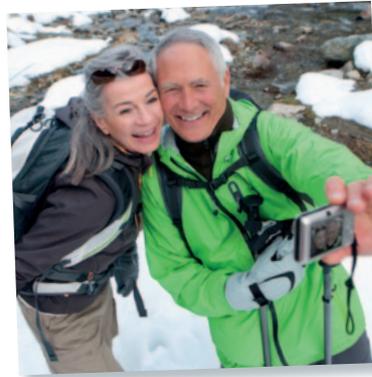




HEALTH ▸ HYGIENE ▸ HOME

Enabling healthier lives

The global leader in consumer health and hygiene



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RB refers to entities in the Reckitt Benckiser Group plc group of companies.

'RB – The global leader in consumer health and hygiene'. Global claim based on RB's definition of combined Consumer Health and Hygiene Sales. Data sources: Consumer Health: OTC (Nicholas Hall); Condoms/Devices (ACNielsen); Footcare (ACNielsen – select markets only); Hygiene: RB select categories (Euromonitor).

New Purpose-inspired Strategy Delivers Strong Performance



On behalf of the Board I have pleasure in reporting that your Company delivered strong results ahead of targets for 2013. Net revenue excluding RB Pharmaceuticals grew 7%, operating profit (adjusted)¹ excluding RB Pharmaceuticals grew 7%, and adjusted¹ net income grew at 2%, all at constant exchange rates.

The Company's twin strategy is to focus on growing the health and hygiene brands of its core portfolio and to achieve a stronger emerging market penetration to better balance its historic developed market strength.

At the end of 2013, health and hygiene brands represented 72% of the core portfolio and the emerging market areas represented 43%. This progress is pleasing but equally so were the results in Europe and North America which achieved growth in every quarter of the year. Our acquisitions, more fully reported elsewhere in this report, contributed materially to these achievements.

RB Pharmaceuticals

After the entry of generic US competition to RB Pharmaceuticals' Suboxone and the stable performance of the Film alternative, your Board announced a strategic review of this part of the Company. The review will recommend the optimal future for RB Pharmaceuticals and the Company

will update Shareholders on the review's progress during 2014.

Cash and Dividend

The strong growth produced strong cash flow, allowing the Company to pay down more of its debt. The Company is in strong financial health and your Board is proposing a final dividend of 77p per share. This brings the dividend for the year to 137p per share, an increase of 2% over 2012.

Corporate Social Responsibility

In addition to being a financial contributor to society, the Company is also a contributor to environmental and humanitarian needs of society. The Company was proud to announce a major new global initiative with Save the Children, a longstanding partner, to address the scourge of child deaths from diarrhoea, which is highly preventable through better health and hygiene.

Corporate Governance

The detailed Corporate Governance Statement and Report on pages 24 to 32 reflects the Board's recognition of the importance of our governance responsibilities.

The Board conducted regular reviews of the performance of the business, its strategy, brands, human resources, corporate responsibility and reputation and business risks. It was decided to change the trading name of the Company to 'RB', moving away from the harder to say, spell and search 'Reckitt Benckiser'. There are no changes to legal entity names.

Board of Directors

It was with great regret that I accepted in June the resignation due to ill health of Graham Mackay, our then Senior Independent Director. Graham sadly passed away in December. He delivered great service to your Company over his eight years on the Board and will be missed. André Lacroix has been appointed Senior Independent Director.

In December, we appointed Nicandro Durante as an independent Non-Executive Director. Nicandro, an Italian/Brazilian and CEO of BAT, brings significant consumer goods industry and emerging markets experience. Also in December Richard Cousins advised me that he would not be available to stand for re-election to the Board. I thank Richard for his contributions to our Company. Judith Spieser and Kenneth Hydon will step down as Chairs of the Remuneration and Audit Committees respectively in 2014. They have both been extraordinarily effective Chairs of the Committees.

Your Nominations Committee is actively involved in a project to appoint additional Non-Executive Directors.

Annual General Meeting Resolutions

The resolutions to be voted on at our AGM on 7 May 2014, are explained in the Notice of Meeting, including the new requirement to offer Shareholders a binding vote on our Remuneration Policy, the details of which are set out in the Directors' Remuneration Report on pages 34 to 46. We believe this policy has served the Company well and hope Shareholders will endorse it.

Thanks

On behalf of the Board, I thank our CEO, Rakesh Kapoor, his executive management team and our employees globally for their commitment to delivering strong performance. The Board is often reminded that an enduring differentiator of the Company is its people and their positive performance-minded culture. My thanks go also to my Board colleagues for their continued support and guidance.

The Board thanks you, our Shareholders, for your on-going confidence in the Company.

Adrian Bellamy Chairman

¹ Adjusted to exclude the impact of exceptional items

RB Delivers Another Strong Year in 2013

Total net revenue
£10bn

Strong growth in emerging market areas

RUMEA² & LAPAC²

Greater speed and scale
+4% total growth
(at constant exchange rates)

Total growth¹ +7%

Suboxone Film maintained

68%
volume share of the US market

Operating margins³ up

+20 bps
exceeding target

Health & hygiene Powerbrands

Durex, Mucinex, Strepsils, Dettol, Lysol, Harpic & Finish led the growth

Adjusted net income up +2% (+2% constant):

adjusted diluted earnings per share
269.8p

Strong cash flow took net debt to

£2,096m
after dividends, acquisitions & restructuring

.....

These results give us confidence that we have the right business strategy, the right organisation, the right platforms and the right culture to deliver sustained growth and outperformance.

2014 Targets

- Net revenue growth of +4-5% at constant exchange rates, excluding RB Pharmaceuticals, including the immaterial residual impact of the Bristol-Myers Squibb (BMS) collaboration.
- Flat to moderate operating margin³ expansion, excluding RB Pharmaceuticals.

Medium-term KPIs (Key Performance Indicators)

- Health and hygiene revenues to increase as a percentage of core⁴ net revenue by 1% per annum going forward.
- LAPAC² and RUMEA² combined to be equal in net revenue size to ENA² by end of 2015.
- Achieve 200 bps per annum of net revenue growth on average above our market growth (excluding RB Pharmaceuticals).

- Achieve moderate operating margin³ expansion.

1 Excluding RB Pharmaceuticals at constant exchange rates.
 2 Latin America, North Asia, South East Asia, and Australia and New Zealand (LAPAC), Russia and CIS, Middle East, North Africa, Turkey and sub-Saharan Africa (RUMEA), North America, Central Europe, Northern Europe, Southern Europe and Western Europe (ENA).
 3 Adjusted to exclude the impact of exceptional items; and excluding RB Pharmaceuticals.
 4 Core includes health, hygiene, home and portfolio brands.

Creating a New Global Force in Consumer Health



Rakesh Kapoor Chief Executive

At the end of the second year of our new strategy, it is appropriate to reflect on the progress we have made.

The achievements have been many. Building on the successful traditions of the Company, we are creating something unique and powerful. We are creating a new force in consumer health across the globe. RB is building capabilities to provide innovative solutions for healthier lives.

Global health trends are changing profoundly. People are living longer and are increasingly aware of the need to look after themselves as they seek to prolong and enjoy their lives. Families are better educated about health issues and are increasingly keen to take control of their own wellbeing. The emergent middle class has become far more health conscious as the links between health and prosperity become clearer. Governments also want citizens

to take on responsibility for their every-day ailments as they strive to reduce the economic burden of rising health care costs and to focus limited resources on more complex diseases.

Our vision and our purpose are to support consumers as they make their choices for their own households and their own families; to put them in control and give them the power to do what is right for them.

Our vision is a world where people are healthier and live better

Our purpose is to make a difference by giving people innovative solutions for healthier lives and happier homes

Our Strategy

POWERBRANDS

Focus on health, hygiene and home

POWERMARKETS

Powermarkets prioritised on growth potential and where we have capabilities to win

ORGANISATION

Informed by consumer clusters, LAPAC, RUMEA and ENA

MARGINS

Drive margins to fund investment and profit growth, and convert to cash



Trusted Powerbrands for Self Health Care

Consumers are at the Centre of our Vision

RB owns brands that consumers love and trust. They know our products can make a difference and help them live healthier lives, but our strategy is different from traditional pharmaceutical consumer health companies. Our deep expertise as a consumer-centric company means we can continuously provide highly relevant products and benefits based on what consumers want, informed with robust science and medical support.

We continue to invest in this strategy. We have increased our spending on key partnerships across the world so we can understand better where the emerging opportunities and needs lie; in whatever demographic or geography they exist.

Our business model continues to develop to support this strategy. We remain focused on Powermarkets and Powerbrands where we believe the opportunities are greatest. Our new geographic structure has paid dividends as we have significantly expanded our presence in emerging markets. And our renewed focus on health and hygiene has seen us boost our presence in key consumer health segments that we believe will deliver benefits to all our stakeholders in the future.

We have done this through focused investment in our people and financial resources, and through a series of strategic acquisitions that have demonstrated our intent to develop further in areas where we see the most potential.

OUR 19 POWERBRANDS

Good health is the key to happiness.



Hygiene is the foundation of healthy living.



Home is the centre of family life.



Food is run as a stand-alone business.



Helping UK pharmacists help their patients

Building Trust with Health Care Professionals

As the global leader in consumer health and hygiene, RB's reputation for being 'the health care brand for health care professionals' (HCPs) is growing. Amongst many online schemes, we're piloting an online consumer health care portal 'RBforHealth' in the UK and Italy, giving HCPs access to interactive training modules, and a collection of essential resources.



Acquisitions Reinforce our Position

STRATEGIC ACQUISITIONS AND PARTNERSHIPS

Bristol-Myers Squibb

Boosting our strength in Latin America in over-the-counter brands.



Guilong Medicine

Strategic acquisition of the traditional Chinese medicine brand Manyanshuning – the No.1 sore throat remedy in China.



Strengthening our Health Platform

In May 2013 we significantly strengthened our health platform in Latin America, where historically we have had less on-the-ground ability to execute than in other regions. Our collaboration with **Bristol-Myers Squibb** brought into our portfolio a number of important over-the-counter brands that have leading positions in key segments such as cold and flu and pain relief in the rapidly growing markets of Brazil and Mexico. In China, we acquired the leading traditional sore throat brand **Manyanshuning**, which has already shown strong growth in the first year of our ownership. Beyond this, it is helping to build a consumer health platform in one of the world's largest consumer markets.

Vitamins, Minerals and Supplements (VMS)

We have also broadened our category portfolio with the purchase of **Schiff** at the end of 2012. This provided us with a meaningful position in the fast-growing area of vitamins, minerals and supplements. The category is worth £29bn globally and is growing at an annual rate of 4-5%.

As more and more people become aware of the potential benefits of supplements as part of a holistic approach to health and wellbeing, this category goes from strength to strength. As an example, many people want to eat a balanced diet with the right nutrients but are unable to do so. Supplementing diet is one way VMS fulfils an important role.

In each of these cases we have used our operational expertise to integrate the acquisitions rapidly, and we are confident that each will deliver lasting value for Shareholders. Collectively these transactions will contribute to our strategy of creating a unique global health and hygiene focused company with broad category coverage across a host of fast growing segments, including analgesics, cold and flu, gastrointestinal maladies and VMS. They have also expanded our geographic capabilities, ensuring we are better positioned than ever to meet our targets.

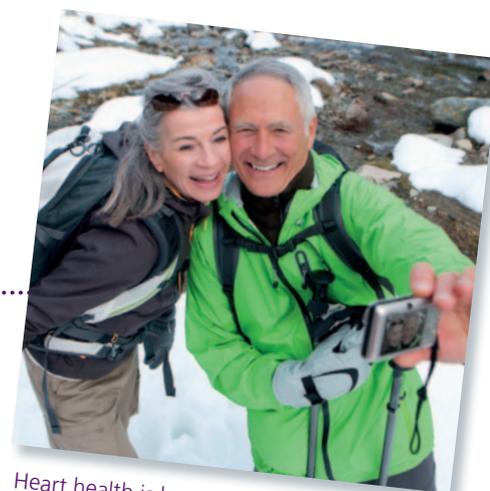
Diving into the Vast Vitamins, Minerals and Supplements Category

Acquiring Schiff has given RB a leading position in the large and rapidly growing vitamins, minerals and supplements category; effectively doubling the value of the global health markets we are now in to £60bn.

A key brand in this category is MegaRed – made from krill oil instead of fish oil, this

gives our consumers the same benefits for their heart and health, but with a much more palatable fish-free taste.

MegaRed launches into over 20 new European and Asian markets in 2014.



Heart health is key to the enjoyment of life

Expanding Powermarkets

Focus on the Right Categories and the Right Geographies

These acquisitions add to our considerable progress on the first pillar of our strategy, to focus on the faster growing, higher margin and better consumer loyalty of **health and hygiene** brands. Our KPI, which we had already accelerated to 2015, to achieve 72% of our core net revenue from these two categories has been achieved two years early.

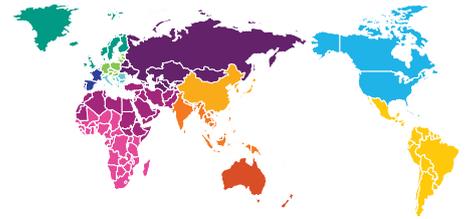
The second pillar of our strategy is a particular focus on 16 **Powermarkets** where the opportunity to grow and outperform is greatest, such as in Brazil, Russia, India and China. This is why we created two **emerging market areas**, our third pillar, LAPAC and RUMEA, to enhance our focus, capabilities and

brand penetration programme. Our KPI is to make these emerging market areas 50% of our core net revenue by 2015.

We also made the unconventional but breakthrough step of combining Europe and North America as one organisation. This has enabled ENA to become a leaner, faster organisation with the ability to enhance the scale of our innovations across both sides of the Atlantic and deliver very good growth.

Our final pillar of **margin improvement** remains key and is a focus for every business, in every market, every day. It is what generates the fuel to invest in our brands and ultimately to generate excellent returns for our Shareholders.

AREAS



LAPAC

North Asia / South East Asia / Australia & New Zealand / Latin America

RUMEA

Russia & CIS / Middle East, North Africa & Turkey / sub-Saharan Africa

ENA

North America / Central Europe / Northern Europe / Southern Europe / Western Europe



Gil, Baek Jiyoung, Shin Seunghoon & Kang Ta
Judges on *The Voice of Korea*

Boosting Strepsils Sales in South Korea

An innovative collaboration saw Strepsils sponsoring the popular national talent TV show *The Voice of Korea*. The Strepsils brand was embedded into all aspects of the show; contestants even used Strepsils during the shows to keep their throats feeling great. This helped Strepsils' distribution into 16 cities, 14,000 pharmacies and 30,000 points of sale. Sales doubled!



Innovating to Outperform

CATEGORY KPI

72%
achieved

Core¹ Company net revenues from health and hygiene to increase by 1% per annum

GEOGRAPHIC KPI

43%
achieved

Core¹ Company net revenues from LAPAC and RUMEA to be equal to ENA by end of 2015

¹ Core includes health, hygiene, home and portfolio brands

Strategic Review of RB Pharmaceuticals

As part of our constant commitment to drive shareholder value, during the year we announced a strategic review of RB Pharmaceuticals. We have consistently said that, once generic competition to RB Pharmaceuticals' Suboxone had been on the market in the US for a number of months, we would examine all the options for what is a very valuable asset. That review is ongoing and we will update our Shareholders during 2014.

Our Responsibility

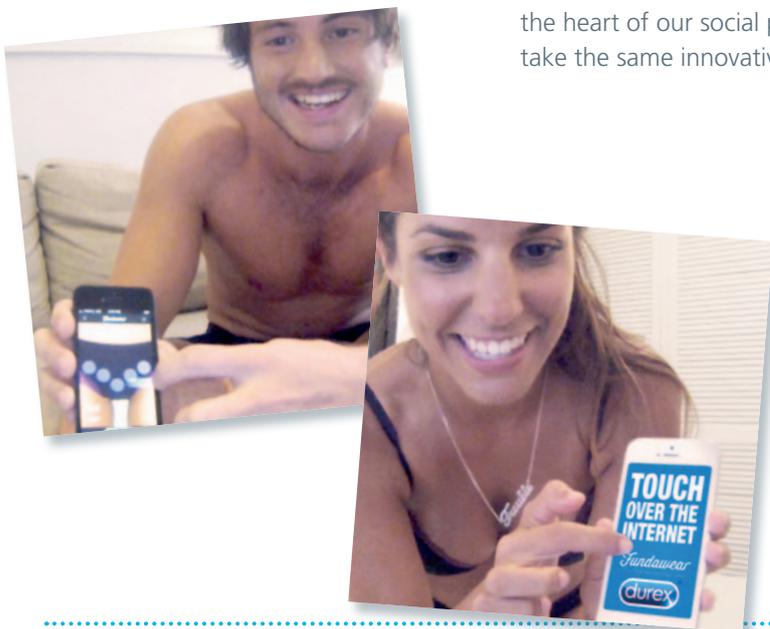
Our purpose to provide innovative solutions for healthier lives and happier homes inspires our business strategy but it is a determination that is also at the heart of our social purpose. We take the same innovative approach

to our responsibility and sustainability initiatives as we do to our business and brands.

