	n/a	2.3
SOPP	Various	Various	100,000	50,000	(6,250)	(53,750)	90,000	n/a	0.4
Total									42.3

4 EMPLOYEES (CONTINUED)

(c) Share-based remuneration (continued)

Table 3: Share awards expense 2005

	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2005 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2005 number	Total fair value of grant as at 31 Dec 2005 £m	IFRS charge for 2005 £m
			Movement in number of options						
Share Options									
2002	17 December 2001	1.954	4,474,625	–	(14,200)	(1,398,420)	3,062,005	6.0	–
2003	22 November 2002	2.054	5,581,750	–	(84,000)	–	5,497,750	11.3	3.6
2004	08 December 2003	2.462	4,529,500	–	(186,000)	–	4,343,500	10.7	3.3
2005	06 December 2004	2.991	4,991,500	(214,000)	(45,500)	–	4,732,000	14.2	4.6
2006	05 December 2005	3.334	–	4,765,000	–	–	4,765,000	15.9	–
Restricted Shares									
2002	17 December 2001	8.644	1,967,218	–	(4,500)	(1,962,718)	–	–	–
2003	22 November 2002	9.791	1,780,862	–	(22,131)	–	1,758,731	17.2	5.6
2004	08 December 2003	11.493	2,157,146	–	(74,621)	–	2,082,525	23.9	7.7
2005	06 December 2004	13.920	2,260,750	(122,750)	(28,376)	–	2,109,624	29.4	9.7
2006	05 December 2005	16.376	–	2,382,500	–	–	2,382,500	39.0	–
Other Share Awards									
UK SAYE	Various	Various	611,885	271,478	(31,329)	(162,308)	689,726	n/a	0.4
US SAYE	Various	Various	761,947	259,238	(101,617)	(105,270)	814,298	n/a	0.8
Overseas SAYE	Various	Various	551,304	1,475,508	(60,993)	(222,482)	1,743,337	n/a	0.2
SOPP	Various	Various	106,000	10,000	–	(16,000)	100,000	n/a	0.2
Total									36.1

Options outstanding at 31 December 2006 that could have been exercised at that date were 4,937,907 (2005 3,062,005).

Notes

Scope: Executive Share Awards (including Share Options awarded under the 1999 Share Option Plan and Restricted Shares awarded under the Restricted Share Plan) 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 Executive Share Ownership Policy Plan (SOPP) awards. Individual tranches of these awards are not material for detailed disclosure 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 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 2005 or 2006 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 £20.88 (2005 £17.00).

4 EMPLOYEES (CONTINUED)

(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 of the funded type. 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 healthcare scheme), where salaried participants become eligible for retiree healthcare 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 2006 there were 2,827 (2005 2,816) eligible retirees and 1,414 (2005 1,470) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2006 £m	2005 £m
Defined contribution schemes	**15**	11
Defined benefit schemes (net charge)	**9**	14
Total pension costs recognised in the income statement (Note 2)	**24**	25

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2004 and updated at 31 December 2006. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2005 and updated at 31 December 2006. 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 2006 were:

	2006			2005		
	UK %	US (pension) %	US (medical) %	UK %	US (pension) %	US (medical) %
Rate of increase in pensionable salaries	**5.0**	**5.0**	**–**	4.8	5.0	–
Rate of increase in pension payments and deferred pensions	**3.0**	**–**	**–**	2.8	–	–
Discount rate	**5.1**	**5.8**	**5.8**	4.8	5.5	5.5
Inflation assumption	**3.0**	**3.0**	**–**	2.8	4.0	–
Annual medical cost inflation	**–**	**–**	**10.5-4.5**	–	–	10.5-4.5
Long-term expected rate of return on:						
Equities	**7.4**	**10.7**	**–**	7.4	10.8	–
Bonds	**4.7**	**4.5**	**–**	4.3	5.0	–
Other	**5.9**	**–**	**–**	5.9	–	–

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. For the UK scheme the mortality assumptions were based on PMA92 and PFA92 tables, with allowance for projected improvements in mortality rates in 2004. In addition, the net discount rate has been reduced by 0.25% to allow for further improvements in mortality.

Impact of medical cost trends rates

A one percentage point change in the assumed healthcare 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	12	(10)

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

	2006					2005				
	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	**388**	**74**	**–**	**18**	**480**	354	83	–	23	460
Total bonds	**214**	**39**	**–**	**20**	**273**	217	43	–	14	274
Total other assets	**91**	**–**	**–**	**6**	**97**	79	–	–	5	84
Fair value of plan assets	**693**	**113**	**–**	**44**	**850**	650	126	–	42	818
Present value of scheme liabilities	**(691)**	**(119)**	**(99)**	**(149)**	**(1,058)**	(700)	(136)	(107)	(129)	(1,072)
Net (liability)/asset recognised in the balance sheet	**2**	**(6)**	**(99)**	**(105)**	**(208)**	(50)	(10)	(107)	(87)	(254)

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

4 EMPLOYEES (CONTINUED)

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

	2006 £m	2005 £m
Non-current asset:		
Funded scheme surplus	**8**	7
Non-current liability:		
Funded scheme deficit	**(16)**	(73)
Unfunded scheme liability	**(200)**	(188)
Retirement benefit obligation	**(216)**	(261)
Net pension liability	**(208)**	(254)

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

The amounts recognised in the income statement are as follows:

	2006					2005				
	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	**(9)**	**(3)**	**(2)**	**(5)**	**(19)**	(8)	(3)	(1)	(5)	(17)
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	1	1
Expected return on pension scheme assets	**40**	**10**	**–**	**3**	**53**	37	11	–	4	52
Interest on pension scheme liabilities	**(33)**	**(7)**	**(5)**	**(5)**	**(50)**	(33)	(7)	(5)	(5)	(50)
Curtailment	**7**	**–**	**(1)**	**–**	**6**	–	–	–	–	–
Total charge to the income statement	**5**	**–**	**(8)**	**(6)**	**(9)**	(4)	1	(6)	(5)	(14)

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

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

This table will evolve into a summary of five-year history as data becomes available.

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

	2006					2005				
Movement in 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	**(50)**	**(10)**	**(107)**	**(87)**	**(254)**	(59)	2	(92)	(100)	(249)
Current service cost	**(9)**	**(3)**	**(2)**	**(5)**	**(19)**	(8)	(3)	(1)	(5)	(17)
Liabilities acquired in a business combination	**–**	**–**	**–**	**(26)**	**(26)**	–	–	–	–	–
Contributions	**5**	**–**	**8**	**8**	**21**	5	–	8	6	19
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	1	1
Other finance income	**7**	**3**	**(5)**	**(2)**	**3**	4	4	(5)	(1)	2
Actuarial gain/(loss)	**42**	**4**	**(6)**	**3**	**43**	8	(13)	(10)	1	(14)
Curtailment	**7**	**–**	**(1)**	**–**	**6**	–	–	–	–	–
Exchange adjustments	**–**	**–**	**14**	**3**	**17**	–	–	(7)	11	4
(Deficit)/surplus at 31 December	**2**	**(6)**	**(99)**	**(105)**	**(208)**	(50)	(10)	(107)	(87)	(254)

The actual return on plan assets was £67m (2005 £103m) for the UK scheme and £14m (2005 £10m) for the US scheme.

4 EMPLOYEES (CONTINUED)

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

	2006 UK £m	2006 US (pension) £m	2006 US (medical) £m	2006 Other £m	2006 Total £m	2005 UK £m	2005 US (pension) £m	2005 US (medical) £m	2005 Other £m	2005 Total £m
Present value of liabilities at 1 January	**700**	**136**	**107**	**129**	**1,072**	625	113	92	153	983
Liabilities acquired on business combination	**–**	**–**	**–**	**26**	**26**	–	–	–	–	–
Service cost	**2**	**3**	**2**	**4**	**11**	8	3	1	4	16
Interest cost	**33**	**7**	**5**	**5**	**50**	33	7	5	5	50
Benefits paid	**(29)**	**(11)**	**(5)**	**(8)**	**(53)**	(24)	(17)	(8)	(11)	(60)
Actuarial losses/(gains)	**(15)**	**(4)**	**6**	**(1)**	**(14)**	58	13	10	4	85
Curtailment	**–**	**–**	**1**	**–**	**1**	–	–	–	–	–
Exchange adjustments	**–**	**(12)**	**(17)**	**(6)**	**(35)**	–	17	7	(26)	(2)
Present value of liabilities at 31 December	**691**	**119**	**99**	**149**	**1,058**	700	136	107	129	1,072

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

	2006 UK £m	2006 US (pension) £m	2006 Other £m	2006 Total £m	2005 UK £m	2005 US (pension) £m	2005 Other £m	2005 Total £m
Fair value of plan assets at 1 January	**650**	**126**	**42**	**818**	566	115	53	734
Expected rate of return	**40**	**10**	**3**	**53**	37	11	4	52
Contributions	**5**	**–**	**8**	**13**	5	–	6	11
Benefits paid	**(29)**	**(11)**	**(8)**	**(48)**	(24)	(17)	(11)	(52)
Actuarial gains/(losses)	**27**	**–**	**2**	**29**	66	–	5	71
Exchange adjustments	**–**	**(12)**	**(3)**	**(15)**	–	17	(15)	2
Fair value of plan assets at 31 December	**693**	**113**	**44**	**850**	650	126	42	818

Cumulative actuarial gains and losses recognised in equity:

	2006 £m	2005 £m
At 1 January	**(90)**	(76)
Net actuarial gain/(loss) recognised in the year	**43**	(14)
At 31 December	**(47)**	(90)

History of experience gains and losses:

	2006 £m	2005 £m	2004 £m
Experience adjustments arising on scheme assets:			
Amount (£m)	**29**	71	19
Percentage of scheme assets	**3.4%**	8.7%	2.6%
Experience adjustments arising on scheme liabilities:			
Amount (£m)	**14**	(85)	(95)
Percentage of scheme liabilities	**-1.3%**	7.9%	9.7%
Present value of scheme liabilities	**(1,058)**	(1,072)	(983)
Fair value of scheme assets	**850**	818	734
Net pension liability	**(208)**	(254)	(249)

This table will evolve into a summary of five-year history as data becomes available.

Expected employer contributions to be paid to funded defined benefit schemes in 2007 are £7m (UK £5m, other schemes £2m).

5 NET FINANCE INCOME/(EXPENSE)

Finance income	2006 £m	2005 £m
Interest income on cash and cash equivalents	**17**	32
Gain on available for sale financial instruments (Interest on short-term deposits)	**1**	14
Gain on hedging instruments	**–**	4
Total finance income	**18**	50
Finance expense		
Interest payable on bank borrowings	**(21)**	(4)
Amortisation of issue costs of bank loans	**(1)**	(1)
Interest payable on other loans	**(31)**	(8)
Interest payable on finance leases	**(1)**	(1)
Interest and similar charges payable	**(54)**	(14)
Loss on hedging instruments	**–**	–
Total finance expense	**(54)**	(14)
Net finance income/(expense)	**(36)**	36

Interest payable and similar charges relating to borrowings repayable after more than five years was less than £1m (2005 less than £1m).

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

6 INCOME TAX EXPENSE

	2006 £m	2005 £m
Current tax:		
UK	**29**	33
Overseas	**188**	196
	217	229
Prior year adjustments:		
UK	**(19)**	–
Overseas	**–**	(16)
Total current tax	**198**	213
Deferred tax (Note 19):		
UK	**(4)**	(11)
Overseas	**6**	5
	2	(6)
Total tax	**200**	207

Domestic income tax is calculated at 30% (2005 30%) of the estimated assessable profit 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:

	2006 £m	2005 £m
Profit before tax:	**874**	876
Tax at the UK corporation tax rate of 30% (2005 30%)	**262**	263
Effects of:		
Tax at rates other than the UK corporation tax rate	**(73)**	(38)
Adjustments to amounts carried in respect of unresolved tax matters	**9**	36
Withholdings and local taxes	**19**	18
Utilised tax losses	**(4)**	(43)
Adjustment in respect of prior periods	**(19)**	(16)
Other permanent differences	**6**	(13)
Total tax charge	**200**	207

Certain deferred tax amounts totalling £10m (2005 £16m) in respect of corporation tax losses and other timing differences have not been recognised at 31 December 2006 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other timing 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.

continued

7 EARNINGS PER SHARE

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (2006 £674m (2005 £669m)) by the weighted average number of ordinary shares in issue during the period (2006 720,685,570 (2005 727,061,855)).

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 three categories of dilutive potential ordinary shares: Executive Options, Employee Sharesave schemes and Convertible Capital Bonds (converted in 2005). 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 2006 there were 17.3m (2005 14m) of Executive Share 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:

			2006			2005
	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	**674**	**720,685,570**	**93.5**	669	727,061,855	92.0
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**12,365,411**			13,496,383	
Dilution for Employee Sharesave scheme options outstanding		**1,145,515**			726,783	
Dilution for Convertible Capital Bonds outstanding*				–	1,970,687	
On a diluted basis	**674**	**734,196,496**	**91.8**	669	743,255,708	90.0

*After the appropriate tax adjustment, the profit adjustment represents the coupon on Convertible Capital Bonds. The earnings per share impact reflects the effect of that profit adjustment and the assumption of the issue of shares on conversion of bonds.

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:

			2006			2005
	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	**786**	**720,685,570**	**109.1**	669	727,061,855	92.0
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**12,365,411**			13,496,383	
Dilution for Employee Sharesave scheme options outstanding		**1,145,515**			726,783	
Dilution for Convertible Capital Bonds outstanding				–	1,970,687	
On a diluted basis	**786**	**734,196,496**	**107.1**	669	743,255,708	90.0

The Directors believe that a diluted earnings per ordinary share, adjusted for the impact of the restructuring charge after the appropriate tax amount, provides the most meaningful measure of earnings per ordinary share.

8 DIVIDENDS

	2006 £m	2005 £m
Dividends on equity ordinary shares:		
2005 Final paid: 21.0p (2004 Final 18.0p) per share	**152**	131
2006 Interim paid: 20.5p (2005 Interim 18.0p) per share	**148**	131
Total dividends for the year	**300**	262

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2006 of 25.0p per share which will absorb an estimated £179m of shareholders' funds. It will be paid on 31 May 2007 to shareholders who are on the register on 2 March 2007. The expected tax impact of this dividend is £nil (2005 £nil).