Environmental Performance

We take our environmental performance equally seriously and are targeting a one-third reduction in carbon emissions across the entire lifecycle of our products by 2020. In the past five years we have already reduced carbon emissions per dose of product by 25%, leading to our recognition as a leader in this area by the Carbon Disclosure Project.

We have adopted a similar approach to our use of water, which is becoming an increasingly scarce resource in many parts of the world, yet is critical to our business and to consumers.



Nick & Dani, Australia, 'Fundawear' testers on viral YouTube video

Fun with Durexperiments

Durex is about great and safe sex. As the global No.1 sexual wellbeing brand it is reaching new consumers in very innovative ways. A series of 'Durexperiments' included creating 'Fundawear' – vibrating underwear, activated by your partner via a smart phone app.

This innovative idea was launched in Australia. The YouTube video went viral,

gaining a million views in just two weeks and becoming Australia's No.1 video ever.

Facebook 'Likes' increased 4,000%; there was a 35:1 return on advertising revenue and a Silver Lion advertising award at Cannes.



Healthier Business, Healthier World

We have set a one-third target for water reduction and are designing innovative new products that reduce both the volumes of water required for their manufacture, as well as in their use. For instance our new Dettol Touch of Foam requires far less water than conventional hand wash products as it does not require water to create a lather. In addition, we have a target to achieve one-third of our net revenue from more sustainable products by 2020.

Healthier Lives

We have launched a groundbreaking initiative with Save the Children to

tackle the causes of diarrhoea, which kills 800,000 children under five every year – that's more than a child a minute. Working with governmental, NGO and business partners, we aim to remove it as the No.2 cause of death in young children.

Our People

The success of these initiatives, and of the business as a whole, lies with our employees. RB people are different. They have unmatched passion and commitment, and live for results. Once again I would like to thank them for all their efforts.

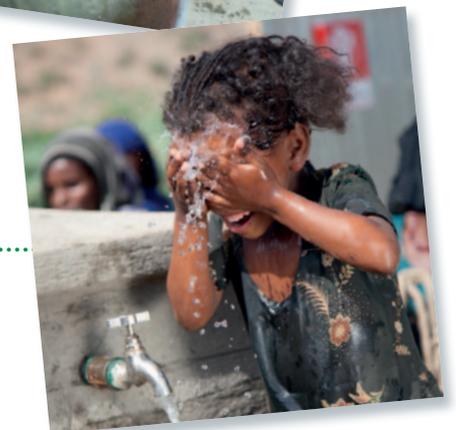


Help stop deaths from diarrhoea
In partnership with



There is little doubt that 2014 will be another challenging year. Our actions in 2013 mean that we believe we can still look forward to another period of outperformance.

Rakesh Kapoor Chief Executive



Taking a Stand Against Preventable Disease – Save a Child Every Minute!

It will shock many people to learn that diarrhoea is the second biggest killer worldwide of children under five, claiming around 800,000 lives per year. That's 90 young lives every hour. RB is on a mission with Save the Children to change this!

This illness is preventable through better hygiene and health and our goal together is to radically reduce the global death rate by 2020.



Making a difference in Ethiopia, Bangladesh and many more countries

Photo credits Above: Save the Children Below: Lucia Zoro / Save the Children

A Detailed Look at our Strategy

Our Strategy for Growth and Outperformance

Our vision is a world where people are healthier and live better. Our purpose is to make a difference by giving people innovative solutions for healthier lives and happier homes.

Our strategy for growth and outperformance to deliver our vision centres around four key pillars:

- 1. Powerbrands** – a disproportionate focus on our 19 Powerbrands in the health, hygiene and home categories.
- 2. Powermarkets** – a disproportionate focus on our 16 Powermarkets, a significant number of which are in emerging markets and which have higher absolute growth potential.
- 3. Organisation** – we have organised our business around seven major consumer clusters, each of which has Powermarkets within it.
- 4. Margins** – we undertake continuous initiatives aimed at freeing resource to invest in the business and driving moderate margin expansion over the medium-term.

POWERBRANDS – STRATEGIC PILLAR 1

Our Powerbrands are carefully selected for their high growth and margin potential, and we invest disproportionately behind these brands to drive superior performance. We have 19 Powerbrands, all bar one of which are classified into our three core categories of health, hygiene and home.

Health – 29% of Core Net Revenue

Consumer health has a number of attractive features as a category and we have built the skill set to win in these categories.

Good health is the key to happiness.



- No.1 worldwide in condoms for both safe and more pleasurable sex, with the Powerbrand Durex.
- No.1 worldwide in cough with the Powerbrand Mucinex.
- No.1 worldwide in medicated sore throat products with the Powerbrand Strepsils.

- No.1 worldwide in upper gastro-intestinal products with the Powerbrand Gaviscon.
- Leading position in analgesics in Europe and Australia with the Powerbrand Nurofen.
- Leading positions in footcare in many markets outside North America and Latin America, with the Powerbrand Scholl.

Attractive Features of Consumer Health:

Attractive demographics such as an emerging middle class keen to manage their health and an ageing population with greater needs. Governments keen to encourage consumers to self-medicate on symptom management, as more complex diseases make ever greater calls on their funds. Health brands have higher consumer trust and loyalty; brands have superior gross margins and finally there is a fragmented market place, dominated by prescription pharmaceutical companies with typically less focus on and expertise in consumer marketing.

RB Positioning and Ability to Win:

Our consumer-centric and innovation-led mindset, puts the consumers' needs first. We have built a global consumer health infrastructure and are present in all of the major consumer health categories. The combination of our consumer focused and innovation-led mindset, our R&D and regulatory capabilities, and our global infrastructure, positions us well for continued growth and outperformance.

Growth Drivers

Growth will be driven by three core components:

- **Science-based innovations:** Our R&D department sits firmly alongside our category organisation and is core to the development of scientifically driven and consumer-focused innovation. We don't discover new molecules rather we mine the wealth of existing science and use our technical expertise and capability to deliver products, using that science, which consumers find relevant, convenient, know and trust. For example, when you have a headache, your number one priority is to get rid of pain quickly, so we developed Nurofen Express, a patented combination of ibuprofen and sodium which speeds up the release of the active ingredient and so targets pain twice as quickly as an ibuprofen-only product.
- **Brand extensions:** Trust is important within consumer health, and we build on the trust and loyalty we have created within our brands to create opportunities in adjacent segments. Take for example Mucinex, our market-leading cough and congestion product in the US. We have built on the equity we created in this brand to launch

Mucinex Fast Max in the wider cold and flu category in 2011-2012, and then subsequently into the sinus category in 2013. And for 2014 we have now announced our entry into the allergy category with our new Mucinex Fast Max Allergy tablets, a non-drowsy antihistamine with 24-hour relief from indoor and outdoor allergies.

- **Geographic roll outs:** Our global consumer health infrastructure and go-to-market capability will facilitate further geographic expansion of our existing brands. We have already had significant success with Gaviscon, a longstanding brand in our portfolio. We have also recently announced the launch of our newly acquired MegaRed brand in over 20 countries during 2014.

Hygiene – 43% of Core Net Revenue

Good hygiene is the foundation of healthy living and we believe it is important to educate consumers about good hygienic practices. Our Powerbrands are positioned with this in mind and we have a number of large and market-leading Powerbrands in hygiene.

Hygiene is the foundation of healthy living.



- No.1 worldwide in antiseptic liquids with the Powerbrand Dettol.
- No.1 worldwide in disinfectant cleaners (products which both clean and disinfect surfaces, killing 99.9% of germs) with the Powerbrand Lysol, in North America, and the surface care products in the Dettol range outside North America.
- No.1 worldwide in automatic dishwashing (products used in automatic dishwashers) with the Powerbrand Finish.
- No.1 worldwide in the overall surface care category due to leading positions across disinfectant cleaners, non-disinfectant multi-purpose cleaners, lavatory care, speciality cleaners and polishes/waxes.
- No.1 worldwide in depilatories with the Powerbrand Veet.
- No.2 worldwide in lavatory care with Lysol in North America and the Powerbrand Harpic, across Europe and developing markets.

- No.2 worldwide in pest control with the Powerbrand Mortein, the Group's international brand, supported by local brand franchises like d-Con in North America.
- No.3 worldwide in acne treatment with the Powerbrand Clearasil.

The hygiene category is spearheaded by our Dettol/Lysol Powerbrands; 'trusted champions of health, everyday'. We undertake many campaigns to help educate consumers on good hygienic practices in emerging markets, such as 'new mums' hospital visit initiatives. We visit new mums in hospital and educate them about the importance of healthy habits around their home when they take their new child home for the first time. We also visit schools as part of our 'healthy hands' campaign and teach children the importance of washing their hands, and how to do it properly.

These are just a few examples of where we believe we have a significant opportunity to grow awareness and penetration of our brands through consumer targeted education, coupled with the right innovations for healthy living.

Home – 22% of Core Net Revenue

Home will always be the centre of a family's world and our market-leading home care Powerbrands are positioned to create happier homes.

Home is the centre of family life.



- No.1 worldwide in fabric treatment (products to remove stains from clothes, carpets and upholstery) with the Powerbrand Vanish, around the globe and Resolve/Spray 'n Wash in North America.
- No.2 worldwide in air care with the Powerbrand Air Wick.
- No.1 worldwide in water softeners (products to prevent limescale build-up on washing machines and laundry) with the Powerbrand Calgon.
- No.2 worldwide in garment care (laundry cleaning products for delicate garments) with the Powerbrand Woolite.

We have a proven track record of bringing innovation that consumers love. A good example of our innovative approach to this category is our new Vanish 'Superbar'. It has been designed specifically for emerging markets and has made Vanish more affordable to consumers where price remains a barrier and where people don't have washing machines for their clothes. We also set up the online 'Vanish tip exchange' during the year. This was a business development initiative aimed at creating an online community for consumers to discuss how they use Vanish to get rid of

particularly tough stains. The tip exchange has proved a great success and we have already seen encouraging penetration improvements in Vanish during the year.

Medium-term KPI

Our prime portfolio focus is on health and hygiene and we had a medium-term KPI that 72% of our core revenue will come from health and hygiene brands by 2015. At the end of 2013 we actually achieved this KPI due to our strong organic growth, supplemented by acquisitions. We are now targeting to increase this by +1% per annum going forward.

Portfolio Brands

We have a number of local brands which do not fit with our health, hygiene and home focus. These are managed with a focus on local scale and cash generation.

POWERMARKETS AND ORGANISATION – STRATEGIC PILLARS 2 & 3

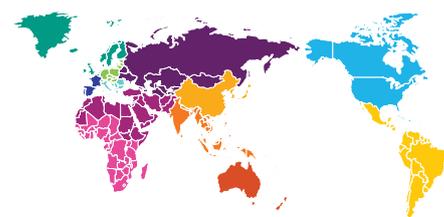
The second pillar of our strategy is 'A Focus On Powermarkets'. Our brands are marketed and sold in nearly 200 markets across the world, but we know that the vast majority of our global growth will come from a few key areas. We have identified 16 Powermarkets, in both developed and emerging countries. These are markets where we see exceptional potential for growth and where we have an ability to win.

The third pillar of our strategy is organisation, where we seek a balance of emerging markets and developed markets. We take a consumer-centric view of the world and see seven major consumer clusters, around which we organise ourselves. Each cluster has one or more Powermarkets within it. Consumers within these clusters have significant similarities in how they use, choose and buy our categories of consumer goods and so it makes sense to group them together.

The first three of these consumer clusters are the consumers of Latin America, North Asia and South Asia, which together with Australia and New Zealand we group together into one organisational structure named LAPAC. The next three clusters are Russia and CIS, Middle East, North Africa and Turkey, and sub-Saharan Africa, and we group these three together into one organisational structure called RUMEA. The seventh consumer cluster comprises Europe and North America (ENA). Across these two markets there are many similarities in behaviours, in brand development and in how the retail trade is organised. Hence ENA forms the third geographic organisational structure.

Medium-term KPI

Our medium-term goal is to grow the emerging market areas of LAPAC and RUMEA faster so that by 2015 they together represent 50% of our core revenues, equal in size to ENA. At the end of 2013 they represented 43%. In 2013 our progress was impacted by adverse currency movements in a number of emerging markets, by weaker performance in RUMEA and by our Schiff acquisition within ENA.



LAPAC: North Asia, South East Asia, Australia & New Zealand, Latin America

RUMEA: Russia & CIS; Middle East, North Africa & Turkey; sub-Saharan Africa

ENA: North America, Central Europe, Northern Europe, Southern Europe, Western Europe

MARGINS – STRATEGIC PILLAR 4

The fourth pillar of our strategy is margin. Increasing gross margin is a key priority. It is at the forefront of our 'virtuous' earnings model. Gross margin is an indicator of our ability to drive topline growth over time with the key drivers being the following:

- **Improving the mix:** We focus on categories where we can add real value for consumers, and earn a corresponding significant and sustainable margin.
- **Cost optimisation programmes:** this is a continual process in our business and not a stop-start effort. Now called 'Project Fuel', we are continually looking for greater efficiencies and savings within our supply chain. We also look at our products, with a relentless focus on doing things at a cheaper cost, and enhancing quality and the consumer experience.
- **Pricing:** we look to take price increases where appropriate.

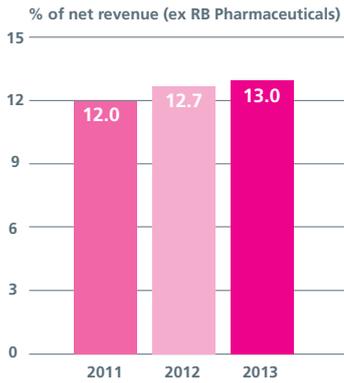
Gross margin increased by 150 bps to 59.4% in 2013 due to a combination of the above factors and positive mix arising from the discontinuation of our private label business during 2012.

Gross Margin Expansion to Fund More Investment in our Brands

Our gross margin growth funds investment behind our brands, which we have defined as BEI (Brand Equity Investment). BEI encompasses TV and print, social and digital media, and consumer and medical marketing. It is a key metric for us and represents a combination of category and penetration building activities, as well as consumer and doctor awareness and education programmes.

In 2013 BEI was 13.0%, an increase of 30 bps over the prior year, and helped drive total net revenue growth of 7% (constant, ex RB Pharmaceuticals) a strong outperformance versus market growth.

Brand Equity Investment



Our gross margin growth also funds our investment in the capabilities we need in order to continuously bring new innovation to our consumers. We have strengthened our consumer health capabilities by increasing our investment behind clinical, medical, regulatory and compliance. We have also increased investment in our emerging market areas of RUMEA and LAPAC as we implement our strategy of further resource allocation to these markets.

We have invested more than £200m incrementally over the past two years as we prioritise the long-term, sustainable growth of our brands.

Aiming for Moderate Operating Margin Expansion over the Medium-term

The combination of our focus on gross margin expansion, and relentless cost containment funds both investment in our business and moderate operating margin expansion over the medium-term.

In 2013 we increased adjusted margins by 20 bps (ex RB Pharmaceuticals) ahead of our ongoing target.

Non-core Businesses

RB Pharmaceuticals

RB Pharmaceuticals is a pioneer in the field of innovative prescription treatments for chronic diseases of addiction. It is responsible for the development of the Group's Subutex and Suboxone prescription drug business. Both products are based on buprenorphine for treatment of opiate dependence. In the US, Suboxone lost the exclusivity afforded by its orphan drug status on 8 October 2009. On 31 August 2010, the Group announced that it had received approval from the US Food and Drug Administration for its application to manufacture and market Suboxone sublingual Film. Suboxone sublingual Film has been developed through an exclusive agreement with MonoSol Rx, utilising its proprietary PharmFilm® technology, to deliver Suboxone in a fast-dissolving sublingual Film.

In October 2013 we announced our decision to undertake a strategic review of this business. This review is underway and we will update our Shareholders during the course of 2014.

Food

The Group owns a largely North American food business, the principal brands of which are the Powerbrand French's Mustard (the No.1 mustard), and Frank's Red Hot Sauce (the No.1 hot sauce and wing sauce in North America).

Mergers and Acquisitions (M&A)

We believe opportunities will continue to arise to augment our organic growth via M&A over time. The consumer health segment is a fragmented market and RB is well positioned to take advantage of consolidation opportunities which may arise. We require a number of criteria to be fulfilled before considering any inorganic opportunities. They must be strategically compelling, able to perform better under the ownership of RB, fit within a part of the business where we have the managerial depth to integrate them quickly and effectively, and must be value accretive.

Generating Shareholder Value

A Faster Growing P&L and Market Outperformance

Our core business, under the four pillars of our strategy, is aimed at positioning RB in faster growing markets and faster growing and higher margin categories. With relentless focus on gross margin and investing virtuously we seek to generate Shareholder value through sustainable top line growth and moderate margin expansion in the medium-term.

Strong Focus on Net Working Capital and Cash Conversion

We continue to target operational management on net working capital and in 2013 achieved 110% cash conversion of our net income. By emphasising working capital management, we are able to convert a high proportion of operating profit into cash. Further, our tight control over net capital expenditure (purchases less disposals of property, plant and equipment and intangible assets) means that we are able to convert a high proportion of our net cash generated from operating activities into free cash flow (i.e., net cash generated from operating activities less net capital expenditure).

Sustainable Returns to Shareholders

Our dividend payout ratio has been maintained at 50% of adjusted net income and this year's dividend of 137p represents a 2% increase over the prior year. We have also undertaken a modest share buy back programme of around £280m which broadly equals the level of new share issuance for employee incentive programmes.

OUR RESOURCES

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

Talented, Global Employees

Our strategy is delivered by highly talented and driven people from around the world. Diverse backgrounds and experiences foster a culture of entrepreneurship and achievement.

Gaviscon – it's About the Science

Medical journals are endorsing the science behind Gaviscon, proving how it resolves the pain of the acid pocket caused after eating food. RB health professionals have been spreading the news at leading gastro-intestinal symposia from Shanghai to Berlin.



Our culture is underpinned by a highly geared, performance-driven remuneration structure applied universally to our Top400 global leaders.

A robust supply of talented staff for the Group is attributable to the Group's commitment to provide challenging, global careers for confident high achievers, supported by a highly leveraged performance-contingent compensation policy. Our executive leadership team has extensive experience in the FMCG and health care sectors. The members of our Executive Committee have been with us for an average of 12 years.

The Group believes its ability to attract and retain the excellent management needed relies on continuing to offer diverse global experiences coupled with performance-driven remuneration. The Group trains and develops its middle and senior management pipeline through formal training programmes focusing on three areas – leadership skills, functional skills and general skills – and through a deliberate policy of training on the job. The Group has a number of formal training modules for Top400.

During 2013, the Group ran over 46 courses across these modules, providing approximately 450 trainings of the Top400. Management is international and is trained through rotation in international postings both in countries and in the Group's central functions. Succession planning is a critical management discipline and is reviewed annually (at least) by the full Board and quarterly (at least) by the Executive Committee.

The Group closely monitors and tracks its Top400. This is the core management team of the business and is a diverse group, consisting of over 55 nationalities. Over 62% of the Top400 is working in a country that is not their original domicile, consistent with the Group's policy to develop a multinational management team. Turnover within this Top400 group in 2013 was 11%, of which 7% was involuntary, which the Group considers excellent retention, balanced with the need to refresh the team with new talent. 2013 saw 46 promotions, 63 moves, and 29 external recruits. The Group ended the year with a low level of vacancies within the Top400 of 11, or around 3% of the measured group.

The percentages of female members in the Group's Director, senior manager and all employee populations are 10%, 14% and 41% respectively.

The Group has designated the members of its Top40 population as RB's 'senior managers' for the purposes of the gender split disclosure required by s414C of Companies Act 2006.

The total number of employees to which the split relates is 24,514. This figure is different from the total employee numbers reported as it excludes seasonal labour which varies significantly during the year and for which gender identifiers are not recorded.

There is a comprehensive set of policies governing employment and employees to ensure that the Group 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 Group's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the management process. The Board encourages employees to become Shareholders and participate in the employee share ownership schemes.

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

Our Supply Chain

The Group considers that its primary raw materials, such as bulk chemicals (including a number of petrochemicals, plastics, pulp, metal cans etc), are generally in adequate global supply. The cost of these items fluctuates from time to time but not at levels that seriously impinge on the ability of the Group to supply its products or generate profit. The Group is profitable and cash generative. The Group believes that its ability to reinvest in supporting

and building its brands is a significant competitive advantage.

Supply constraints do exist in the Group's supply chain from time to time. These normally arise due to unexpected additional demand for products or the time delay involved in stepping up production of new items to the levels required internationally. The Group's supply chain is deliberately relatively well spread in terms of geography and technology, such that the reliance on any one facility is reduced. However, there are a number of facilities that remain critical to the Group's supply chain, where major interruption to normal working could involve disruption to supply. The Group'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.

OUR STRUCTURE

The Group structures its business through a matrix of a centralised category development, global sales, supply and support functions (finance, human resources and information services), combined with three area organisations: ENA, LAPAC and RUMEA, plus Food and RB Pharmaceuticals. The central category development function is responsible for Powerbrand strategies, brand equity programmes and best practices, and new product development (including research and development (R&D) and consumer and market research), for implementation by the area organisations.

Our R&D facilities are located at 28 different sites (many of which are situated in or alongside our production facilities). Our main R&D facilities are located in Hull (England), Montvale, New Jersey (US), Dongguan (China), Salt Lake City (US), Ludwigshafen (Germany), Gurgaon (India), Mira (Italy) and Bangkok (Thailand).

Technological change and product improvement is a key determinant of our success. We believe that our success in introducing new and improved products comes from our focus on developing a pipeline of product innovation through consumer-focused approaches. We maintain a large category development organisation (including market and consumer research, R&D, and marketing and sales best practice) to fuel the innovation pipeline and share category success factors and learning. We undertake R&D to support the development and commercialisation of new and improved products in all of our product categories and for increased manufacturing efficiencies.

The global 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 Group's 48 production facilities worldwide. Facilities are located in Europe (15 facilities) and North America (six), Asia (18), Latin America (five), and Africa Middle East (four). There are a small number of facilities in higher risk labour and social environments.

OUR INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

The health, hygiene and home care industry is generally characterised by steady growth in demand, with some variation due to macro-economic factors. Some emerging 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, growth in the level of disposable income and demand for new products that offer improved performance or greater convenience.

The industry is intensely competitive. The Group's competitors differ in various segments of the industry. The Group competes with numerous, well-established, local, regional, national and international companies, some of which are very large and have significant resources with which to establish and defend their products, market shares and brands. Principal multinational competitors include pharmaceutical companies such as Bayer, GlaxoSmithKline, Johnson & Johnson and Novartis and FMCG companies like Clorox, Colgate-Palmolive, Henkel, Procter & Gamble, SC Johnson and Unilever. There are also a number of strong local industry companies.

RB competes in strongly branded segments by focusing on its leading positions in higher growth categories. It is typically the market leader or a close follower, a position obtained through its ability to introduce new products (whether improved or newly developed), supported by a rising and substantial level of marketing and media investment. A lot of competition in the industry focuses on competing claims for product performance. For this reason, failure to introduce new products and gain acceptance may significantly impact the Group's operating results. The Group must also defend itself against challenges to its leadership positions in markets: this requires significant marketing expenditure and promotional activity.

The Group's products also compete with private label products sold by major retail companies. The Group does this by focusing on delivering innovative new products with real consumer benefits, which private label typically does not do. Consistent marketing investment communicates the benefits of the Group's brands directly to consumers.

Technological change and product improvement can be a key determinant of the Group's success. RB's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Group maintains a large category development organisation (including market and consumer research, R&D and regulatory) to fuel the innovation pipeline and share category success factors and learnings. The Group invested £199m in R&D in 2013 (2012: £171m). R&D is a key contributor to innovative new products, but the Group does not believe that R&D spend is the dominant performance indicator for innovation generation and success. Understanding of, and insights into, consumer behaviour and needs,

Durex & MTV #someonelikeme

Durex can reach people and with MTV it reached 900 million people across 36 countries through the internet and live music with its #someonelikeme



campaign to promote great sex, safe from transmission of HIV and other diseases.

ability to prioritise and focus effort, and speed of implementation and reaction are also critical.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

The health and hygiene industries are heavily regulated by, inter alia, the European Union (EU) and individual country governments around the world. The home care industry has regulation, but to a lesser extent. Ingredients, manufacturing standards, labour standards, product safety, marketing and advertising claims are all subject to detailed and developing regulation.

The Group has a comprehensive set of policies and procedures designed to govern its business methods and practices and protect its reputation. These cover, inter alia, a comprehensive Code of Conduct, an Environment Policy, a Global Manufacturing Standard, a Product Safety Policy including compliance with regulatory and product quality requirements. Internal controls on environmental, social, and governance (ESG) matters and reputational risk are further outlined in pages 15 to 19 of this Report.

We take compliance extremely seriously and have committed resource and management attention to these matters. Additionally the Group maintains and continues to improve a robust compliance training programme, ensuring that all senior managers sign an annual disclosure, and executive management sign additionally a reporting document certifying compliance with the Group's Code of Conduct.

OUR PERFORMANCE IN 2013

The results include the business of Schiff from 14 December 2012, Guilong from 8 January 2013, and BMS from 8 May 2013, the dates of acquisition/start of the collaboration. Where appropriate, the term 'like-for-like' describes the performance of the business on a comparable basis, excluding the impact of acquisitions, disposals, discontinued operations and translational foreign exchange movements. Where appropriate, the term 'base business' includes ENA, LAPAC, RUMEA and Food. Base business excludes RB Pharmaceuticals. Where appropriate, the term 'core' includes health, hygiene, home and portfolio brands and excludes RB Pharmaceuticals and Food. Where appropriate, the term 'adjusted' excludes the impact of exceptional items.

Total net revenue was £10,043m, an increase of +7% at constant exchange rates excluding RB Pharmaceuticals or +5% like-for-like (ex RB Pharmaceuticals). Our like-for-like growth was health and hygiene led as we continue to focus on and invest disproportionately in these categories, delivering science-based innovations, brand extensions and geographic roll outs. Mucinex, Durex, Dettol and Lysol performed particularly well in 2013. From a geographic perspective over two-thirds of the contribution to like-for-like growth came from our emerging market areas of LAPAC and RUMEA. Our developed market area of ENA delivered like-for-like growth of +3%, a very strong performance in challenging market conditions. The impact of net M&A added +2%

to total growth with our acquisitions of Schiff and Guilong and our collaboration with BMS in Latin America (LATAM) all performing strongly, and ahead of in-going expectations. RB Pharmaceuticals net revenue declined by 8% (at constant rates) due to the loss of our higher margin tablet sales in the US following our voluntary withdrawal of Suboxone tablets. However market share of Suboxone Film in the US was sustained at around 68% despite the launch of generic tablets in March.

Gross margin increased by +150 bps to 59.4%. This was due to a combination of improved mix, modest price increases, cost optimisation programmes ('Project Fuel') and the non-recurring impact of our withdrawal from the private label business. These improvements were not as strong in the second half, which also saw adverse currency movements and a stronger comparative.

We raised investment behind our brands (as defined by our BEI metric), by +30 bps to 13.0% of net revenue (ex RB Pharmaceuticals), equating to an incremental £100m investment over the prior year (at constant rates). The increase in brand equity investment is focused on Powerbrands, Powermarkets and new initiatives, as well as our newly acquired brands.

We also increased investment behind capabilities important to our future growth – in particular in the areas of consumer health and emerging markets.

Operating profit as reported was £2,345m, -4% versus 2012 (-4% constant), reflecting the impact of an exceptional pre-tax charge of £271m (2012: £135m). Details of the exceptional charge are set out in note 3 and relate to a provision for historic regulatory issues, principally competition law, restructuring costs in relation to the new organisation, and acquisition and integration costs. On an adjusted basis, operating profit was ahead +2% (+1% constant) to £2,616m. The adjusted operating margin decreased by -90 bps to 26.0%. Excluding RB Pharmaceuticals, the adjusted operating margin increased by +20 bps to 23.6%.

Net finance expense was £31m (2012: £34m). The tax rate was 25% after deducting the exceptional charge, and 24% for adjusted profit.

Net income as reported was £1,739m, a decrease of -5% (-5% constant) versus 2012. On an adjusted basis, net income rose +2% (+2% constant). Diluted earnings per share of 238.5p was -4% lower on a reported basis; on an adjusted basis, the growth was +2% to 269.8p.

Segmental Performance At Constant Exchange Rates

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

ENA. Total net revenue was £5,074m, with like-for-like growth of +3% and total growth of +4%. 2013 was a strong year for ENA with growth returning to most parts of Europe, with the exception of Southern Europe. All of our consumer health Powerbrands delivered strong

performances. Scholl, Strepsils and Nurofen in particular performed well, behind innovations such as the new Scholl Express Pedi for hard skin and Nurofen for Children.

North America delivered another strong performance, driven by Mucinex brand extensions, improved in-store execution and targeted digital and traditional media campaigns. Lysol also produced an excellent result behind innovations such as 'Power and Free', and our recently launched 'Healthing' campaign to strengthen our core equity of germ protection. We successfully integrated Schiff in the US. Over achievement of synergies allowed for increased reinvestment behind the brands to drive penetration, distribution, improved in-store activities and shelf presence. The combination of Europe and North America under one organisation is bringing greater speed and scale to our innovations such as the launch of MegaRed in Europe just one year after acquisition.

Adjusted operating profit was £1,321m an increase of +12% at constant. The adjusted operating margin increased +160 bps.

LAPAC. 2013 total net revenue increased to £2,511m, with like-for-like growth of +10%. China experienced strong growth as we executed our 'power city' roll out plans, and increased distribution. On a category basis Durex had a strong performance driven by innovation and targeted digital and social media campaigns. In hygiene, Dettol grew strongly behind innovations in anti-bacterial soaps, shower gels and antiseptics, and our new Dettol kitchen gel, underpinned by our 'Healthing' campaign for new mums and kids. In home, Vanish had a strong year as we refocused on winning penetration through our successful online 'Vanish Tip Exchange' programme in a number of countries.

Adjusted operating profit increased +12% to £495m. Adjusted operating margin was -30 bps lower at 19.7%. The margin was reduced due to the amortisation of the BMS collaboration agreement, which commenced in May 2013.

RUMEA. 2013 net revenue was £1,356m, with like-for-like growth of +5%. Growth has been impacted by socio-economic issues in parts of the area. We are also experiencing operational issues in Turkey and South Africa. A number of corrective actions have been put in place and are showing modest early results.

However, a further slowing of market conditions in Russia impacted growth in Q4 which was +3% on a like-for-like basis. In spite of the slowing environment Nurofen experienced strong growth in Q4 as we have now lapped the upscheduling in Russia. In hygiene, Veet, Dettol and Mortein had a good quarter to complete a year of strong growth.

Adjusted operating profit declined by -2% to £284m, a -120 bps decline in the adjusted operating margin to 20.9%. Gross margin enhancement from improved mix and pricing was more than offset by increased investment in BEI and capabilities to support future growth, adverse transactional FX and employee-related

costs from management changes as we address the operational issues.

The volatility in several of RUMEA's markets is likely to remain in the near term. However we remain confident that the organisational and operational changes being put in place, together with our focus and strategy to drive the penetration of our brands should improve performance in the future.

The Group's two non-core businesses, Food and RB Pharmaceuticals, performed as follows:

Food. 2013 net revenue was £325m, a flat performance versus the prior year and also in the fourth quarter. Macro conditions surrounding the food category remain unchanged with weaker markets and lower inflation.

RB Pharmaceuticals. 2013 net revenue was £777m, a decrease of 8%. Our volume market share for Film in the US exited the year at 68%, broadly maintained since the entry of generic tablets. The underlying volume growth in prescriptions in the US continues to be low double digit growth. This growth is offset by the loss of our higher margin tablet sales in the US following our voluntary withdrawal of Suboxone tablets in March and the entry of generic tablets now competing with our Film. Our non-US business was impacted by government imposed price reductions in a number of European markets.

Operating profit decreased -21% to £428m. The operating margin was down -890 bps to 55.1%, in line with earlier guidance. The main drivers of the margin decline are negative leverage from the revenue decline, negative mix of the lower margin albeit more sustainable Film, and increased R&D investment in our clinical pipeline. We expect this increase in R&D investment to continue into 2014 and beyond as we continue to build a strong, sustainable growth business.