9 INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2006	1,651	84	25	92	1,852
Additions	1	1	1	3	6
Acquisitions	1,478	796	–	5	2,279
Disposals	–	–	–	–	–
Reclassifications	–	–	–	–	–
Exchange adjustments	(163)	(24)	–	(1)	(188)
At 31 December 2006	**2,967**	**857**	**26**	**99**	**3,949**
Accumulated impairment and amortisation					
At 1 January 2006	28	18	24	16	86
Amortisation charge	1	–	1	7	9
Impairment	3	6	–	5	14
Disposals	–	–	–	–	–
Exchange adjustments	(1)	(1)	–	–	(2)
At 31 December 2006	**31**	**23**	**25**	**28**	**107**
Net book amount at 31 December 2006	**2,936**	**834**	**1**	**71**	**3,842**

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2005	1,549	79	25	86	1,739
Additions	–	–	1	4	5
Disposals	(2)	–	(2)	–	(4)
Reclassifications	–	(2)	–	2	–
Exchange adjustments	104	7	1	–	112
At 31 December 2005	1,651	84	25	92	1,852
Accumulated impairment and amortisation					
At 1 January 2005	27	17	23	9	76
Amortisation charge	–	–	2	7	9
Disposals	–	–	(2)	–	(2)
Exchange adjustments	1	1	1	–	3
At 31 December 2005	28	18	24	16	86
Net book amount at 31 December 2005	1,623	66	1	76	1,766

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	**2006 £m**	2005 £m
Indefinite life assets:		
Brands	**2,926**	1,623
Goodwill	**834**	66
Other	**35**	31
Total indefinite life assets	**3,795**	1,720
Finite life assets:		
Brands	**10**	–
Other	**36**	45
Software	**1**	1
Total finite life assets	**47**	46
Total net book value intangible assets	**3,842**	1,766

9 INTANGIBLE ASSETS (CONTINUED)

The annual impairment review for 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%-6%). A pre-tax discount rate of 11% (2005 11%) has been used in discounting the projected cash flows. A higher rate is used where appropriate to reflect specific risks associated with the relevant asset. 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.

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	2006 £m	2005 £m
Fabric Care	Calgon, Vanish, Woolite	**486**	528
Surface Care	Dettol, Lysol	**559**	627
Dishwashing	Calgonit, Finish	**147**	150
Home Care	Air Wick	**191**	207
Health & Personal Care	Veet, Nurofen, Strepsils, Clearasil	**1,526**	80
Food	French's	**27**	31
Brands total		**2,936**	1,623

The impairment charge for the year ended 31 December 2006 is £14m (2005 £nil). Amortisation for the year ended 31 December 2006 is £9m (2005 £9m). Goodwill of £779m relates to the Health & Personal Care product group. No other product group contains a significant goodwill balance.

Other intangible assets include £3m of additions in 2006 relating to development expenditure. There are no other internally generated intangible assets in any of the classes of asset. The net book value of internally generated other intangible assets at 31 December 2006 is £10m (2005 £4m).

No borrowing costs have been capitalised as an intangible asset in 2006 (2005 £nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2006	306	839	1,145
Additions	8	75	83
Acquisitions	16	49	65
Disposals	(14)	(54)	(68)
Reclassifications	4	(4)	–
Exchange adjustments	(18)	(44)	(62)
At 31 December 2006	**302**	**861**	**1,163**

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2006	115	545	660
Charge for the year	11	77	88
Acquisitions	11	41	52
Disposals	(4)	(45)	(49)
Impairment	2	21	23
Exchange adjustments	(7)	(29)	(36)
At 31 December 2006	**128**	**610**	**738**
Net book amount at 31 December 2006	**174**	**251**	**425**

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2005	279	809	1,088
Additions	5	68	73
Disposals	(5)	(52)	(57)
Reclassifications	12	(12)	–
Exchange adjustments	15	26	41
At 31 December 2005	306	839	1,145

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2005	103	504	607
Charge for the year	11	71	82
Disposals	(4)	(46)	(50)
Exchange adjustments	5	16	21
At 31 December 2005	115	545	660
Net book amount at 31 December 2005	191	294	485

Included in plant and equipment are assets held under finance leases with a net book value of £9m (2005 £11m). The depreciation charge for assets held under finance leases was £3m (2005 £3m).

Minimum lease payments for plant and equipment held under finance leases are £4m (2005 £6m) within one year and £6m (2005 £8m) in two to five years. There are no lease payments falling due after more than five years (2005 £nil).

No revaluations have taken place in 2005 or in 2006.

The net book amount of assets in construction is £20m (2005 £13m). Assets under construction are included within plant and equipment. The reclassification from plant and equipment to land and building of £4m (2005 £12m) shows the transfer of completed assets.

The analysis of depreciation charge by income statement line is shown in Note 2.

No borrowing costs have been capitalised as plant, property and equipment in 2006 (2005 £nil).

Capital expenditure which was contracted but not capitalised at 31 December 2006 was £37m (2005 £9m).

11 INVENTORIES

	2006 £m	2005 £m
Raw materials and consumables	**77**	68
Work in progress	**14**	12
Finished goods and goods held for resale	**231**	190
Total inventories	**322**	270

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £2,021m (2005 £1,761m).

The Group inventory provision at 31 December 2006 was £34m (2005 £23m). All inventory that was provided for at 31 December 2005 was sold or otherwise disposed of during 2006.

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

12 TRADE AND OTHER RECEIVABLES – CURRENT

Amounts falling due within one year	**2006 £m**	2005 £m
Trade debtors	**588**	471
Less: Provision for impairment of receivables	**(16)**	(12)
Trade debtors – net	**572**	459
Other debtors	**80**	69
Prepayments and accrued income	**18**	17
	670	545

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

13 AVAILABLE FOR SALE FINANCIAL ASSETS

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. The effective interest rate on these short-term deposits is 7.9% (2005 4.8%) and they have an average maturity of 295 days (2005 156 days) from inception.

14 CASH AND CASH EQUIVALENTS

	2006 £m	2005 £m
Cash at bank and in hand	**107**	61
Short-term bank deposits	**194**	917
Commercial paper	**4**	–
Cash and cash equivalents	**305**	978

The effective interest rate on short-term bank deposits and commercial paper is 6.9% (2005 4.7%) and these deposits have an average maturity date of 60 days (2005 38 days) from inception.

Due to foreign currency exchange restrictions £66m (2005 £43m) of cash included in cash and cash equivalents is restricted for use by the Group.

15 FINANCIAL LIABILITIES – BORROWINGS

Current	2006 £m	2005 £m
Bank loans and overdrafts[(a)]	**20**	24
Commercial paper[(b)]	**891**	–
Finance lease obligations	**4**	6
6.72% Notes Series F due 2007	**58**	–
7.09% Preferred Auction Rate Changeable Shares[(c)]	**–**	58
	973	88

Non-current	2006 £m	2005 £m
6.72% Notes Series F due 2007	**–**	67
Finance lease obligations	**6**	8
Preference shares[(d)]	**5**	5
	11	80

The effective interest rate on borrowings was 5.2% (2005 6.1%). At 31 December 2006, if interest rates on Sterling-denominated borrowings at that date had been 50 basis points higher/lower with all other variables held constant, post-tax profit would have been £3m lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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.

(c) During 1999 Preferred Auction Rate Changeable Shares were issued by Reckitt & Colman Holdings (USA) Inc. (now RB Holdings (USA) Inc.) supported by Reckitt Benckiser plc. The initial dividend rate was 7.09% and applied until 2006. The redemption price was the par value of the shares plus accumulated and unpaid dividends. All the shares were redeemed in November 2006.

(d) Preference Share Capital.

Authorised, issued and fully paid	2006 Number of shares	2005 Number of shares	2006 £m	2005 £m
5% Cumulative Preference Shares of £1 each	**4,500,000**	4,500,000	**5**	5

The 5% cumulative preference shares of £1 each, which are irredeemable and were issued at par, rank in priority to the ordinary shares both as to dividend and to capital. Shareholders are entitled to receive dividends at 5% per annum on the par value of these shares on a cumulative basis; these dividends are payable biannually on 1 January and 1 July. On a winding up or repayment of capital, these shares are repayable at par or the average market value for a period prior to that event, if higher. These shares have no further rights to participate in the reserves of the Company and the non-equity capital does not carry any right to vote at any general meeting of the Company unless either: i) the dividend is six months in arrears; or ii) there is a resolution to wind up the Company or to reduce its capital; or iii) there is a resolution to alter the rights of the preference shareholders.