There have been no further material developments in the three Hatch-Waxman challenges to the Film patents in US. We expect the litigation to follow the typical timelines for Hatch-Waxman litigation, and believe the formulation and process patent protection to be strong.

RB Pharmaceuticals is a strong, sustainable business with good long-term prospects. It has a market-leading, physician and patient preferred product in the US, with strong patent protection up until 2030. The business outside of the US has much potential in what are

currently under-treated markets. We also have a strong pipeline, as we look to deliver to patients the next generation products for opioid addiction. These longer-term prospects will be tempered with short-term volatility. We continue to expect erosion of Film share with some more price sensitive patients and payors switching to cheaper alternatives. We are pleased to announce that we have recently appointed a new Chairman, Howard Pien, who will play an important part in the next stage of RB Pharmaceuticals' evolution.

The strategic review we announced in October of last year is underway. We will provide further information on this review during the course of 2014.

CATEGORY PERFORMANCE

Health

Net revenue increased to £2,633m with like-for-like growth of +10%. It was a very strong year for our consumer health category which had an excellent start. Innovation-led growth was driven by Mucinex, with its further expansion beyond cough and congestion into sinus and cold & flu, and aided by a long and strong season during the first half. These successes provide a firm base on which to launch a further category extension within the Mucinex franchise, with the roll out of Mucinex Allergy – 24-hour relief from indoor and outdoor allergies, in 2014.

Our consumer health acquisitions are performing strongly. In respect of Schiff in the US the over achievement of synergies allowed for increased reinvestment behind the brands, improved shelf presence and distribution. In China our Manyanshuning sore throat brand, which came with the Guilong acquisition, has had a strong year, and we are seeing encouraging results from our collaboration agreement with BMS in LATAM.

Hygiene

Net revenue increased to £3,835m, with like-for-like growth of +7%. The performance was driven by strong growth in the Dettol/Lysol franchise across all three of our areas. Our 'Healthing' campaign, combined with the continued expansion and success of the Power & Free portfolio, drove growth across ENA. In emerging market areas we continue to focus on driving brand equity building initiatives such as our new mums hospital visit, and schools programmes. Our successful category extension of Dettol Kitchen Gel has driven strong growth in India for both Q4 and the full year. Hand wash was strong in both developed and

emerging market areas driven by the continued success of Lysol/Dettol hand wash foam in the US, Germany, Korea and China.

Harpic continued its strong momentum behind penetration programmes and the launch of our All-in-1 line extension in India.

Home

Net revenue increased to £1,974m, a like-for-like growth rate of +2%. Vanish had a very strong final quarter as we refocused the strategy on penetration, underpinned by the launch of our successful online 'Vanish Tip Exchange' campaign in Europe and a number of our emerging market countries.

Portfolio

Net revenue decreased to £499m, with a like-for-like decline of -12%. This was due principally to actions taken in the European footwear business and continued weakness in laundry detergents and fabric softeners in Southern Europe.

FINANCIAL REVIEW

Basis of Preparation: The financial information is prepared in accordance with IFRSs as endorsed by the EU and IFRSs as issued by the International Accounting Standards Board, with applicable parts of the 2006 Companies Act and with the accounting policies set out in note 1 on pages 54 to 57.

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

Net Revenue: Net revenue was £10,043m (2012: £9,567m), an increase of +5%.

Net Finance Expense: Net finance expense was £31m (2012: £34m).

Tax: The effective tax rate was 25% (2012: 24%). This increase was primarily due to the non-deductibility of the exceptional items. The adjusted tax rate was 24%.

Net Working Capital: Net working capital (inventories, trade and other receivables and trade and other payables) was minus £863m (2012: minus £700m).

Cash Flow: Cash generated from operations was £2,756m (2012: £2,423m) and net cash generated from operating activities was £2,121m (2012: £1,888m). Net interest paid was £24m (2012: £7m) and tax payments were £611m (2012: £528m). Capital expenditure was higher than the prior year at £225m (2012: £177m). Acquisition of businesses of £418m related to the acquisition of Guilong and collaboration agreement with BMS.

Net Debt: At the end of the year net debt was £2,096m (2012: £2,426m). This reflected strong free cash flow generation, offset by the payment of two dividends totalling £992m and the acquisition of businesses for £418m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it. The Group issued two bonds in September 2013.

2013 Results excluding RB Pharmaceuticals

In light of the announcement of generic competition to Suboxone in the US, the Group provides the following information relating to the performance of the business in 2013 excluding RB Pharmaceuticals.

	RB ex RB Pharmaceuticals		RB Pharmaceuticals		Total RB	
	£m	%	£m	%	£m	%
Net revenue	9,266	+5%*	777	-8%*	10,043	+4%*
Adjusted operating profit	2,188	+7%**	428	-21%**	2,616	+1%**
Adjusted operating margin		+23.6%		55.1%		+26.0%

* like-for-like at constant exchange rates ** at constant exchange rates

ANNUAL KEY PERFORMANCE INDICATORS (KPIs)

The Board and the Executive Committee have identified a number of KPIs that are most relevant to the Group and are used to measure performance.

KPI	2013	2012	Comments
Net revenue growth excl. RB Pharmaceuticals % like-for-like growth of net revenue at constant exchange rates	+5%	+5%	Measures the increase in sales of the Group (excl. RB Pharmaceuticals)
Powerbrands % of total net revenue from 19 Powerbrands	71%	70%	Measures the growth and importance of the Group's flagship brands
Gross margin % Gross profit as % of total net revenue	59.4%	57.9%	Measures the resources available for reinvestment or profit growth
Brand Equity Investment (BEI) BEI as % of total net revenue excl. RB Pharmaceuticals	13.0%	12.7%	Measures the rate of reinvestment in the Group's brands (excl. RB Pharmaceuticals)
Operating margin %* excl. RB Pharmaceuticals	23.6%	23.4%	Measures the profitability of the Group (excl. RB Pharmaceuticals)
Adjusted net income*	+2%	+6%	Measures the overall profitability of the Group
Earnings per share (fully diluted)* % change in earnings per share (fully diluted)*	269.8p +2%	263.3p ¹ +7%	Measures the increase in profit per share of the Group
Net cash flow from operations	£1,930m +11%	£1,735m +10%	Measures how the Group converts its profits into cash
Net working capital (defined as inventories, trade and other receivables and trade and other payables) as % of total net revenue	-£863m -8.6%	-£700m -7.3%	Measures the ability of the Group to finance its expansion and release cash from working capital
Management turnover	4%	8%	% of Top400 management that have left the Group

* Adjusted to exclude the impact of exceptional items.

¹ Restated. Refer to note 1 for further details.

Exceptional Items: A total pre-tax exceptional charge of £271m has been incurred during the year in respect of the following:

- £225m charge for historic regulatory issues, principally competition law; and
- £46m restructuring costs in relation to the new organisation, acquisition and integration costs.

These costs have previously been disclosed by the Company. In 2012 an exceptional pre-tax charge of £135m was incurred.

Balance Sheet: At the end of 2013, the Group had total equity of £6,336m (2012: £5,922m), an increase of +7%. Net debt was £2,096m (2012: £2,426m) and total capital employed in the business was £8,432m (2012: £8,348m).

This finances non-current assets of £12,248m (2012: £12,009m), of which £761m (2012: £736m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets, retirement benefit surplus and other receivables. The Group has net working capital of minus £863m (2012: minus £700m), current provisions of £215m (2012: £104m) and long-term liabilities other than borrowings of £2,554m (2012: £2,678m).

The Group's financial ratios remain strong. Return on Shareholders' funds (net income divided by total Shareholders' funds) was 27.5% on a reported basis and 31.1% on an adjusted basis (2012: 30.8% on a reported basis and 32.7% on an adjusted basis).

Dividends: The Board recommends a final dividend of 77p per share (2012: 78p) to give a

full year dividend of 137p per share (2012: 134p), an overall increase of +2%. The dividend, if approved by Shareholders at the AGM on 7 May 2014, will be paid on 29 May to Shareholders on the register at the record date of 21 February. The ex-dividend date was 19 February and the last date for election for the share alternative to the dividend is 7 May. The final dividend will be accrued once approved by Shareholders.

Contingent Liabilities: The Group is involved in a number of investigations by government authorities and has made provisions for such investigations, where appropriate. Where it is too early to determine the likely outcome of these matters or to make a reliable estimate, the Directors have made no provision for such potential liabilities.

The Group from time to time is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case.

OUR SUSTAINABILITY STRATEGY & PERFORMANCE

In line with the requirements of the 2006 Companies Act, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Group relating to environmental matters (including the impact of the Group's business on the environment), its employees, and social and community issues – referred to in this Report as sustainability matters.

The Board regularly considers and takes account of the significance of sustainability matters, their potential risks to the business of the Group and the opportunities to enhance value that may arise from an appropriate response including risks relating to environmental impacts, employees, society and communities, as well as reputational risks. The Board undertakes a formal review of sustainability matters at least annually. This includes providing oversight to ensure that the Group has in place effective policies, systems and procedures for managing sustainability matters and mitigating significant sustainability risks. The Board believes that it receives adequate information and training on sustainability matters and their potential risks and opportunities to the business of the Group. Additionally, the Audit Committee regularly reviews the arrangements for, and effectiveness of, risk management and internal audit including the full range of risks facing the Group such as risks relating to sustainability matters, reputational risks and risks relating to employees.

The CEO has specific responsibility for sustainability. As part of established management processes, which include performance management systems and appropriate remuneration incentives, senior management reports directly to the CEO on sustainability matters on a regular basis. On the Executive Committee (EC), the EVP Category Development has operational accountability for the implementation of sustainability (bar charitable giving), in partnership with the EVP Supply, and supported by the rest of the EC within their respective areas and functions.

In the category development organisation, the Category Group Director – Sustainability, Sourcing & Consumer Sciences manages the sustainability programme on a day-to-day basis. Our Senior Vice President (SVP) of Corporate Communication and Affairs is responsible for the Group’s strategic charitable giving. The R&D function includes the Global Regulatory Affairs (GRA) group, which is responsible for ensuring that our products meet regulatory requirements and are safe for their intended use. Our SVP Human Resources (HR) and the global HR function manage the Group’s human resources, employee remuneration and benefits, employment practices, organisational development, training and elements of health and safety (e.g. stress management).

Key areas of sustainability internal control and performance, including sustainability disclosures, are independently reviewed and verified by both internal and external organisations, including Internal Audit, and their findings regularly reported to senior management, the CEO, the Audit Committee and the Board. The Board has identified and assessed the range of sustainability and associated reputational risks and concluded that there are limited material risks to the Group’s long and short-term value arising from sustainability matters, other than potential risks common to similarly sized businesses operating in its industry sectors and with similarly well-known brands.

The Group has a full set of policies, programmes and control arrangements, building on its central Code of Conduct, that address the full range of sustainability matters and reputational risks. The Code itself is the subject of an annual training and awareness programme, and is covered by an annual review and certification process carried out by Internal Audit and the Legal Department. The Code and other Group policies relating to sustainability can be found at www.rb.com.

Sustainability Focus Areas

The Group has identified the key sustainability issues for the business, following Accountability’s 5-Part Materiality Test and the GRI Technical Protocol on Applying the Report Content Principles. This process includes an assessment of the Group’s significant aspects,

potential sustainability risks, the issues of greatest concern for the Group’s stakeholders, the issues that society has identified as important through regulation and international standards and those issues covered by our existing policies and commitments.

Key sustainability issues for the business

- Sustainable product innovation
- Hygiene and illness-prevention
- Human rights
- Consumer behaviour change
- Responsible supply chain
- Product stewardship
- Natural raw material sourcing
- Environmental impact reduction – water, energy, greenhouse gas emissions (GHG), waste
- Pollution (contaminated land)
- Health and safety

Strategic Sustainability Priorities

The aspects the Group has identified are common to many fast moving consumer goods (FMCG) companies with well-known brands and are essentially determined by the Group’s sectors and the products the Group manufactures and sells. The Group’s strategic priorities therefore remain:

- 1 To achieve continual improvement in our overall sustainability performance, focusing on those issues where we can make a significant difference including global health and hygiene, sustainable product innovation, greenhouse gas (GHG) emissions and water impact; and
- 2 To manage our business in a socially and ethically responsible manner.

The Group’s approach to sustainability, in support of the Group’s vision, purpose and business strategy, includes four key goals for 2020:

- One-third reduction in carbon footprint and water impact per dose of product.
- One-third of net revenue from more sustainable products.
- Help over 200 million people to improve their health and hygiene.
- Partner with Save the Children to deliver a vision of stopping diarrhoea from being the world’s second biggest cause of death of children under five.

These high level goals are supported by specific targets and functional programmes, grouped under three areas: better design, better production and healthier communities. The Group focuses on a number of specific topics to deliver against the strategic priorities. These include, but are not limited to:

Supply Chain Responsibility and Human Rights

Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers. The Group’s Global Manufacturing Standard for responsible production (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for the Group’s own manufacturing sites, third party manufacturers and suppliers. Management processes and controls in place include Group, area and regional monitoring and assessment of compliance with the GMS (and other) requirements.

Climate Change

The effects of climate change could disrupt the Group’s supply chain by affecting the Group’s ability to source raw materials, manufacture products and distribute products. Due to the Group’s industry sectors and product categories the GHG emissions originating from energy use at its direct operations are of medium-to-low impact in comparison to those of other similarly sized companies, as assessed for example in recent reports of the independent Carbon Disclosure Project (CDP), www.cdproject.net.

Under the Companies Act 2006 (Strategic and Directors’ Report) Regulations 2013, quoted companies are required to report their annual carbon emissions. For the period 1 January 2013 to 31 December 2013 the Group’s emissions in tonnes of carbon dioxide equivalents (tCO₂e) from:

- Combustion of fuel and operation of facilities (Scope 1) were 80,806 tCO₂e*.
- Electricity, heat, steam and cooling purchased for own use (Scope 2) were 206,956 tCO₂e*.
- Total Scope 1 and Scope 2 emissions were 287,762 tCO₂e*.

The Group’s intensity measurement for the same period was 0.0398 tCO₂e* per unit of production (tCO₂e per 1000 CU).

* Data assured by Ernst & Young

Methodology for Calculating the Annual Carbon Emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic and Directors’ Report) Regulations 2013. We report all GHG emissions from operations (including global manufacturing, warehouse, R&D) covered by the consolidated financial statements for which we have operational control with the exception of offices’ emissions and MEDCOM fleet emissions. We will endeavour to include office and MEDCOM fleet emissions in 2014 reporting. In the case of acquisitions of businesses, the emissions are included in the first full calendar year of RB ownership. CO₂e emissions were calculated using internationally recognised methodologies from

Mucinex – When the Cough Starts

Americans search online when their coughs and colds start. RB partnered with a US specialist counting who was going online where, so when an area of the US was starting to catch a cold, Mucinex was advertising right there to tell them how it could help.



the WRI/WBCSD Greenhouse Gas Protocol and International Energy Authority (IEA).

The Group has taken a leadership position with regard to its products' total carbon footprint, by seeking to understand, measure and reduce the GHG emissions generated by all stages in the product lifecycle for its global product portfolio, and including amongst other things: the raw and packaging materials provided by its suppliers; the Group's own direct manufacturing and other operations; transportation of both raw materials and finished products; the retail sale of its products; consumers' use of its products; and the disposal/recycling of those products and their packaging.

RB's Global Ingredient Guidelines (GIG)

RB has been monitoring and reviewing ingredients for the past 12 years and has been carrying out a range of ingredients removal and restriction programmes outlined in our GIG. Our objective is to continually improve the environmental, safety and sustainable profile of our products, by systematically removing specific ingredients from product formulae and packaging / device component specifications.

Our GIG combines regulatory, sustainability and safety requirements for generic ingredient groupings, plus specific directions on the use (or the prohibition of use) of specific raw materials / ingredients to assist formulators and other Company employees in the development and marketing of products that meet these commitments.

Health and Safety Management

Accidents caused through a failure of the Group's safety management systems could potentially lead to loss of life for one or more of the Group's employees. The Group maintains an external certification to OHSAS 18001 for the Group's management of health and safety issues and a programme covering manufacturing sites, warehouses, distribution centres and laboratories.

Progress

The Group has a long-standing record of measuring and managing sustainability issues. Progress to date includes:

- A 16% reduction in GHG emissions from manufacturing & warehouse sites (2000-2013).
- Continuation of RB's tree planting initiative for three more years (2012 – 2014). By the end of 2013, 6.15 million native trees had been planted in Canada (including 351,000 in 2013) which continues to make RB's manufacturing operations effectively carbon neutral (2006-2014).
- A 52% reduction in manufacturing and warehouse energy per unit of production (2000-2013).
- A 43% reduction per unit of production of water use (2000-2013).
- A 9% reduction per unit of production of waste (2000-2013).
- A 93% reduction in accident rates since 2001, including over 5% reduction in the

lost working day accident rate between 2012 and 2013; zero fatalities in 2013.

The Group's 2012 Sustainability Report, published on 31 May 2013, describes progress made in key sustainability topics. For example:

- At the end of 2012, the Group had achieved a 25% reduction in lifecycle carbon emissions per dose compared to the 2007 baseline. This was a reduction of 4.6% compared to 2011.
- Our continued support of the international charity Save the Children, reaching 150,000 children in 2012.

The 2013 Sustainability Report will be published in April 2014 and will provide a full update on progress towards meeting our new sustainability goals and targets.

The sustainability and corporate responsibility section on the Group's website (www.rb.com/sustainability) and its annual sustainability reports (available at www.rb.com) provide further information on its policies, systems and procedures for managing sustainability matters and the risks and opportunities that may arise from them, including: the extent to which it complies with those policies, systems and procedures; Key Performance Indicators (KPIs); and its sustainability programmes, targets and progress. The Group reports in line with the Global Reporting Initiative's Sustainability Reporting Guidelines – Version 3.0 (GRI G3 – www.globalreporting.org) and a Content Index and Application Level Table is provided in the Sustainability Report. Selected data in the annual Sustainability Report is assured by external auditors.

For more information see our 2012 Sustainability Report, published on 31 May 2013, at www.rb.com/sustainability-report2012 and also our 2013 Sustainability Report, to be published in April 2014.

PRINCIPAL RISKS

RB operates a major risk assessment process to identify, assess, control, mitigate and review those risks it considers to be most significant to the successful execution of our strategy. The most senior managers of our business dedicate time each year in a facilitated discussion with the Group risk team to consider the risk environment for their particular functional or geographic area of responsibility and how their emerging or known risks could impact on the achievement of the Group's strategic objectives; similar sessions are held with the Group's external advisors. The key content from these sessions are then synthesised into the Group's 'Top Ten' risks, with each risk having an EC owner, who is accountable for executing the current control strategy and for compiling and executing a plan of mitigating actions to properly manage the Group's exposure to that risk. Progress is reviewed periodically and the full output from the major risk assessment process is formally submitted annually by the EC to the Board for its consideration and endorsement. Through the course of each year, the EC and Board agendas address all of the top risks through specific deep dives to ensure proper focus and progress with mitigation.

The Group's activities expose it to a number of risks which, while actively managed, as described above, may still adversely impact the business and its financials. The principal risks that, in the opinion of the Directors, pose the most significant threat to the delivery of the Group's strategic objectives are as follows, with a more expansive explanation provided on pages 93 to 100 of this report. The Group recognises the risks described here and has taken measures, addressed in this report and in previous reports, to mitigate these risks.

We could be adversely affected by economic conditions in, and political developments affecting, the markets in which we operate.

A variety of factors may adversely affect our results of operations and financial condition during periods of economic uncertainty or instability, social or labour unrest or political upheaval in the markets in which we operate. Such periods may also lead to government actions, such as imposition of martial law, trade restrictions, foreign ownership restrictions, capital, price or currency controls, nationalisation or expropriation of property or other resources, or changes in legal and regulatory requirements and taxation regimes. We may also be unable to access credit markets materially adversely affecting our liquidity and capital resources or cost of capital.

Our Powerbrands collectively contribute a significant portion of our revenue, and any material adverse change to demand for existing Powerbrands, or any future products we may develop, could have a material adverse effect on our business.

Consumer preferences, tastes and habits are constantly evolving. Various factors, some of which are beyond our control, may have an adverse impact on demand for our Powerbrands. Similarly, we may fail to respond to changing consumer wants or fail to differentiate our Powerbrands from competitors' products, both of which could adversely impact consumer demand for our products.

Our business, financial condition, and results of operations, substantially depend on our ability to improve our existing products, and successfully develop and launch new products and technologies.

If we are unable to successfully develop, launch and market new products that obtain consumer interest and acceptance, we may be unable to compete and maintain or grow our market share. If we enter new categories or geographies in which we have limited experience, we may be exposed to unexpected or greater risks.

Substantial harm to our reputation, or the reputation of one or more of our brands, may materially adversely affect our business.

Various factors may adversely impact our reputation, including product quality inconsistencies or contamination resulting in recalls. Reputational risks may also arise from our third parties' labour standards, health, safety and environmental standards, raw material sourcing, and ethical standards. We may also be the victim of product tampering or counterfeiting or grey imports. Any litigation,

disputes on tax matters and pay structures may subject us to negative attention in the press, which can damage reputation.

We could be materially adversely affected by the loss of revenue from the sales of Suboxone and Subutex.

Our RB Pharmaceuticals' business may face price pressure or share loss from the increased branded and generic competition that is entering the market both in the US and in the rest of world leading to a material reduction in net revenue from this product adversely affecting our overall revenues and operating profit.

We could be impacted by the fact we compete in intensely competitive industries.

We compete with well-established local, regional, national and international companies including private label and generics. Some of these may have more resources to establish and promote their products. If we are unable to offer products that consumers choose over our competitors' products, or maintain successful relationships with our trade customers, who determine access to shelf space and promotions, or to effectively compete in new channels, our business and results could be materially impacted.

We are exposed to foreign currency exchange rate risk.

In FY 2013, 93% of our net revenue was derived from markets outside the UK. The Sterling value of our revenues, profits and cash flows from non-UK markets may be reduced or our supply costs, as measured in Sterling in those markets, may increase. Additionally, competitors may benefit if they incur costs in weaker currencies relative to Sterling. We currently hedge some of our currency exposures using financial instruments, but we may not be effective.

We are subject to the risk that countries in which we operate may impose or increase exchange controls or devalue their currency.

We operate in markets which have been known to impose exchange controls. Such controls may restrict or make it impossible to repatriate earnings, borrow on the international markets to fund operations in that country or limit our ability to import raw materials or finished products. Additionally we operate in markets that are prone to currency devaluations which can make our products more expensive in local currency terms.

We face risks of interruptions of our supply chain and disruptions in our production facilities, which could materially adversely affect our results of operations.

We may face risks to continuity of supply arising from certain specialised suppliers, both of raw materials and of third party manufactured items. Significant disruptions to our own, or our suppliers' operations, may affect our ability to source raw materials and negatively impact our costs. Suppliers may fail to fulfil their contractual obligations. Replacing suppliers may require them to be qualified under industry, governmental or our standards, which could require investment and may take time.

Volatility in the price of commodities, energy and transportation may impact our profitability.

Increases in cost or decreases in availability could adversely affect our profitability if we are unable to pass on the higher costs as price increases or achieve cost efficiencies.

We have grown, and may continue to grow, in part, through acquisitions, joint ventures and business alliances, which involve various risks.

Acquisitions present a range of risks and uncertainties, in addition to the risk of management resource requirements to handle the acquisition and the base business simultaneously. There could be increased debt and interest payments to fund larger acquisitions, which could place pressure on our credit rating. We may fail in achieving an acquisition yet still bear substantial out-of-pocket expenses. We may fail to achieve projected benefits of an acquisition, or we may take on unforeseen future liabilities with an acquisition.

We may be unable to attract and retain qualified personnel, including key senior management.

The market for talent is intensely competitive and we could face challenges in sourcing qualified personnel. If we are unable to achieve our performance targets, our senior management would not be entitled to their variable pay, which may operate as a disincentive for them to continue their employment with us.

A disruption to, or failure of, our information technology systems and infrastructure, may adversely affect our business.

Failures or disruptions to our systems or the systems of third parties on whom we rely, due to any number of causes, particularly if prolonged, or, if any failure or disruption were to impact our backup or disaster recovery plans, could result in a loss of key data and/or affect our operations. Sub-optimal implementations of new systems could occur. Our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other cyber threats that could have a security impact. All of these could be costly to remedy and we may be subject to litigation.

Our business is subject to significant governmental regulation.

Regulation is imposed in respect of, but not limited to, ingredients, manufacturing standards, labour standards, product safety and quality, marketing, packaging, labelling, storage, distribution, advertising, imports and exports, social and environmental responsibility and health and safety. These regulations can change and may become more stringent. Additionally we are required to obtain, maintain and update licences for some products. If we are found to be non-compliant with applicable laws and regulations, we could be subject to civil remedies such as fines, injunctions or product recalls, and/or criminal sanctions.

The laws and regulations to which we are subject may not be transparent, may be difficult to interpret, and/or may be enforced inconsistently.

Emerging markets can pose heightened risks with respect to laws and regulations. The legal

systems in such countries may not be well-established, reliable or enforced and there may be difficulties in obtaining legal redress, particularly against the state or state-owned entities, creating higher operational costs and risks to our business.

We could be subject to investigations and potential enforcement action, which could have a material adverse effect on our business.

We could be subject to regulatory investigations or potential enforcement action that targets ingredients, an industry, a set of business practices or our specific operations. Regulatory authorities and consumer groups may request or conduct reviews of the use of certain of our ingredients, or ingredient legislation may change. These could result in a need to change our formulations which could be costly or may not be possible.

Historical or future violations of antitrust and competition laws may have a material adverse impact on our business, financial condition and results of operations.

Failure to comply with applicable antitrust and competition laws, rules and regulations in any jurisdiction may result in civil and/or criminal legal proceedings. As part of the announcement of our HY 2013 results, we reported a provision of £225m, principally relating to competition matters. Our ultimate liability for such matters could exceed this provision.

We operate in a number of countries in which bribery and corruption pose significant risks, and we may be exposed to liabilities under anti-bribery laws for any violations. Any violation of applicable money laundering laws could also have a negative impact on us.

We are subject to the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended, and similar laws worldwide. Given our extensive international operations, we are exposed to significant risks, particularly with respect to parties not subject to our control such as agents and joint venture partners, and also through businesses we acquire.

Our business is subject to product liability claims.

We may be subject to legal proceedings and claims arising out of our products, including as a result of unanticipated side effects or issues that become evident only after products are widely introduced into the marketplace or additionally claims that our products are defective, contain contaminants, provide inadequate warnings or instructions, or cause personal injury to persons or damage to property. We may be required to pay compensation for losses or injuries or have to pay substantial damages, and related costs, or additionally be subject to the imposition of civil and criminal sanctions.

Legal proceedings in respect of claims outside the product liability area could also adversely impact our business, results of operations and financial condition.

Outside the product liability area, we are subject to legal proceedings and other claims arising out of the ordinary course of business including, but not limited to, claims alleging intellectual property rights infringement, breach

of contract, environmental laws and health and safety laws, and advertising claims. Significant claims, or a substantial number of small claims, may be expensive to defend and may divert management time and resources away from our operations.

Labour disruptions may affect the results of our operations.

A substantial portion of our workforce is unionised, and we are party to collective bargaining agreements covering approximately one-third of our direct employees. Our ability to negotiate these agreements satisfactorily or our relationship with unions, including labour disputes or work stoppages, could have an adverse impact on our business.

Changes in tax legislation and other circumstances that affect tax calculations could adversely affect our financial condition and results of operations.

We are subject to tax laws and transfer pricing regulations in multiple jurisdictions, including those relating to the flow of funds between RB and its subsidiaries. Our effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years, and may be affected by changes in the tax laws of the jurisdictions in which we operate. Tax authorities may challenge our arrangements and if material challenges were to be successful, our effective tax rate may increase, and we may incur significant costs. Any of the foregoing could materially and adversely affect our business.

We may be unable to secure and protect our intellectual property rights.

Even if obtained, these rights may be invalidated, circumvented or challenged in future, and third parties may infringe on, or misappropriate, our rights. We may fail to discover any infringements of our intellectual property rights, or be unable to successfully defend and enforce our rights.

The loss of patent protection, ineffective protection, or expiry of our patents may impact our financial condition and results of operations.

Patent protection varies in different countries, and can be substantially weaker in emerging markets. We may face challenges in enforcing or extending our current intellectual property protections, or any protections we may obtain in future, in these markets.

We may face challenges to our intellectual property rights, including allegations of infringement of others' rights.

If we are unable to successfully defend against these challenges, we may face various sanctions, including injunctions, monetary sanctions, product recalls, alterations to our intellectual property, products, and/or packaging, which could result in significant expense and negative publicity.

Our business may be adversely affected by our funding requirements.

Our liquidity needs are driven by our ability to generate cash from operations and the level of borrowings, the level of acquisitions, the level of share repurchases and dividends, disposals, target ratings for our debt and options available to us in the equity and debt markets.

At 31 December 2013, we had £4,350m in undrawn commitments. If we are not able to access the commercial paper market to the extent that we require, we may need to drawdown amounts under our committed bilateral credit facilities, which accrue interest at floating rates. Increases in such rates could result in significantly higher interest expense for us.

We are subject to risks relating to estimates and assumptions that we are required to make, and that may affect the reported amounts in our financial statements.

The preparation of our financial statements requires management to make some estimates and assumptions based on management's best knowledge at the time. Actual amounts may however ultimately differ from those estimates.

We are subject to a range of compliance and routine risks as part of everyday business.

In order to manage the more numerous and routine risks, the Group maintains a complete and robust governance framework.

We may face risks based on changes to market prices.

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

We are subject to risks related to interest rate changes.

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group monitors its interest expense rate exposure on a regular basis. The Group manages its interest rate exposure on its gross financial assets by using fixed rate term deposits.

There is potential for credit risks with financial institutions around the globe.

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

Liquidity Risk

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

Capital Management Risk

The Group's objectives for managing capital are to safeguard the Group's ability to continue as

a going concern and maintain an efficient capital structure to optimise the cost of capital. The Group monitors net debt (total borrowings less cash and cash equivalents; short-term available for sale financial assets and financing derivative financial instruments) and at the year end the Group had net debt of £2,096m (2012: £2,426m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility. Details of numerical disclosures relating to the Group's financial risk management are included in note 14 to the financial statements on pages 70 to 73.

A more detailed explanation of risks is on page 93.

OUR PROSPECTS

We are targeting:

- Net revenue growth of +4-5%*.
- Flat to moderate operating margin expansion**.

These targets exclude RB Pharmaceuticals.

* At constant rates including the immaterial impact of the BMS collaboration.

** Adjusted to exclude the impact of exceptional items.

Post Balance Sheet Event

On 24 February 2014 part of a current wider legal case was settled, which related to one of the current provisions held at the balance sheet date. The remaining provisions that were held in relation to this case at the balance sheet date are still considered to be appropriate.

Cautionary Note Concerning Forward Looking Statements

This document contains forward looking statements, including statements with respect to the financial condition, results of operations and business of RB and certain of the plans and objectives of the Company with respect to these items. These forward looking statements are made pursuant to the 'Safe Harbor' provisions of the United States private securities litigation reform act of 1995. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of strategic transactions are forward looking statements. These forward looking statements are not guarantees of future performance: by their nature, forward looking statements involve known and unknown risk and uncertainty and other factors because they relate to events and depend on circumstances that will occur in the future. There are a number of factors, discussed in this Annual 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 RB's control. Past performance cannot be relied upon as a guide to future performance. Each forward looking statement speaks as of the date of the particular statement.

By Order of the Board
Rakesh Kapoor, CEO

7 March 2014

Board of Directors and Executive Committee

THE BOARD OF DIRECTORS

Adrian Bellamy (British) ‡

Appointed a Non-Executive Director in 1999 and Non-Executive Chairman in May 2003. He is a Director of The Gap Inc and a Director and Chairman of Williams-Sonoma Inc. He was formerly Chairman of The Body Shop International plc and a director of various companies including Gucci Group NV and The Robert Mondavi Corporation.

Richard Cousins (British) ‡

Appointed a Non-Executive Director in 2009. He is CEO of Compass Group PLC. He was CEO of BPB plc, and Non-Executive Director of P&O and HBOS. Richard will not offer himself for re-election at the AGM in May 2014 and will retire from the Board after the AGM.

Nicandro Durante (Brazilian/Italian)

Appointed a Non-Executive Director in December 2013. He is CEO of British American Tobacco p.l.c. (BAT). Nicandro has had an extensive career at BAT and became Chief Operating Officer in January 2008 and CEO in March 2011.

Dr Peter Harf (German)

Appointed a Non-Executive Director in 1999 and is the Deputy Chairman. He was Chairman of the Remuneration Committee until June 2004. Peter is the CEO of Parentes Holding SE (formerly Joh. A. Benckiser) and a Director of Coty Inc. He is also Chairman of Labelux and the non-profit DKMS foundation.