15 FINANCIAL LIABILITIES – BORROWINGS (CONTINUED)

Maturity of debt	2006 £m	2005 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**20**	24
Other borrowings repayable:		
Within one year or on demand:		
7.09% Preferred Auction Rate Chargeable Share Series A due 2006	**–**	58
Commercial paper	**891**	–
6.72% Notes Series F due 2007	**58**	–
Other	**4**	6
Between one and two years:		
6.72% Notes Series F due 2007	**–**	67
Between two and five years:		
Other (payable by instalments)	**6**	8
After more than five years:		
5% cumulative preference shares	**5**	5
	964	144
Gross borrowings (unsecured)	**984**	168

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available, in respect of which all conditions precedent have been met at the balance sheet date, were as follows:

Undrawn committed borrowing facilities	2006 £m	2005 £m
Expiring within one year	**–**	1,500
Expiring between one and two years	**–**	–
Expiring after more than two years	**1,224**	749
	1,224	2,249

The Group's borrowing limit at 31 December 2006 calculated in accordance with the Articles of Association was £3,726m (2005 £3,710m).

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2005	–	15	15
Charged to the income statement	–	–	–
Utilised during the year	–	(1)	(1)
Exchange adjustments	–	–	–
At 31 December 2005	–	14	14
Charged to the income statement	51	1	52
Utilised during the year	–	(4)	(4)
Exchange adjustments	–	–	–
At 31 December 2006	**51**	**11**	**62**

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

	2006 £m	2005 £m
Current	**47**	4
Non-current	**15**	10
	62	14

Other provisions include provision for an onerous lease expiring in 2016 of £5m (2005 £5m). The remainder of the balance relates to various legal and other obligations throughout the Group, the majority of which are expected to be utilised over the next few years.

The restructuring provision relates to the acquisition and integration of the BHI business and some further restructuring of manufacturing configuration in the enlarged company. The majority is expected to be utilised in 2007 with the remainder being utilised in 2008.

continued

17 TRADE AND OTHER PAYABLES

	2006 £m	2005 £m
Trade payables	**646**	570
Other creditors	**68**	40
Other tax and social security payable	**69**	47
Fair value derivatives	**2**	1
Accruals and deferred income	**696**	567
	1,481	1,225

18 OTHER NON-CURRENT LIABILITIES

	2006 £m	2005 £m
Accruals and deferred income	**3**	4
Other creditors	**20**	17
	23	21

19 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 2005	10	390	(45)	(1)	(5)	349
Charged/(credited) to the income statement	9	58	(59)	–	6	14
Charged/(credited) to equity	–	–	–	–	–	–
Exchange differences	1	12	1	–	–	14
At 31 December 2005	20	460	(103)	(1)	1	377
Charged/(credited) to the income statement	2	5	39	–	(2)	44
Charged/(credited) to equity	–	–	–	–	–	–
Acquisition	–	372	–	–	–	372
Exchange differences	–	(27)	–	–	–	(27)
At 31 December 2006	**22**	**810**	**(64)**	**(1)**	**(1)**	**766**

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 2005	1	(2)	39	–	20	58
(Charged)/credited to the income statement	–	3	(1)	12	6	20
(Charged)/credited to equity	–	–	3	–	(3)	–
Exchange differences	–	–	–	–	(1)	(1)
At 31 December 2005	1	1	41	12	22	77
(Charged)/credited to the income statement	4	6	30	9	(7)	42
(Charged)/credited to equity	–	–	4	–	(15)	(11)
Acquisition	12	–	12	(1)	4	27
Exchange differences	–	–	5	–	4	9
At 31 December 2006	**17**	**7**	**92**	**20**	**8**	**144**

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.

20 CALLED UP SHARE CAPITAL

Ordinary shares	Authorised Number of shares	Allotted, called up and fully paid Number of shares	Authorised £m	Allotted, called up and fully paid £m
Unclassified shares of $10\frac{10}{19}$p each	223,339,066		24	
Ordinary shares of $10\frac{10}{19}$p each	722,160,934	722,160,934	76	76
At 1 January 2006	**945,500,000**	**722,160,934**	**100**	**76**
Allotments		7,044,787		
Released from Treasury		750,000		
Market purchases		(13,921,950)		
Held in Treasury		3,508,000		
Unclassified shares of $10\frac{10}{19}$p each	225,958,229		24	
Ordinary shares of $10\frac{10}{19}$p each	719,541,771	719,541,771	76	76
At 31 December 2006	**945,500,000**	**719,541,771**	**100**	**76**

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.

The parent company has 4,500,000 (2005 4,500,000) of 5% cumulative preference shares which are recognised as non-current borrowings by the Group. The rights, preferences and restrictions of these shares are described in Note 15.

Allotments
During the year ordinary shares were allotted as follows:

Ordinary shares of $10\frac{10}{19}$p	Number of shares	Number of shares	Consideration £m	Consideration £m
Executive Share Options – exercised	5,361,462			
Executive Share Options – released from Treasury	(750,000)			
Total Executive Share Options		4,611,462	51	
Award of Restricted Shares		1,903,986	–	
Total under Executive Share Option and Restricted Share Schemes		6,515,448		51
Under the Senior Executive Share Ownership Policy Plan		53,750		–
Under the Savings-Related Share Option Schemes		475,589		4
Total		**7,044,787**		**55**

Market purchases of shares
During 2006, as part of the Group's continuing share buy back programmes, the Group spent £300m repurchasing 13,921,950 shares. Of these 9,663,950 were cancelled during the year and 3,508,000 were held in Treasury at 31 December 2006. The remaining 750,000 were released from Treasury to satisfy executive share options exercised during the year. The shares repurchased represent 1.9% of the parent company's called up share capital at 31 December 2006 and had a nominal value of £1.5m. The shares held in Treasury at 31 December 2006 represent 0.5% of the parent company's share capital at the year end and had a nominal value of £0.4m.

In the period 1 January 2007 to 28 February 2007 a further 330,000 shares have been repurchased at a cost of £8.7m and are held in Treasury. These shares repurchased represent less than 0.1% of the Parent Company's called up share capital at 31 December 2006 and had a nominal value of £35,000.

Options and restricted shares granted during the year
Options and restricted shares which may vest or become exercisable at various dates between 2010 and 2016 granted during the year were as follows:

Executive share option and restricted share schemes	Price to be paid £	Number of shares under option
Long-Term Incentive Plan 2006 – share options	22.57	4,933,300
Long-Term Incentive Plan 2006 – restricted shares	–	2,466,650
Total		**7,399,950**
Savings-Related Share Option Schemes	16.90	605,099

20 CALLED UP SHARE CAPITAL (CONTINUED)

Options and restricted shares unexercised at 31 December 2006

Options and restricted shares exercisable at various dates between 2006 and 2016 are as follows:

Executive share option and restricted share schemes	Price to be paid £		Number of shares under option	
	From	To	2006	2005
Reckitt & Colman Schemes	6.28	12.120	**170,609**	230,243
Benckiser 1997 Schemes		2.050	**–**	150,000
Benckiser 1998 Schemes		5.100	**109,865**	121,765
Benckiser Long-term Incentive Scheme 1999 Annual Award		7.480	**127,536**	190,370
Benckiser Initial Options Award Agreement 29 September 1999		7.040	**2,153,666**	2,667,000
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		7.220	**249,500**	249,500
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	**4,500**	4,500
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	5.538	18.100	**18,324,319**	23,875,862
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**6,158,531**	8,825,355
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options	22.57	22.57	**4,933,300**	–
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – restricted shares		–	**2,466,650**	–
Reckitt Benckiser Senior Executive Share Ownership Policy Plan		–	**90,000**	100,000
			34,788,476	36,414,595

Savings-related share option schemes	Price to be paid £		Number of shares under option	
	From	To	2006	2005
UK Scheme	6.470	16.90	**785,726**	689,726
Overseas Scheme	6.616	13.710	**1,427,813**	1,743,337
USA Scheme	9.480	16.90	**973,567**	814,298
Total			**3,187,106**	3,247,361

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 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.