Adrian Hennah (British)

Appointed CFO Designate in January 2013 and Director and CFO in February 2013. He joined following six years at Smith & Nephew plc as CFO. He was CFO at Invensys for four years and spent 18 years at GlaxoSmithKline plc, where he held a number of senior management and financial roles. Adrian also worked at PwC in audit and consultancy. He is a Non-Executive Director of Reed Elsevier PLC and Reed Elsevier NV.

Kenneth Hydon (British) *

Appointed a Non-Executive Director in 2003 and Chairman of the Audit Committee in 2006. He is a Fellow of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers. He was the Senior Independent Director between 2005 and 2006. He retired as CFO of Vodafone Group plc in 2005 and was a Non-Executive Director of Tesco PLC from 2004 to 2013. He is a Non-Executive Director of Pearson plc and Merlin Entertainments PLC.

Rakesh Kapoor (Indian)

Joined the Board in September 2011 following his appointment as CEO of the Company. He

joined RB in 1987 and served in various regional and central marketing roles. He was appointed EVP Category Development in 2006 with responsibility for global category management, R&D, media, market research and strategic alliances.

André Lacroix (French) *

Appointed a Non-Executive Director in 2008 and the Senior Independent Director in June 2013. He is Group Chief Executive of Inchcape plc and Chairman of Good Restaurants AG. He was previously Chairman and CEO of Euro Disney, and has also held positions at Burger King (Diageo), Colgate, PepsiCo and Ernst & Young LLP.

Judith Sprieser (American) ‡

Appointed a Non-Executive Director in 2003 and Chair of the Remuneration Committee in 2004. She was previously CEO of Transora, Inc., and Executive Vice President (formerly CFO) of Sara Lee Corporation. She is a Director of Allstate Insurance Company, InterContinental Exchange, Inc., Royal Ahold NV and Experian plc.

Warren Tucker (British) *

Appointed a Non-Executive Director in 2010. He was CFO of Cobham plc from 2003 until 2013. He is a chartered accountant and previously held senior finance positions at Cable & Wireless plc and British Airways plc. He is Non-Executive Director and Chairman-designate of PayPoint plc and a Non-Executive Director of Thomas Cook Group.

* Member of the Audit Committee

‡ Member of the Remuneration Committee

Member of the Nomination Committee

EXECUTIVE COMMITTEE

Heather Allen (Canadian)

EVP, Category Development. Joined in 1996. She undertook a number of senior marketing roles in Eastern Europe, before becoming Marketing Director US in 1999. She was appointed General Manager Canada in 2003 and joined the global head office in the UK in 2006 as Global Category Officer germ protection, surface and personal care. She was appointed to her current role in May 2011.

Amedeo Fasano (Italian)

EVP, Supply. Joined in 1997 as Supply Director Italy. After the Reckitt & Colman and Benckiser merger, he was appointed Manufacturing Director for Central, South Western and Southern Europe Regions. In 2002 he became Regional Supply Director North America and in 2003 SVP Supply North America, Australia and New Zealand. In 2007 he took over the role of SVP Supply Developing Markets and in March 2009 Amedeo was appointed as EVP Supply. He previously worked for Pirelli Tyres in multiple supply roles in Italy, Turkey, Argentina and UK.

Roberto Funari (Brazilian)

EVP, LAPAC (from 1 July 2013). Rejoined in February 2013 following two years at Imperial Tobacco where he was Group Marketing Director and Executive Committee member. In his prior 12-year career with the Group, Roberto held increasingly senior marketing and general management roles in both emerging and developed markets, including Brazil, Netherlands, South Africa and Central Europe. His last role was as Global Category Officer for fabric and home care.

Rob de Groot (Dutch)

EVP, ENA. Joined in 1988. After international roles in marketing and sales he became General Manager The Netherlands, then SVP, Regional Director Eastern Europe and was appointed Global Category Officer, surface and dish before being appointed EVP North America & Australia. Rob is responsible for North America, Northern Europe, Central Europe, Southern Europe and Western Europe and is headquartered in Amsterdam.

Adrian Hennah (British)

Chief Financial Officer (CFO).

Gareth Hill (South African)

SVP, Information Services. Joined in 2006. Previously Information Systems Director at Arcadia Group Ltd. Prior to Arcadia, Gareth was at IBM UK Ltd, Rex Trueform Clothing Ltd in South Africa and Arthur Andersen. He is a qualified chartered accountant.

Rakesh Kapoor (Indian)

Chief Executive Officer (CEO).

Frederic Larmuseau (Belgian)

EVP, RUMEA. Joined in 2001 as marketing director for Malaysia & Singapore. In 2003 he became regional marketing director for East Asia and in 2005 became Global Category Director for Vanish. In 2008 he was appointed General Manager for Brazil and a year later was promoted to SVP Regional Director Latin America. In January 2013, Frederic was appointed to SVP Regional Director North America and was appointed EVP of RUMEA in June 2013.

Simon Nash (British)

SVP, Human Resources. Joined in 2009 from Novartis Consumer Health, where he was Global Head of HR for the Consumer Health division, based in Switzerland. Simon started his international career with Procter & Gamble in detergent manufacturing, before moving into HR with Mars Confectionery. He moved to New York in 1993 with Kraft Foods International and then on to Chicago as HR Head of the office products subsidiary of Fortune Brands Inc.

Report of the Directors

The Directors submit their Annual Report and audited consolidated financial statements of the Group for the year ended 31 December 2013 to the members of the Company.

Future Developments

Information on the likely future developments of the Group is set out in the Operational Detail on pages 9 to 19 and in the Chief Executive's Statement on pages 3 to 8 respectively.

Audited results for the period are set out on pages 50 to 84.

In the view of the Directors, the Group's likely future developments will centre on its main product categories of health, hygiene and home.

Risk Management Objectives and Policies

The Group's financial risk management objectives and policies are set out on pages 17 to 19 of the Strategic Report and in note 14 on pages 70 to 73.

The information referred to above is incorporated by reference into, and shall be deemed to form part of, this Report. This Report of the Directors has been drawn up and presented in accordance with, and in reliance upon, applicable UK company law and the liabilities of the Directors in connection with this Report shall be subject to the limitations and restrictions provided by such law.

Dividend

In July 2013, the Directors resolved to pay an interim dividend of 60p per ordinary share (2012: 56p). The dividend was paid on 26 September 2013. The Directors are recommending a final dividend for the year of 77p per share (2012: 78p) which, together with the interim dividend, makes a total for the year of 137p per share (2012: 134p). The final dividend, if approved by the Shareholders, will be paid on 29 May 2014 to Shareholders on the register at the close of business on 21 February 2014.

Research and Development

The Group continues to carry out R&D in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2013 amounted to £199m (2012: £171m).

Acquisitions and Disposals

Information on the Company's acquisition and disposal activities during the year and up to the date of this Report is set out in the Strategic Report on page 5.

Employees

During 2013, the Group employed an average of 37,100 (2012: 35,900) people worldwide, of whom 3,700 (2012: 3,700) 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, race, ethnicity 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 Group'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 development.

Regular departmental meetings are held where opinions of employees are sought on a variety of issues. The Group operates multi-dimensional internal communications programmes which include the provision of a Group intranet and the publication of regular Group newsletters.

Group incentive schemes reinforce financial and economic factors affecting the performance of the business. Employees typically have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations and videos are given to employees around the Group on publication of the Group's financial results. The Board encourages employees to become Shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Sharesave schemes covering most of the world give employees the opportunity to acquire shares in the Company by means of regular savings.

Directors

The Directors who held office during year and those serving at the date of this report are:

Adrian Bellamy
Richard Cousins
Liz Doherty (resigned 12 February 2013)
Nicandro Durante (appointed 1 December 2013)
Peter Harf
Adrian Hennes (appointed 12 February 2013)
Kenneth Hydon
Rakesh Kapoor
André Lacroix
Graham Mackay (resigned 12 June 2013)
Judith Spriesser
Warren Tucker

Biographical details of the current Directors are set out on page 20.

Graham Mackay, who served on the Board as Non-Executive Director and was the nominated Senior Independent Director, resigned as a Director of the Company on 12 June 2013. André Lacroix was designated as the Senior Independent Director on 12 June 2013.

Directors' Interests

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 on page 46 in the audited part of the Directors' Remuneration Report.

No Director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares. The details of the Directors' remuneration and service agreements are set out in the Directors' Remuneration Report on pages 34 to 46.

Environmental, Social and Governance (ESG) Matters

Information on ESG and related matters is set out in the Strategic Report on pages 15 to 17.

Disclosure of Greenhouse Gas (GHG) Emissions

Information on the required disclosure of the Group's GHG emissions for the year ended 31 December 2013 is set out in the Strategic Report on pages 16 to 17.

Sustainability and Corporate Responsibility

Information on the Group's management of sustainability and corporate responsibility issues is provided in the Strategic Report on pages 15 to 17 and in the Group's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

Political Donations

No political donations or expenditure of the type requiring disclosure under s.366 and s.367 of the Companies Act 2006 (2006 Act) were made in the year ended 31 December 2013 nor are any contemplated.

Takeover Directive

The Company is required to disclose certain additional information required by s.992 of the 2006 Act, which implemented the EU Takeovers Directive. The following sets out disclosures not covered elsewhere in this Annual Report.

The Articles give the Board power to appoint Directors, but also require Directors to submit themselves for election at the first AGM following their appointment. Under the Articles, all Directors are required to offer themselves for re-election every three years.

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's Articles.

The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the alteration of share capital are also included in the Articles and Shareholders are asked to renew such authorities each year at the AGM. A copy of the Articles is available from the corporate website www.rb.com or on written request from the Company Secretary or from the UK Registrar of Companies.

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

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

There are no significant agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

Corporate Governance Statement

In compliance with the Disclosure and Transparency Rules (DTR) 7.2.1, the disclosures required by DTR 7.2.2 to 7.2.7 are set out in this Report of the Directors and in the Corporate Governance Report on pages 26 to 32 which together with the Statement of Directors' Responsibilities are incorporated by reference into this Report of the Directors.

Independent Auditors

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

Share Capital

As at 31 December 2013, the Company's issued share capital consisted of 719,802,329 ordinary

shares of 10p each with voting rights and 16,732,850 ordinary shares of 10p each held in Treasury. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in note 22 to the financial statements.

The rights and obligations attaching to the Company's ordinary shares are set out in the Articles.

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

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

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

Allotment of Shares

The Directors were granted authority at the last AGM held in 2013 to allot shares up to a nominal amount of £21m. That authority will apply until the conclusion of this year's AGM. At this year's AGM on 7 May 2014, Shareholders will be asked to grant an authority to make such allotments up to a nominal amount representing approximately one-third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM. The authority sought would, if granted, expire at the earlier of 30 June 2015 or at the conclusion of the AGM of the Company held in 2015. Excluding Richard Cousins who will retire at the 2014 AGM, the Board has confirmed that, in accordance with the UK Corporate Governance Code (Code), all other Directors will submit themselves for re-election/election at this year's AGM and at future AGMs.

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

Authority to Purchase Own Shares

Shareholders approved a resolution for the Company to make purchases of its own shares at the AGM in 2013. The Directors announced their intention to commence a share repurchase programme during 2013 for the repurchase of up to 6 million shares for the purpose of offsetting the dilutive impact of employee share schemes.

In accordance with that announcement and the authority granted at the AGM in 2013, market purchases of 6 million of the Company's ordinary shares were made during 2013 at a total cost of £278,705,370 including stamp duty. The authority granted at the AGM in 2013 remains valid until the conclusion of this year's AGM on 7 May 2014 and the Directors will seek to renew the authority to make market purchases through a resolution to be put to Shareholders at this year's AGM. This authority will be limited to a maximum of 73 million ordinary shares and sets the minimum and maximum prices which may be paid. The Company's intention would be to hold shares acquired under such authority in Treasury to satisfy outstanding awards under employee share incentive plans.

Annual General Meeting

The Notice convening the seventh AGM of the Company, to be held on Wednesday, 7 May 2014 at 11.15 am at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN, is contained in a separate document for Shareholders.

In accordance with the Shareholder Rights' Directive (Directive) which came into force in August 2009, the Company obtained Shareholder approval at the AGM in 2013 to call meetings, other than Annual General Meetings, on 14 clear days' notice. Prior to the implementation of the Directive, the Company was able to call meetings other than an AGM on 14 clear days' notice without obtaining Shareholder approval and, to preserve this ability, Shareholders will be asked to renew their approval by passing Resolution 20 at the AGM.

Although Article 78 governs the retirement of Directors by rotation, the Board has agreed that all the Directors will submit themselves for re-election/election at this year's AGM and at future AGMs in compliance with the Code.

By Order of the Board

Elizabeth Richardson
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

Company registration number: 6270876

7 March 2014

Substantial Shareholdings

As at 4 March 2014, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

	% of total voting rights	No of ordinary shares	Nature of holding
JAB Holdings B.V.	10.65	76,659,342	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	5.77	41,561,763	Indirect
Invesco Limited	4.06	29,255,679	Indirect

Table 1 – Interests in the Share Capital of the Company

The Directors in office at the end of the year and those in office at 7 March 2014 had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	7 March 2014	31 December 2013	31 December 2012
Adrian Bellamy	22,813	22,813	21,966
Richard Cousins	2,429	2,429	2,262
Nicandro Durante (appointed 1 December 2013)	0	0	n/a
Peter Harf	4,109	4,109	3,806
Adrian Hennah (appointed 12 February 2013)	13,629	13,629	n/a
Kenneth Hydon	5,510	5,510	5,337
Rakesh Kapoor	317,537	317,537	281,869
André Lacroix	2,253	2,253	2,086
Judith Sprieser	3,809	3,809	3,631
Warren Tucker	1,694	1,694	1,527

Notes

- 1 No person who was a Director (or a Director's connected person) on 31 December 2013 and at 7 March 2014 had any notifiable share interests in any subsidiary.
- 2 The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

Chairman's Statement on Corporate Governance

The UK Corporate Governance Code (Code) issued by the Financial Reporting Council (FRC) in September 2012 was applicable to the Company throughout the financial year ended 31 December 2013.

The FRC confirmed that the recent changes to the Code together with changes to the UK Stewardship Code are intended to increase director accountability and encourage greater stakeholder engagement, whilst promoting the interest of Shareholders. Through the reports on the work of the Board and its committees, the changes provide investors with greater insight into the activities of listed companies. The Board takes seriously its responsibility for effective corporate governance and delivery of long-term Shareholder and stakeholder reward and its decisions are taken in light of these considerations. I am pleased to report to you directly on RB's governance activities.

RB and Governance

The Board believes that implementing and maintaining high governance standards underpin our business objectives and our drive to create and maximise Shareholder value whilst managing the business effectively, responsibly and with integrity, so that we demonstrate accountability and maintain the trust of all our stakeholders. In addition to compliance with the best practice advice from regulatory and governance bodies, the Board ensures that high ethical standards are reflected in business behaviour and culture through RB's global Code of Conduct which enables management to add ethical and behavioural standards to the legal and regulatory obligations existing in the areas and communities in which we operate. All employees and contractors are required to complete an annual conduct training course which includes the review of the global Code of Conduct. Statistics on employee compliance are subject to review by the Audit Committee. The Company also operates an active whistleblowing hotline, the reports from which are reviewed by the Audit Committee.

We are constantly seeking to develop our practices and governance framework to ensure that transparency and good governance permeate through the Group at all levels. Our professional employees are annually required to confirm compliance with corporate policies and are encouraged to suggest improvements. This ensures we maintain a dynamic process of enhancement which enables our operating businesses and group functions to operate with an appropriate awareness and recognition of their governance and regulatory obligations.

Composition of the Board

The current and future composition of the Board remains an issue to which I and the rest

of the Board give our full attention. We remain mindful of the recommendations of the Code on length of service and diversity and it is our aim to comply with these recommendations without compromising the culture that drives the success of our business. Unfortunately, our Senior Independent Director, Graham Mackay, had to retire from the Board in June 2013 for health reasons and sadly passed away on 18 December 2013. Graham brought exceptional talents to the Board's activities and he will be missed. The Board, on behalf of the Company and its Shareholders, is grateful for Graham's significant contributions over the past eight years and sends condolences and best wishes to his family. We have sought to strengthen the Board with the appointment of Nicandro Durante, who brings experience of a highly regulated and innovation-led industry, alongside extensive emerging markets' experience, having worked in Asia, Africa and Latin America. He adds further international diversity to the Board. We continue to seek to recruit additional Non-Executive Directors who will bring a diverse range of skills, experience and perspectives to the Board's activities. We announced at the end of December 2013 that Richard Cousins will not offer himself for re-election at the 2014 AGM and will stand down at the close of business of the 2014 AGM after having served as a Non-Executive Director since October 2009.

The Board includes Peter Harf who, as a Shareholder-nominated Director, was not independent on appointment. Both Peter and I have served on the Board since 1999. In addition, Judith Sprieser and Kenneth Hydon have now been on the Board for a period exceeding ten years. The Board remains keen to ensure compliance with the recommendations of the Code but recognises that both Kenneth and Judith have been diligent servants of the Company who continue to add value to the activities of the Company as a whole. To ensure continuity and a successful transition, the Board recommends that Judith and Kenneth be re-appointed to the Board at the 2014 AGM. In recognition of their length of service, both Judith and Kenneth will step down as Chairs of the Remuneration and Audit Committees respectively before the end of the year, upon completion of this year's exercise to refresh the composition of the Board.

To ensure that the Board is able collectively to increase its focus on Board composition, the membership of the Nomination Committee was increased in November 2013 to include all the Non-Executive Directors and the CEO. As part of the review of the Board's effectiveness, the documents setting out the matters reserved for the Board and the delegations to the CEO,

together with the terms of reference for the Board Committees, were reviewed and updated so that they continue to reflect the spirit and emphasis of the Code, remain fit for purpose and relevant to how RB operates.

Board Evaluation

The Code recommends that FTSE 350 Companies should undertake an external evaluation at least once every three years. The 2009 to 2012 Board evaluations were all undertaken internally. The recent evaluation for the year ended 2013 was externally facilitated by Egon Zehnder Limited. The summary outcome applauded the Company's focus on Shareholder value and the quality of the Board's decision making. It recognised the Board's efficiency and focus but noted certain improvement opportunities on governance and Board succession matters. The recommendations to move the Board's performance from good to great are further discussed in the performance evaluation section on page 28 of this Report.

Succession Planning

Succession planning to the Board and senior management roles remains one of the key areas to which the Board gives due attention. Progress continues to be made in this area and part of that progress is to ensure diversity in succession planning and to give members of RB's senior management more exposure to the Board and externally. Additional information on RB's succession planning activities at senior management levels is within 'Resources' on pages 11 to 12 of the Strategic Report. Our disclosure includes the new Companies Act 2006 requirement to report specifically on the gender split for the Board, senior managers and total employee numbers.

Annual Re-elections

All the Directors submitted themselves for re-election at the 2013 AGM and excluding Richard Cousins who is retiring after the AGM, will submit themselves for re-election at the 2014 AGM and at future AGMs in compliance with the Code.

Diversity

The Company operates within a corporate diversity and inclusion policy framework adopted and reviewed by the Executive Committee. The Davies recommendation for boards to have a minimum of 25% female representation by 2015 is an aspiration the Company considers carefully as part of its recruitment exercises.

The Board reiterates its view that facilitating and promoting diversity in its broadest sense has helped propel the Company's success to date. It remains its practice to ensure that the Company's Top40 executive roles, in particular,

are open to fresh thinking and must include personnel from different global backgrounds who bring new ideas to the table. The Company values its freedom to retain a group of people who, collectively, have the skills, experience and insight to implement the Company's global vision and objectives and achieve long-term value growth without being hindered by a gender quota which does not take cognisance of the specific situation and culture of the Company. As at 31 December 2013:

- 10% (2012: 10%) of the Board is female and 50% (2012: 50%) are non-UK nationals;
- 11% (2012: 11%) of the Executive Committee is female and 78% (2012: 78%) are non-UK nationals; and
- 14% (2012: 15%) of the Top40 managers are female and 66% (2012: 70%) are non-UK nationals.

All RB employees understand their personal responsibility for ensuring that diversity policies and programmes are actively pursued, implemented and maintained. The Company does not set specific targets in absolute percentage terms to deter artificiality in the process; it measures progress year on year to ensure an improving picture on gender balance which it believes contributes to the Company's growth and success. As at 31 December 2013:

- 42% (2012: 41%) of the Group's professional population of 7,079 is female; and
- 17% (2012: 16%) of the Group's Top400 population is female.

Gender balance has improved consistently across the professional population.

14, 49 and 95 (2012: 16, 44 and 94) nationalities are represented in the Top40, Top400 and professional populations respectively.

Risk Management and Appetite

The Board monitors the level of risk through the Group's major risk assessment process. We remain committed to building on and improving our understanding of the key risks facing the Group and its business operations and we constantly refine our appetite and tolerance of such risks.

Explanation on Areas of Non-compliance with the Code (strict interpretation)

The Board recognises that the objective of the Code is to facilitate management's delivery of business success in a transparent and responsible manner. The Code does not impose a rigid set of rules and recognises that certain actions and behaviours do not automatically imply poor organisational governance. The Board has authorised an explanation for the following areas where a strict interpretation might lead to a perception of non-compliance with certain areas of the Code:

- I, as the Chairman, and Peter Harf, the Deputy Chairman and a Shareholder-nominated Director, have both served on the Board since 1999 and will be offering ourselves for re-election at the 2014 AGM;
- Kenneth Hydon and Judith Sprieser have now each been on the Board for over ten years. The Company continues to benefit from the skills and experience they bring to their roles and, with continuity in mind, Judith and Kenneth have agreed to stand for re-election at the AGM for a further year, before stepping down at the AGM in May 2015 by which time they would have served on the Board for 11 years. Judith and Kenneth will step down as Chairs of their respective committees by the end of the year, following the outcome of the ongoing refresh of the Board's composition. Recognising that it is important that the Board retains relevant knowledge and experience to continue its delivery of

Shareholder value and provide continuity and consistency in the development and application of the Company's strategic objectives, the Board will continue its efforts to refresh the membership of the Board in the short-term;

- Following the retirement of Graham Mackay from the Board in June 2013, for the period from June 2013 until the date of this report, the Remuneration Committee was not composed of a majority of independent Non-Executive Directors. For the same reason, the Nomination Committee was not composed of a majority of independent Non-Executive Directors from June 2013 until November 2013 when the Board resolved to change the terms of reference on membership of the Nomination Committee to include all Non-Executive Directors; and
- Judith Sprieser, in her capacity as Chair of the Remuneration Committee, was unfortunately absent from the 2013 AGM held on 2 May 2013.

The Board has instructed me to confirm that, notwithstanding the foregoing disclosures and following the externally facilitated performance evaluation undertaken during 2013, each Director's independence of thought and actions was assured and all decisions were taken to promote the success of RB as a whole.

Statement of Compliance with the Code

The Corporate Governance Report on pages 26 to 32 contains a summary of the Company's governance arrangements and the regulatory assurances required under the Code. Except as explained above, the Company has complied with the Code throughout the year ended 31 December 2013.

Adrian Bellamy
Chairman

7 March 2014

Corporate Governance Report

Report of the Board

The Company enjoys a premium listing on the London Stock Exchange and is therefore required to produce a Corporate Governance Statement containing the information set out in this Report. This Report is prepared with reference to the Financial Reporting Council's UK Corporate Governance Code (Code) in effect for the financial periods beginning on or after 1 October 2012. This Report sets out how the Company has applied the Main Principles of the Code throughout the year ended 31 December 2013 and as at the date of this Report.

A: Leadership

A.1: THE ROLE OF THE BOARD

The Board leads and controls RB's business with a Board structure similar to that of its principal international competitors. The Board approves strategy, carries out an advisory and supervisory role and accepts ultimate responsibility for the conduct of RB's business. The schedule of matters reserved for the Board's decision includes:

- Takeover offers and the response to any takeover approach;
- Significant acquisitions, disposals and capital expenditure projects;
- Final approval of annual budgets and corporate plans;
- Approval of financial statements and Shareholder communications;

- Treasury policies and risk management policies;
- Significant changes to borrowing facilities or foreign currency transactions; and
- Review and approval of recommendations from the Committees of the Board.

The annual review of this schedule was undertaken in November 2013 as part of the performance evaluations conducted for the 2013 financial year.

The principal activities undertaken by the Board are set out in the Strategic Report on pages 3 to 17.

Meetings

Board meetings are structured to allow open discussion. The Board meets a minimum of five times a year and constitutes additional meetings (including by telephone or written resolution) to consider specific matters which it has reserved to itself for decision.

In 2013, there were five regular Board meetings (plus two additional meetings). There were four Audit Committee meetings, four Remuneration Committee meetings (plus one additional meeting) and one Nomination Committee meeting. The table below sets out the attendance by individual Directors at scheduled Board and Committee meetings.

Directors' Insurance and Indemnities

The Directors benefit from the indemnity provision in the Company's Articles of Association. Each individual, who is an Officer of the Company and/or of any company within

RB at any time on or after 28 July 2009, benefits from a deed poll of indemnity in respect of the costs of defending claims against him or her and third party liabilities. Additionally, Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense.

A.2: DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the Chairman and the CEO. The Chairman is responsible for the overall operation, leadership and governance of the Board.

The CEO is responsible for the executive management of RB's business, consistent with the strategy and commercial objectives agreed by the Board. The CEO chairs the Executive Committee and, together with the CFO, certain Group functional heads and area EVPs he appoints to the Committee, provides the day-to-day management of the Company. Biographical details of the members of the Executive Committee are set out on page 20. The matters delegated to the CEO by the Board include:

- Power to delegate the day-to-day management of the business of the Company to each of the Officers of the Executive Committee, acting individually or as a group or sub-committee;
- Power to acquire and dispose of businesses and to approve unbudgeted capital expenditure projects subject, in each case, to a £50m limit; and

Number of Scheduled Meetings Attended during 2013

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		5		4	1
Richard Cousins		5		4	
Nicandro Durante	(a)	n/a			n/a
Peter Harf	(b)	4			1
Adrian Hennah		4			
Kenneth Hydon		5	4		1
Rakesh Kapoor		5			1
André Lacroix		5	4		1
Graham Mackay	(c)	1		1	
Judith Sprieser	(b)	4		4	1
Warren Tucker		5	4		

Notes

- (a) There were no scheduled Board meetings in 2013 subsequent to the appointment of Nicandro Durante.
 (b) Peter Harf and Judith Sprieser were unavoidably absent from one meeting each.
 (c) Graham Mackay did not attend any meeting after February 2013 and formally retired from the Board due to ill health on 12 June 2013.
 (d) Liz Doherty retired from the Board on 12 February 2013 and did not attend the scheduled Board meeting on the same date.

- Power to instruct advisers and to instigate legal proceedings on behalf of the Company in respect of matters for which no further Board authority is required.

A.3: THE CHAIRMAN

The Chairman, who was independent on appointment, is responsible for leading the Board and enabling the Directors to operate effectively as one unit to determine the strategy, risk appetite and governance structure necessary to deliver Shareholder value in a transparent and responsible manner. His responsibilities include:

- Chairing and ensuring that Board meetings provide a forum that encourages open debate and effective contributions from individual Directors with sufficient time allocated to key issues;
- Developing an effective working relationship with the CEO whilst recognising the need to maintain the balance between critical friendship and executive responsibility;
- Finalising the Board meeting agenda developed by the CEO and the Company Secretary;
- Sponsoring and promoting governance and ethical practices;
- Encouraging dialogue between the Company and its Shareholders and other stakeholders and facilitating the Board's understanding of Shareholders' and other stakeholders' concerns;
- Overseeing the induction, information and support provisions for Directors; and

- Leading the annual performance evaluation of the Board and its Committees.

A.4: NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are independent of management and therefore able to provide critical input into Board decisions through their contributions to Board discussions and their roles on, and Chairmanship of, Board Committees. They:

- Contribute international and operational experience and a knowledge and understanding of global financial issues, the sectors in which RB operates and the health and safety, environmental and community challenges it faces;
- Monitor management performance against strategy and provide reasoned input and constructive challenge to ensure objectives are met; and
- Assess and monitor the integrity of financial information and the systems of risk management and internal control.

The Chairman holds a session with other Non-Executive Directors at the conclusion of each formal Board meeting without the Executive Directors present.

The Senior Independent Director (SID) provides a sounding board for the Chairman and is available to the other Directors and Shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO.

B: Effectiveness

B.1: BOARD COMPOSITION

The Board comprises the Chairman, Adrian Bellamy, seven Non-Executive Directors and two Executive Directors, Rakesh Kapoor, CEO and Liz Doherty, CFO until 12 February 2013 and Adrian Hennessey, CFO from 12 February 2013. Information regarding the Directors serving at the date of this Report is set out on page 20. Additional biographical details are available from the Company's website.

The Board identified Graham Mackay as the SID until his retirement in June 2013 when André Lacroix succeeded Graham as SID. The Board has determined that the majority of Non-Executive Directors (excluding the Chairman) are independent as recommended by the Code. The Board deemed Judith Sprieser and Kenneth Hydon as independent notwithstanding that they have served over ten years. The Chairman, Adrian Bellamy, was independent on appointment. Peter Harf, the Deputy Chairman, is not independent by virtue of being a Shareholder-nominated Director. The Shareholder Agreement between the Company and JAB Holdings B.V. (JAB) at the time of the merger in 1999 entitled JAB to nominate Board Directors. A holding in excess of 20% or 10% of the Company's ordinary shares entitles JAB to nominate two Directors or one Director respectively. JAB's current holding is slightly in excess of 10%. The Company announced in December 2013 that Richard Cousins, Non-Executive Director, will not offer himself for re-election at the 2014 AGM.

Report of the Nomination Committee

B.2: NOMINATION COMMITTEE AND BOARD APPOINTMENTS Nomination Committee

Until November 2013, the Nomination Committee comprised the Chairman, who also chairs the Committee, the CEO, the Deputy Chairman, the SID and the Chairs of both the Audit and Remuneration Committees. Following its meeting in November 2013, the Board agreed that the composition of the Nomination Committee would be increased to include all Non-Executive Directors plus the CEO. The Board has delegated authority to the Committee through its terms of reference, a copy of which is available on the Company's website. The primary focus of the Committee is to make recommendations on:

- The composition and performance of the Board and its Committees;
- Appointments and re-elections to the Board and its Committees; and
- Succession plans for the Chairman and other Directors.

The principal activities of the Nomination Committee during the year were:

- Consideration of the current and future composition of the Board; and

- Together with the rest of the Board, the appointment of Nicandro Durante as an additional Non-Executive Director on 1 December 2013.

Board Appointments

The process leading up to the appointment of Nicandro Durante commenced with the appointment of Egon Zehnder Limited (Egon Zehnder) who worked with the Chairman and the Board to put together a profile based on the Board's consensus of the key attributes required. In addition, the outcomes from the interviews undertaken as part of the externally facilitated Board performance evaluation fed into this process to ensure that there was good alignment from the Board on the profile for candidates. The Board received the CVs of approximately ten potential candidates who had been short listed following an initial review by the Chairman and members of the Nomination Committee. Following feedback and recommendations from individual Board members, the Chairman met with the recommended candidates. The Deputy Chairman, the CEO, the SID and the Group General Counsel also met with Nicandro who indicated a willingness to accept an offer following his own due diligence process. The Board approved the appointment of Nicandro

and delegated authority to the Chairman to finalise terms and dates.

The Board reviews the medium and long-term succession plans for the Executive Directors annually. All Non-Executive Directors are kept involved in the recruitment process for both Executive and Non-Executive Directors.

Diversity and Business Success

The Board is confident that diversity contributes to the success of any business. It enables the business to better understand its opportunities and risks and to develop robust solutions to them. The Board believes and acts on the basis that:

- Diversity is much broader than gender and should also not be a Board only issue. It incorporates diversity of race, thought, experience, skills, understanding, perspective and age and also requires implementation at all management levels;
- Successful companies sell their goods and services to customers regardless of gender, race, ethnic group or religion and a diverse workforce should reflect its customers. A diverse management is more in touch with its customers' demands, investors' expectations and employees' concerns and provides a forum for these different

Report of the Nomination Committee (continued)

perspectives to come together in devising successful business strategies; and

- Diversity is a matter of organisational culture largely set by example from the top. A Board that actively considers diversity is better able to support diversity efforts in the rest of the organisation and is equipped to identify the organisation's requirements.

As part of the recruitment drive, Egon Zehnder was given a specific remit to ensure that more

female and international candidates were put forward for consideration and the Committee, together with the full Board, considered and discussed the CVs of potential candidates at their November meetings. The Chairman and the Committee are continuing the search to refresh the composition of the Board with high-calibre candidates who will complement the Group's strengths and contribute to its diversity and business success.