21 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Company									
	Share capital £m	Share premium £m	Merger reserve £m	Equity element of Convertible Bonds £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 2005	**76**	**405**	**142**	**9**	**–**	**2**	**(43)**	**986**	**3**	**1,580**
Shares allotted under share schemes:	1	35								36
Shares allotted on conversion of CCBs:	1	39								40
Reduction in equity component of CCB upon conversion:				(9)						(9)
Unvested share awards:								36		36
Deferred tax on share awards:								3		3
Profit for the year:								669		669
Dividends:								(262)		(262)
Own shares repurchased:	(2)							(298)		(300)
Actuarial gains and losses:								(14)		(14)
Movement of deferred tax on pension liability:								(3)		(3)
Transfer to capital redemption reserve:						2		(2)		–
Purchase of minority interests:								(4)		(4)
Net exchange adjustments on foreign currency translation:							85			85
Reduction in minority interest:								2	(2)	–
Net hedged gains and losses taken to reserves:					(1)					(1)
Balance at 31 December 2005	**76**	**479**	**142**	**–**	**(1)**	**4**	**42**	**1,113**	**1**	**1,856**
Shares allotted under share schemes:	1	48								49
Unvested share awards:								42		42
Deferred tax on share awards:								4		4
Profit for the year:								674		674
Dividends:								(300)		(300)
Own shares repurchased:	(1)							(202)		(203)
Actuarial gains and losses:								43		43
Movement of deferred tax on pension liability:								(15)		(15)
Transfer to capital redemption reserve:						1		(1)		–
Purchase of minority interests:								(2)		(2)
Net exchange adjustments on foreign currency translation:							(194)			(194)
Net hedged gains and losses taken to reserves:										
Shares repurchased and held in Treasury:								(97)		(97)
Treasury shares re-issued:								7		7
Minority interest acquired with business acquisition:									2	2
Balance at 31 December 2006	**76**	**527**	**142**	**–**	**(1)**	**5**	**(152)**	**1,266**	**3**	**1,866**

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £194m (2005 £110m). The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were no Treasury shares at 1 January 2006. £97m of shares were repurchased and held in Treasury, of which £7m were issued to satisfy Executive Share Options exercised. £90m of Treasury shares were carried forward at 31 December 2006.

The credit for invested share awards relates to amounts charged to the income statement under IFRS 2 and credited to reserves.

21 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Reserves
The 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.

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 capital redemption reserve is required to maintain the Group's capital following the Group's market purchases and subsequent cancellations of the Company's share capital. The reserve consists of the nominal value of the shares purchased and cancelled (see Note 20).

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations that are not considered integral to the operations of the parent company, 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.

22 MINORITY INTERESTS

	2006 £m	2005 £m
At 1 January 2006	**1**	3
Acquisition of minority shareholdings upon business acquisition	**2**	–
Purchase of minority shareholdings	**–**	(2)
As at 31 December 2006	**3**	1

23 FINANCIAL INSTRUMENTS
Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to risk management in the Financial Review and in the accounting policies.

	Liabilities £m
At 31 December 2006	
Forward foreign currency contracts – cash flow hedge	**1**

	Liabilities £m
At 31 December 2005	
Forward foreign currency contracts – cash flow hedge	1

Net fair values of derivative financial instruments
The net fair values of derivative financial instruments designated as cash flow hedges at the balance sheet date were:

	2006 £m	2005 £m
Contracts with negative fair values		
Forward foreign currency contracts	**1**	1

There were no interest rate swaps (2005 none) held at year end.

Hedge of net investment in foreign entity
The Group has 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 2006 was £58m (2005 £67m). The foreign exchange gain of £9m (2005 loss of £7m) on translation of the borrowings into sterling has been recognised in foreign currency translation reserve. This hedge is used to mitigate the foreign exchange risk of the Group's net investment in its subsidiaries in the USA.

Fair value of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of cash, cash equivalents, short-term investments and short-term borrowings approximate to book value.

23 FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge profile

As at 31 December 2006, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2005.

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

	2006 £m	2005 £m
US dollar	**9**	22
Euro	**11**	11
Australian dollars	**36**	9
Other	**7**	6
	63	48

These forward foreign exchange contracts were expected to mature evenly over the period January 2007 to April 2008 (2005 January 2006 to March 2007). The contracts were fully denominated as cash flow hedges. These hedges are used to mitigate the foreign exchange risk on forecast foreign currency cash flows.

Fair value of non-current borrowings

	2006 Book value £m	**2006 Fair value £m**	2005 Book value £m	2005 Fair value £m
Long-term borrowings	**(6)**	**(5)**	(75)	(75)
Preference shares	**(5)**	**(5)**	(5)	(5)
Fair value of other financial assets and financial liabilities				
Long-term assets (net)	**6**	**1**	7	4
Primary financial instruments held or issued to finance the Groups operations:				
Short-term borrowings	**(82)**	**(82)**	(88)	(88)
Non-current deposits	**19**	**19**	77	77
Short-term deposits	**194**	**194**	917	917
Short-term commercial paper issued	**(891)**	**(891)**	–	–
Short-term commercial paper purchased	**4**	**4**	–	–
Cash at bank and in hand	**107**	**107**	61	61

The following methods and assumptions were used to estimate the fair values shown in this note:

– Borrowings due within one year – approximates to the carrying amount due to their short maturity.
– Other borrowings due after more than one year – market value using quoted market prices for equivalent fixed rate borrowings.
– Preference shares – based on market valuations at the balance sheet date.
– Investments – approximates to the carrying amount due to their short maturity.
– Cash at bank and in hand – carrying amount used.

Maturity of financial liabilities

	2006				2005			
	Debt £m	**Finance leases £m**	**Other financial liabilities £m**	**Total £m**	Debt £m	Finance leases £m	Other financial liabilities £m	Total £m
In more than one year but not more than two years	**–**	**–**	**–**	**–**	67	–	–	67
In more than two years but not more than five years	**–**	**6**	**–**	**6**	–	8	–	8
In more than five years	**–**	**–**	**10**	**10**	–	–	10	10
	–	**6**	**10**	**16**	67	8	10	85

23 FINANCIAL INSTRUMENTS (CONTINUED)

Currency and interest rate exposure of financial liabilities

	2006 Fixed £m	2006 Floating £m	2006 Non interest bearing £m	2006 Total £m	2005 Fixed £m	2005 Floating £m	2005 Non interest bearing £m	2005 Total £m
Sterling	**8**	**890**	**5**	**903**	6	3	5	14
US dollar	**60**	**3**	**–**	**63**	127	6	–	133
Euro	**6**	**1**	**–**	**7**	6	2	–	8
Other	**–**	**16**	**–**	**16**	–	18	–	18
	74	**910**	**5**	**989**	139	29	5	173
of which:								
Gross borrowings				**979**				163
Preference Shares				**5**				5
Other financial liabilities				**5**				5
				989				173

The £890m (2005 £3m) sterling floating borrowings include commercial paper issued in US dollars valued at £606m (2005 £nil) and Euros valued at £87m (2005 £nil). Although issued in currencies other than sterling, the group entered into forward foreign exchange contracts to fix the sterling value due for repayment on maturity of these borrowings.

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 31 December 2006. All conditions precedent in respect of these facilities had been met at that date.

	2006 Floating rate £m	2006 Fixed rate £m	2006 Total £m	2005 Total £m
Expiring within one year	**–**	**–**	**–**	1,500
Expiring between one and two years	**–**	**–**	**–**	–
Expiring in more than two years	**1,224**	**–**	**1,224**	749
	1,224	**–**	**1,224**	2,249

The facility expiring within one year at 2005 was a bridging facility arranged to facilitate the acquisition of Boots Healthcare International. The other facilities have been arranged as a contingency to cover any future funding requirements. All facilities incur commitment fees at market rates.

24 OPERATING LEASE COMMITMENTS

	2006 Land and buildings £m	2006 Plant and equipment £m	2005 Land and buildings £m	2005 Plant and equipment £m
Total commitments under non-cancellable operating leases due:				
Within one year	**19**	**4**	19	4
Later than one and less than five years	**56**	**4**	58	2
After five years	**44**	**–**	50	–
	119	**8**	127	6

Operating lease rentals charged to the income statement in 2006 were £21m (2005 £21m) in respect of land and buildings and £6m (2005 £5m) in respect of plant and equipment.

As at 31 December 2006, total amounts expected to be received under non-cancellable sub-lease arrangements were £13m (2005 £14m). Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2005 £1m).

25 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2006 amounted to £32m (2005 £44m).

26 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 2006 Group companies sold to and purchased from Reckitt Benckiser (Zimbabwe) (Private) Ltd products and services of less than £1m (2005 less than £1m). At 31 December 2006 Group companies had receivable and payable balances with Reckitt Benckiser (Zimbabwe) (Private) Ltd of less than £1m (2005 less than £1m). There are no other related party transactions in 2006 (2005 none).

27 BUSINESS ACQUISITIONS

Acquisition of Boots Healthcare International (BHI)

On 31 January 2006, for a consideration of £1,871m, the Group acquired 100% of the issued share capital of a number of companies plus business assets, comprising the Boots Healthcare International business (BHI), a global over-the-counter healthcare business. This transaction has been accounted for by the purchase method of accounting.

From the date of acquisition to 31 December 2006 the acquisition contributed £494m to net revenues. Had the acquisition taken place at 1 January 2006, it would have contributed £546m 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. As such one combined business is providing the profits rather than two separate businesses. 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 their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

Boots Healthcare International

	Book value £m	Provisional fair value adjustment £m	Provisional fair value £m
Intangible fixed assets	293	1,185	1,478
Property, plant and equipment	42	(29)	13
Inventories	56	(9)	47
Receivables	133	(7)	126
Payables	(282)	(65)	(347)
Net cash	150	–	150
Deferred tax asset	(1)	28	27
Long-term liabilities	(30)	–	(30)
Deferred tax on intangibles	–	(372)	(372)
Net assets acquired	361	731	1,092
Goodwill			796
Total cost of acquisition			1,888
Cash			1,926
Completion adjustments			(55)
Total cash consideration			1,871
Direct costs related to the acquisition			17
Total cost of acquisition			1,888

The total consideration includes directly attributable costs of £17m. Completion adjustments relate to the finalisation of completion net debt and completion working capital in accordance with the business and share sale and purchase agreement. Goodwill represents strategic premium to enter and establish critical mass in new Healthcare markets, value of synergy savings, and assembled workforce. The value of these benefits cannot yet be quantified due to their future nature. The intangible assets acquired as part of the acquisition of BHI are analysed as follows:

Product Group	Key brands	2006 £m
Health & Personal Care	Nurofen, Strepsils, Clearasil, E45, Lutsine, Optrex	1,478

The fair value adjustments contain provisional amounts which will be finalised in the 2007 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, value in use of property, plant and equipment, accounting policy alignment and other fair value adjustments on net working capital.

The Group paid £5m to acquire distribution rights relating to certain BHI brands during 2006. These acquisitions are capitalised as Other Intangible Assets (note 9).

There were no acquisitions in the prior year.

28 POST BALANCE SHEET EVENTS

Share capital issued since 31 December 2006

In the period 31 December 2006 to 28 February 2007 the Parent Company has issued 772,287 ordinary shares.

Five-year summary

Income statement	2006 £m	2005 £m	IFRS 2004 £m	2003 £m	UK GAAP 2002# £m
Net revenues	**4,922**	4,179	3,871	3,713	3,454
Operating profit	**910**	840	749	679	577
Operating profit before restructuring	**1,059**	840	749	679	577
Restructuring charge	**(149)**	–	–	–	–
Operating profit	**910**	840	749	679	577
Net finance income/(expense)	**(36)**	36	9	(19)	(32)
Profit on ordinary activities before tax	**874**	876	758	660	545
Tax on profit	**(200)**	(207)	(181)	(171)	(137)
Attributable to minority interests	**–**	–	–	–	–
Profit for the year	**674**	669	577	489	408
Ordinary dividends	**(300)**	(262)	(216)	(198)	(181)
Profit after deducting dividends	**374**	407	361	291	227
Balance sheet					
Fixed assets	**4,421**	2,343	2,212	2,248	2,289
Net current assets/(liabilities) (excluding current liability provisions)	**(1,377)**	351	240	118	(93)
Total assets less current liabilities (excluding current liability provisions)	**3,044**	2,694	2,452	2,366	2,196
Creditors due after more than one year:					
Borrowings/other	**(134)**	(186)	(255)	(292)	(388)
Convertible Capital Bonds	**–**	–	–	(192)	(193)
Provisions for liabilities and charges**	**(1,044)**	(652)	(617)	(408)	(407)
Equity minority interests	**(3)**	(1)	(3)	(4)	(7)
Total shareholders' funds	**1,863**	1,855	1,577	1,470	1,201
Statistics					
Reported basis					
Operating profit to net revenues	**18.5%**	20.1%	19.3%	18.3%	16.7%
Total interest to operating profit (times covered)	**25.3x**	n/a	n/a	35.7x	18.0x
Tax rate	**22.9%**	23.6%	23.9%	25.9%	25.1%
Dividend cover†	**2.2x**	2.6x	2.7x	2.5x	2.3x
Adjusted basis*					
Operating profit to net revenues	**21.5%**	20.1%	19.3%	18.3%	16.7%
Total interest to operating profit (times covered)	**29.4x**	n/a	n/a	35.7x	18.0x
Dividend cover†	**2.6x**	2.6x	2.7x	2.5x	2.3x
Dividends per ordinary share	**41.5p**	36.0p	30.0p	28.0p	25.5p

#Restated following the adoption of FRS 5 Application Note G 'Revenue Recognition'.
*Adjusted basis is calculated by deducting the restructuring charges from profit for the year.
†Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends paid.

The figures for 2002 and 2003 have not been restated following the adoption of IFRS in 2005.

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

Parent company – independent auditors' report to the members of Reckitt Benckiser plc

We have audited the parent company financial statements of Reckitt Benckiser plc for the year ended 31 December 2006 which comprise the balance sheet 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 plc for the year ended 31 December 2006.

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 statement of Directors' responsibilities.

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 Directors' Report is consistent with the parent company financial statements. 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 parent company financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Business Review 2006, the Report of the Directors (including statements on Corporate Governance), the unaudited part of the Directors' Remuneration Report, the biographies of the Board of Directors and Executive Committee, and the Shareholder information.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company 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 affairs of the Company as at 31 December 2006;
- 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 Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
19 March 2007

Notes

The maintenance and integrity of the Reckitt Benckiser 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.

Parent company accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

There is no material difference between the result disclosed as the profit for the year and the result on an unmodified historical cost basis and therefore a note of historical cost profits and losses is not included in these accounts.

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.

Tangible 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 shares 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 creditors. Where awards are contingent upon future events (other than continued employment) 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.

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 income statement.

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 income statement.

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/derecognised 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 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.

Derivative financial instruments and hedging activity

The Company primarily uses forward rate agreements and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value 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. The Company designates derivatives as either a hedge of a highly probable forecast transaction (cash flow hedge) or a hedge of net investment in foreign operations.

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 the SORIE. 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 of.

3. Derivatives that do not qualify for hedge accounting; these are classified as 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.

Cash and cash equivalents

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

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 or on an effective interest basis.

Cash flow statement

Reckitt Benckiser plc has presented a Group cash flow statement in its Annual Report and Accounts 2006, therefore as permitted by FRS 1, Cash Flow Statements, the Directors have not prepared a cash flow statement for the Company.

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:

- The determination of the carrying value of investments classified as fixed assets, and the assessment of any impairment of the investments;
- 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.

Parent company balance sheet

As at 31 December 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Investments	1	**5,447**	3,043
Current assets			
Debtors due within one year	2	**338**	179
Debtors due after more than one year	3	**7,461**	9,154
Investments	4	**95**	912
Cash at bank and in hand		**1**	3
		7,895	10,248
Current liabilities			
Creditors due within one year	5	**(3,069)**	(1,800)
Net current assets		**4,826**	8,448
Total assets less current liabilities		**10,273**	11,491
Creditors due after more than one year			
Borrowings	6	**(5)**	(72)
Amounts owed to Group undertakings		**(6,283)**	(7,753)
		(6,288)	(7,825)
Net assets		**3,985**	3,666
EQUITY			
Capital and reserves			
Share capital	7	**76**	76
Share premium account	8	**527**	479
Share awards reserve	8	**21**	18
Capital redemption reserve	8	**5**	4
Profit and loss reserve	8	**3,356**	3,089
Total equity		**3,985**	3,666

Approved by the Board on 19 March 2007.

Adrian Bellamy
Director

Bart Becht
Director

1 INVESTMENTS CLASSIFIED AS FIXED ASSETS

	Shares in subsidiary undertakings £m
At 1 January 2006	3,044
Acquisitions during the year	3,773
Disposals during the year	(437)
At 31 December 2006	6,380
Provision for impairment	
At 1 January 2006	1
Provided for during the year	932
At 31 December 2006	933
Net book amounts	
At 1 January 2006	3,043
At 31 December 2006	5,447

The provision for impairment for the year ended 31 December 2005 was £1m. The provision for impairment of £932m established during 2006 relates to the winding-down of a non-operating Group company.

Acquisitions of fixed asset investments relate to transactions with other subsidiaries of the Group.

Investments in subsidiary undertakings are stated at cost. As permitted by s.133 of the Companies Act 1985, where the relief afforded under s.131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Principal subsidiary undertakings
The principal subsidiary undertakings at 31 December 2006, 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 Healthcare (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

With the exception of Reckitt Benckiser (India) Limited, none of the above subsidiaries is held directly by Reckitt Benckiser 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 next annual return to Companies House.

2 DEBTORS DUE WITHIN ONE YEAR

	2006 £m	2005 £m
Amounts owed by Group undertakings	**338**	176
Other debtors	**–**	3
	338	179

3 DEBTORS DUE AFTER MORE THAN ONE YEAR

Amounts falling due after one year	**2006 £m**	2005 £m
Amounts owed by Group undertakings	**7,440**	9,139
Deferred tax	**21**	15
	7,461	9,154

4 CURRENT ASSET INVESTMENTS

	2006 £m	2005 £m
Short-term deposits	**95**	912
	95	912

5 CREDITORS DUE WITHIN ONE YEAR

	2006 £m	2005 £m
Amounts owed to Group undertakings	**2,094**	1,775
Other creditors	**18**	1
Corporation tax	**–**	16
Other tax and social security payable	**6**	5
Accruals and deferred income	**2**	3
6.72% Notes Series F due 2007	**58**	–
Commercial paper[(a)]	**891**	–
	3,069	1,800

6 BORROWINGS

Creditors due after more than one year	2006 £m	2005 £m
6.72% Notes Series F due 2007	**–**	67
Preference shares[(b)]	**5**	5
	5	72

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

(b) Preference Share Capital.

As required by FRS 25 the preference shares have been reclassified from share capital to borrowings.

Preference Share Capital

Authorised, issued and fully paid	2006 Number of shares	2005 Number of shares	2006 £m	2005 £m
5% Cumulative Preference Shares of £1 each	**4,500,000**	4,500,000	**5**	5

The 5% cumulative preference shares of £1 each, which are irredeemable and were issued at par, rank in priority to the ordinary shares both as to dividend and to capital. Shareholders are entitled to receive dividends at 5% per annum on the par value of these shares on a cumulative basis; these dividends are payable biannually on 1 January and 1 July. On a winding up or repayment of capital, these shares are repayable at par or the average market value for a period prior to that event, if higher. These shares have no further rights to participate in the reserves of the Company and the non-equity capital does not carry any right to vote at any general meeting of the Company unless either: i) the dividend is six months in arrears; or ii) there is a resolution to wind up the Company or to reduce its capital; or iii) there is a resolution to alter the rights of the preference shareholders.

7 CALLED UP SHARE CAPITAL

Authorised, issued and fully paid	2006 Number of shares	2005 Number of shares	2006 £m	2005 £m
Ordinary shares – allotted, called up and fully paid	**719,541,771**	722,160,934	**76**	76

For details of the movement in ordinary shares during 2006 see Note 20 of the Group Financial Statements on page 47.

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Share awards £m	Capital redemption reserve £m	Profit and loss £m	Total £m
At 1 January 2006	76	479	18	4	3,089	3,666
Movements during the year:						
Shares allotted under share schemes	1	48				49
Profit for the year					851	851
Ordinary dividends					(300)	(300)
Net exchange movements on foreign currency translation					1	1
Unvested share awards					–	–
Unvested restricted shares			8			8
Unvested restricted shares – exercises			(5)		5	–
Unvested restricted shares – restricted deferred tax					3	3
Shares repurchased	(1)				(202)	(203)
Shares repurchased as Treasury shares					(97)	(97)
Treasury shares re-issued					7	7
Transfer to capital redemption reserve				1	(1)	–
At 31 December 2006	76	527	21	5	3,356	3,985

As permitted by s.230 of the Companies Act 1985, no profit and loss account is presented for Reckitt Benckiser plc (2005 Reckitt Benckiser plc profit for the year £20m).

Reckitt Benckiser plc has £380m (2005 £560m) of its profit and loss reserve legally available for distributions.

The credit for unvested share awards relates to amounts charged to the profit and loss accounts under FRS 20 'Share-based payment'.

There were no Treasury shares at 1 January 2006. £97m of shares were repurchased and held in Treasury, of which £7m were issued to satisfy Executive Share Options exercised. £90m of Treasury shares were carried forward at 31 December 2006.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2006 of 25.0p per share which will absorb an estimated £179m of shareholders' funds. It will be paid on 31 May 2007 to shareholders who are on the register on 2 March 2007.

Other post balance sheet events are described in Note 28 of the Group financial statements.

9 SHARE-BASED REMUNERATION

Table 1: Fair value of awards with options outstanding at 31 December 2006 and 2005

				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	9.504	2002-04	9.70	25	2.7	4	4.50	1.954
2003	22 November 2002	11.186	2003-05	10.96	25	2.7	4	4.50	2.054
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.462
2005	06 December 2004	15.47	2005-07	15.37	23	2.3	4	4.88	2.991
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.334
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.227
Restricted Shares									
2002	17 December 2001	–	2002-04	9.70	25	2.7	4	4.50	8.644
2003	22 November 2002	–	2003-05	10.96	25	2.7	4	4.50	9.791
2004	08 December 2003	–	2004-06	12.80	24	2.6	4	4.50	11.493
2005	06 December 2004	–	2005-07	15.37	23	2.3	4	4.88	13.920
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.376
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.015

The charge for 2006 and 2005 in respect of share-based remuneration under FRS 20 is as set out below:

9 SHARE-BASED REMUNERATION (CONTINUED)

Table 2: Share awards expense 2006

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2006 number	Granted/ adjustments number (Movement in number of options)	Lapsed number (Movement in number of options)	Exercised number (Movement in number of options)	Options outstanding at 31 December 2006 number	Total fair value of grant as at 31 December 2006 £m	IFRS charge for 2006 £m
Share Options									
2002	17 December 2001	1.954	1,000,000	–	–	(250,000)	750,000	1.5	–
2003	22 November 2002	2.054	1,000,000	–	–	–	1,000,000	2.1	–
2004	08 December 2003	2.462	800,000	–	–	–	800,000	2.0	0.7
2005	06 December 2004	2.991	800,000	–	–	–	800,000	2.4	0.8
2006	05 December 2005	3.334	800,000	–	–	–	800,000	2.7	0.9
2007	08 December 2006	4.227	–	800,000	–	–	800,000	3.4	–
Restricted Shares									
2002	17 December 2001	8.644	–	–	–	–	–	–	–
2003	22 November 2002	9.791	400,000	–	–	(400,000)	–	–	–
2004	08 December 2003	11.493	400,000	–	–	–	400,000	4.6	1.5
2005	06 December 2004	13.920	400,000	–	–	–	400,000	5.6	1.8
2006	05 December 2005	16.376	400,000	–	–	–	400,000	6.6	2.2
2007	08 December 2006	21.015	–	400,000	–	–	400,000	8.4	–
Other Share Awards									
UK SAYE	15 September 2000	2.481	2,777	–	–	–	2,777	0.0	0.0
UK SAYE	04 September 2006	5.124	–	1,011	–	–	1,011	0.0	0.0
Total									7.9

Table 3: Share awards expense 2005

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2005 number	Granted/ adjustments number (Movement in number of options)	Lapsed number (Movement in number of options)	Exercised number (Movement in number of options)	Options outstanding at 31 December 2005 number	Total fair value of grant as at 31 December 2005 £m	IFRS charge for 2005 £m
Share Options									
2002	17 December 2001	1.954	1,000,000	–	–	–	1,000,000	2.0	–
2003	22 November 2002	2.054	1,000,000	–	–	–	1,000,000	2.1	0.7
2004	08 December 2003	2.462	800,000	–	–	–	800,000	2.0	0.7
2005	06 December 2004	2.991	800,000	–	–	–	800,000	2.4	0.8
2006	05 December 2005	3.334	–	800,000	–	–	800,000	2.7	–
Restricted Shares									
2002	17 December 2001	8.644	400,000	–	–	(400,000)	–	–	–
2003	22 November 2002	9.791	400,000	–	–	–	400,000	3.9	1.3
2004	08 December 2003	11.493	400,000	–	–	–	400,000	4.6	1.5
2005	06 December 2004	13.920	400,000	–	–	–	400,000	5.6	1.9
2006	05 December 2005	16.376	–	400,000	–	–	400,000	6.6	–
Other Share Awards									
UK SAYE	15 September 2000	2.481	2,777	–	–	–	2,777	0.0	0.0
Total									6.9

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 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 2005 or 2006 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.

9 SHARE-BASED REMUNERATION (CONTINUED)

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 £20.88 (2005 £17.00).

10 FINANCIAL INSTRUMENTS

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the financial risk management section of the Financial Review and in the accounting policies.

Fair value of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of cash, cash equivalents, short-term investments and short-term borrowings approximates to book value.

	2006		2005	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long-term borrowings	**–**	**–**	(67)	(69)
Preference shares	**(5)**	**(5)**	(5)	(5)
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	**(59)**	**(59)**	–	–
Short-term commercial paper issued	**(891)**	**(891)**	–	–
Non-current deposits	**–**	**–**	65	65
Short-term deposits	**95**	**95**	847	847
Cash at bank and in hand	**1**	**1**	3	3

The following methods and assumptions were used to estimate the fair values shown in this note:

– Borrowings due within one year – approximates to the carrying amount due to their short maturity.
– Other borrowings due after more than one year – market value using quoted market prices for equivalent fixed rate borrowings.
– Preference shares – based on market valuations at the balance sheet date.
– Investments – approximates to the carrying amount due to their short maturity.
– Cash at bank and in hand – carrying amount used.

Maturity of financial liabilities	2006 £m	2005 £m
Between one and two years	–	67
Between two and five years	–	–
In more than five years	10	10
	10	77

Borrowing facilities

The Company had the following undrawn committed borrowing facilities available at 31 December 2006. All conditions precedent in respect of these facilities had been met at that date.

	2006			2005
	Floating rate £m	Fixed rate £m	Total £m	Total £m
Expiring within one year	–	–	–	1,500
Expiring between one and two years	–	–	–	–
Expiring in more than two years	1,224	–	1,224	749
	1,224	–	1,224	2,249

The facility expiring within one year at 31 December 2005 was a bridging facility arranged to facilitate the acquisition of Boots Healthcare International. The other facilities have been arranged as a contingency to cover any future funding requirements. All facilities incur commitment fees at market rates.

11 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.5m (2005 £0.5m).

12 RELATED PARTY TRANSACTIONS

There were no Related Party Transactions with the parent company (2005 £nil).

Shareholder information

Annual General Meeting
To be held on Thursday, 3 May 2007 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 2006
To be paid (if approved) on 31 May 2007 to shareholders on the register on 2 March 2007.

Company Secretary
Elizabeth Richardson

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103-105 Bath Road
Slough, Berkshire SL1 3UH
Telephone: 01753 217800
Facsimile: 01753 217899

Registered and domiciled in England
No. 527217

Company status
Limited liability 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
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Dedicated Reckitt Benckiser shareholder helpline
Telephone: 0870 703 0118
Website: www-uk.computershare.com

Key dates

Announcement of quarter 1 results	26 April 2007
Annual General Meeting	3 May 2007
Payment of final ordinary dividend	31 May 2007
Payment of half-yearly preference dividend	1 July 2007
Announcement of interim results	25 July 2007
Payment of interim ordinary dividend	September 2007
Announcement of quarter 3 results	24 October 2007
Payment of half-yearly preference dividend	1 January 2008
Preliminary announcement of 2007 results	February 2008
Publication of 2007 Annual Report and Accounts	April 2008
Annual General Meeting	May 2008