Directors' Conflicts of Interest

The Nomination Committee is responsible for the Company's procedures for dealing with Directors' conflicts of interest and these procedures have operated effectively during the year. A register of Directors' conflicts is maintained by the Company Secretary and reviewed by the Board at least annually. The Board is aware of the other commitments of its Directors and any changes to these commitments are reported to the Board.

B.3: COMMITMENT

All new Non-Executive Directors confirm in writing that they are able to allocate sufficient time to meet the expectations of the role. The Board has adopted a letter of appointment that contains the terms on which Non-Executive Directors will be appointed including:

- Confirmation that the appointment is a contract for services and details of any Committee appointments;
- Confirmation of the initial appointment term of three years terminable on one month's written notice and the expectation that the appointment will usually last for more than one term; and
- The requirement to seek the agreement of the Chairman before accepting additional commitments including other directorships and the requirement to disclose any actual or potential conflicts of interest.

The terms of reference of the Nomination Committee give the Committee responsibility for ensuring that Executive Directors do not take on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such company.

The externally facilitated evaluation of the Board's performance undertaken in 2013 concluded that the Chairman and other Non-Executive Directors devote sufficient time to the Company's business.

B.4: DEVELOPMENT Induction and Training

All new Directors are provided with a flexible induction programme tailored to accommodate individual areas of interest. The induction covers the provision of core Company-related internal and external documents, meetings with Directors and key senior executives and visits to various offices and factories as appropriate.

The Board holds at least one meeting each year at one of the Company's operating units. The 2012 meeting was held in Brazil and the 2013 meeting was held in China. The Board plans to visit its operating unit in Salt Lake City, USA during 2014. The Board receives updates on legal, regulatory and governance matters from its internal and external advisers. As part of its investor relations programme, the Board received a detailed presentation on and review of the Company's investor relations activities at its November meeting.

The Chairman has overall responsibility for ensuring that the Directors receive the information and training required for their roles. Directors are encouraged to take individual responsibility for identifying their needs and are expected to take the necessary steps to ensure that they are adequately informed about RB and their responsibilities as Directors. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

The Company was subject to an FSA (now FCA) enquiry during 2012 which is still ongoing as at the date of this Annual Report. This related to an inadvertent breach of the Listing Rules and the Disclosure and Transparency Rules relating to a pledge (now redeemed) over shares held by the CEO (acquired when he was an Executive Committee member prior to his appointment as CEO) and a disposal of Company shares by a person discharging managerial responsibilities without the appropriate disclosures being made.

B.5: INFORMATION AND SUPPORT

All members of the Board receive timely reports on items arising at meetings of the Board to enable due consideration of the items in advance of meetings. Directors unable to attend a particular meeting during the year had the opportunity to review and raise any issues on the relevant briefing papers. Board members also have access to a dedicated online team room containing relevant Company information including all Board and Committee papers.

Each Director has access to the advice and services of the Company Secretary and a procedure exists for Directors to take independent professional advice at the Company's expense in furtherance of their duties.

Company Secretary

The Company Secretary ensures that the Company complies with all applicable rules, regulations and obligations governing the Company's operations and is responsible for ensuring that the correct Board procedures are followed. She advises the Board on corporate governance matters. All Directors have access to the Company Secretary. Her appointment and removal are matters reserved to the Board.

B.6: EVALUATION Performance Evaluation

The Board maintains an ongoing review of its procedures and its effectiveness and those of its Committees throughout the year. From 2009 to 2012, it carried out a formal and rigorous internal evaluation of its Committees and of individual Directors with a view to improving the effectiveness of the Board and its Committees and RB's overall performance. The evaluation of the Board's performance during 2013 was undertaken with support from an external facilitator.

2013 Evaluation: Egon Zehnder was retained to facilitate the 2013 Board performance evaluation. Its remit included a focus on Board performance measured primarily by the growth of Shareholder value with due cognisance given to the Board's focus on the business and its strategy. Particular attention was also given to personnel issues and the special and critical culture of the Company. Egon Zehnder received details of the 2011 and 2012 Board performance evaluations and presented at the July and November Board meetings.

Egon Zehnder met with individual Directors using a pre-circulated two-page discussion guide which enabled them to reflect and gather their thoughts ahead of the meeting. They also met with the Company Secretary and the Group General Counsel who attend all Board meetings.

The individual discussion covered the strategic alignment and the impact of the Company's re-stated vision on Board composition and future structure. Other areas in scope included Board meetings and dynamics, reporting to Shareholders, governance and Board processes, business performance, information flows, risk and people related issues. Two areas of specific focus, used as case studies of the Board's decision-making, were the re-focus of the strategic direction of the Company into health, hygiene and home and the acquisitions undertaken during 2012/2013. The key objective was to ensure that the Board focuses on how it adds value to the business and captures the learning for future decision-making. Key recommendations which the Board will progress include:

- Board composition: the Board should continue to seek to bolster its numbers with up to three additional Non-Executive Directors;

- **Chairman succession:** the Nomination Committee should commence the planning process to identify a successor for the Chairman's role;
- **Interaction with Executive Directors:** the Executive Directors were encouraged to share their thoughts and plans at an earlier stage to encourage debate;
- **Project specific updates:** an increase in the regularity of updates to the Board on the projects it oversees was recommended;
- **Approach on remuneration:** the Remuneration Committee was encouraged to discuss the impact of policy and regulatory issues with the Board to promote Board alignment on relevant issues; and
- **Review of decisions:** noting that it operated good post-acquisition reviews, the Board was encouraged also to review other key decisions on a regular basis.

Egon Zehnder also provides consultancy services to the Board's recruitment activities. The Board recognised the benefit of using Egon Zehnder for its performance evaluation on the basis that this would provide a better understanding of the Board and its dynamics which would feed into the candidate search process.

Progress Update on Items from the 2012 Evaluation:

The 2012 evaluation was undertaken internally in a detailed and rigorous manner which started with an email from the Company Secretary to all Directors inviting their comments on the effectiveness of the Board the responses from which were used to develop a framework for the debate at the evaluation meeting. Key actions from the 2012 Board performance evaluation and progress made since then include:

- **Corporate strategy:** the objective was to ensure that the Non-Executive Directors received relevant information well in advance of meetings to facilitate their understanding of management's key strategic focus. Strategic issues are discussed at every meeting with management sharing their thoughts earlier and this enabled both management and the Board to take swift actions on key opportunities.
- **Investor Relations:** the objective was for additional clarity on the Company's investor relations strategy. The Board was given a presentation on the Company's investor relations strategy during the year and, in November 2013, the Company held a well-received two-day strategy event at which the investor community met all the members of the Executive Committee, gaining an understanding of the depth and capability of management and the Company's consumer health and emerging markets' strategies.
- **Advance papers to the Board:** the improvement in the quality and timing of papers to the Board was noted. Management was advised to keep a tight rein on the quantity of advance material to

ensure that Board information was succinct and essential.

- **Offsite Board meeting:** the objective was to help the Board make the most of the meeting and use it as an opportunity to meet Top400 executives in less formal settings. The offsite meeting in China during 2013 took place over four days, twice the normal time previously allocated for such meetings. This afforded the Board an opportunity to immerse itself in the China business. Future offsite meetings will follow this more detailed programme.
- **People and succession:** the objective was to deliver an increased exposure of the Top400 to the Non-Executive Directors. In addition to meeting the managers of the Chinese business, the Board received presentations from the other members of the Executive Committee, Top40 and Top400 executives during the year.

These outcomes and actions fed into the externally facilitated evaluation carried out in 2013 and will continue to aid benchmarking and the measurement of progress in the coming years.

The 2013 evaluations of the Board Committees were undertaken with the use of detailed internally generated questionnaires which included a section for additional comments. The scores and additional comments were collated for subsequent discussions.

The evaluation of the Chairman's performance was undertaken by the SID with input from his fellow Non-Executive Directors, the CEO and the CFO. The Chairman evaluates each Director's performance through one-to-one discussions with other Directors. The Remuneration Committee also reviews the performance of the Executive Directors and other members of the Executive Committee.

B.7: DIRECTORS' RE-ELECTION

In accordance with Code recommendations, all the Directors will submit themselves for re-election/election at the 2014 AGM. Excluding Richard Cousins who will not stand for re-election at the 2014 AGM, each Director has provided assurance that he or she remains committed to his or her role and can dedicate the necessary amount of time to attend to the Company's business. In addition, the performance evaluation undertaken was rigorous and transparent to establish that each Director remains able to undertake his or her duties. Consequently, the Board recommends that all Shareholders vote 'for' on each of the resolutions to re-elect/elect the Directors at the 2014 AGM. The date each Director was originally appointed to the Board is included in the biographical details on page 20.

C: Accountability

C.1: FINANCIAL AND BUSINESS REPORTING

The Board is responsible for the integrity of RB's consolidated and the Company's financial statements and recognises its responsibility to present a fair, balanced and understandable assessment of RB's position and prospects.

The Board is satisfied that the financial statements, report to regulators and price-sensitive reports present a fair, balanced and understandable assessment of RB's position and prospects.

To assist with financial reporting and the preparation of consolidated financial statements, the finance function has in place a series of accounting and treasury policies, practices and controls which are designed to ensure the identification and communication of changes in accounting standards, and reconciliation of core financial systems. The function consists of consolidation and financial accounting teams, and technical support which comprises senior finance managers who review external technical developments and accounting policy issues. In addition, the finance function maintains an up-to-date Group Finance Policy Manual and sets formal requirements with operating unit finance functions which specify the standard reports and approvals required by RB.

Throughout the year RB has had in place an ongoing process for evaluating the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out on page 54 under Accounting Policies.

The Board agrees an engagement letter with the Auditors in respect of the full and half-year results and the Auditors' statement on their work and reporting responsibilities is set out on pages 47 to 49.

Information on RB's business model and strategy for generating and preserving longer-term growth and delivering on the Company's stated objectives is set out in the Strategic Report on pages 9 to 11.

The Statement of Directors' Responsibilities on page 33 details the Directors' responsibility for the financial statements, for disclosing relevant audit information to the Auditors and for ensuring that the Annual Report is fair, balanced and understandable. An extra step involving an additional review of the draft Annual Report and a teleconference of the Board was added to the approval process so that the full Board, acting together, could confirm that the Annual Report was fair, balanced and understandable.

The going concern statement required by the Listing Rules and the Code is set out in the Statement of Directors' Responsibilities on page 33.

C.2: RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a risk and control structure designed to manage the achievement of business objectives. It has overall responsibility for RB's system of internal control and for the effectiveness of such system. The system complies with the Turnbull guidance on Internal Control and Risk Management and provides reasonable, but not absolute, assurance against material misstatement or loss.

The Board maintains an ongoing process for evaluating the system of internal control and identifying and managing risk. Management is required to apply judgement in evaluating the material risks RB faces in achieving its objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks concerned materialising, in identifying RB's ability to reduce the incidence and impact on the business of risks that do materialise and in ensuring that the costs of operating particular controls are proportionate to the benefit.

RB's control environment is supported by a Code of Conduct, on which employees receive training annually, and a range of policies on corporate responsibility. Other key elements within the internal control structure are summarised as follows:

- **The Board and Management** – the Board approves strategy and performs an advisory and supervisory role, with the day-to-day management of the Company being undertaken by the CEO supported by the Executive Committee. The CEO and other Executive Committee members have clearly communicated RB's vision, strategy, operating model, values and business objectives across the Group;
- **Organisational Structure** – during the year ended 31 December 2013, RB operated three area organisations covering ENA, LAPAC and RUMEA together with RB Pharmaceuticals and Food, and centralised functions covering category development, supply, sales, finance, legal, information services and human resources, as well as an independent internal audit function. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control systems

and processes are embedded in the responsibilities of line managers;

- **Budgeting** – there is an annual planning process whereby operating budgets for the following financial year are prepared and reviewed by the Board. Long-term business plans are also prepared and 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 RB as a whole are monitored against budget on a monthly basis and are updated by periodic forecasts. Area and functional executives also perform regular strategic reviews with their management teams, which incorporate an assessment of key risks and opportunities;
- **Risk Management** – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented. A summary of the most significant risks faced by RB is included in the Strategic Report on pages 17 to 19 and fuller details of RB's relationships and principal risks are set out on pages 93 to 100;
- **Operating Unit Controls** – each operating unit maintains a system of internal control and risk management which is 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 RB are entered into only after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects;

- **Compliance Controls** – the Group maintains a compliance control programme that includes an independent and anonymous whistleblower reporting system, systematic reviews by the internal audit function, annual management reviews and personal compliance certification as well as specialised training in specific areas and functions of the business. Management provides the Board with regular updates on the compliance controls of the Group and considers recommendations for continuous improvement; and
- **Monitoring** – the effectiveness of the system of internal control and risk management is monitored regularly through a combination of management review, self-assessment, independent review through quality assurance, environment, health & safety and regulatory audits, as well as independent internal and external audit. The results of internal and external audit reviews are reported to and considered by the Audit Committee, and actions are taken to address any significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of the system of internal control and risk management on behalf of the Board.

The Board confirms that reviews of the appropriateness and effectiveness of the system of internal control and risk management throughout the financial year and up to the date of approval of the Annual Report and Accounts have been satisfactorily completed in compliance with provision C.2.1 of the Code.

The Company is compliant with DTR 7.2.6 and the information is included in the section on Takeover Directive on pages 21 to 22.

Report of the Audit Committee

C.3: AUDIT COMMITTEE AND AUDITORS Introduction

In 2013 changes were made to the UK Governance Code. We reviewed our Terms of Reference and Annual Plan in the light of these changes particularly with respect to Shareholder information being fair, balanced and understandable. The production of the Annual Report is a complex task which is completed in a relatively compressed timeframe so we established a robust process for the review and approval of its contents in accordance with the new requirements.

The Committee recognises that independent and effective auditors are essential. The Internal Audit plan is risk based and the Head of Internal Audit has dual reporting lines to the CFO and me. In 2013 the routine rotation of both of PricewaterhouseCoopers LLP's (PwC) engagement partners took place and the Committee conducted a thorough review of

PwC's effectiveness and value for money. The Committee is aware of the Competition Commission's and EU's recommendations on audit tender and rotation and our current expectation is that an audit tender process will commence no later than 2019.

Throughout the year the Committee focused on providing reassurance to the Board on the integrity of the Company's financial reporting, internal controls framework and risk management processes. The Committee has met with operational business management including local management when the Board visited China.

This will be my last report to Shareholders and I should especially like to thank André and Warren for their personal contributions and dedication to the work of the Committee.

Kenneth Hydon
Chairman of the Audit Committee

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors: Kenneth Hydon, FCMA, FCCA, FCT, Chairman since 16 November 2006, (whom the Board has deemed independent notwithstanding he has served ten years on the Board), André Lacroix, Diploma, ESCP and Warren Tucker, BSc Economics & Accounting, MBA, ACA. Kenneth Hydon was CFO of Vodafone Group plc until July 2005 and is Chairman of the Audit Committees of both Pearson plc and Merlin Entertainments PLC, and was in the role at Tesco plc until 2013. Warren Tucker was CFO of Cobham plc until May 2013. Therefore, they both have relevant and recent financial experience. RB's Auditors, Head of Internal Audit and CFO attend meetings and have regular private meetings with and direct access to the Committee. The Chairman and CEO attended some of the meetings and other senior management attend Audit Committee meetings by invitation.

Report of the Audit Committee (continued)

The Audit Committee:

- Monitors the adequacy and effectiveness of the system of internal control;
- Reviews compliance procedures and RB's overall risk framework (including the Group's whistleblowing arrangements);
- Considers reports on Internal Audit's activities, significant legal claims and regulatory issues;
- Reviews the interim and full year financial statements before submission to the full Board;
- Makes recommendations to the Board regarding the Auditors and their terms of appointment;
- Reviews and monitors the Auditors' independence and services supplied and the objectivity and the effectiveness of the audit process; and
- Considers operational risk and control processes covering assurance providers, geographical and functional areas.

During 2013 the Audit Committee:

- Met four times;
- Considered detailed risk and control reviews for selected Group major risks covering business transformation, regulatory compliance, data privacy, business continuity planning, legal and tax disputes, quality assurance and bribery;
- Reviewed local country and regional risks and control status during the overseas Board visit;
- Reviewed the approach to deliver an upgrade to the Group's ERP and monitored delivery of that programme;
- Approved updates to the Finance Policy Manual and the Treasury policies;
- Monitored whistleblowing activities and reviewed the policy;
- Reviewed and updated the policy for non-audit fees to the Auditors and monitored its application;
- Reviewed the Audit Committee terms of reference and the annual 'Standing Agenda';
- Reviewed the work and effectiveness of the Internal Audit function;
- Approved the terms of engagement and reviewed the strategy, scope and effectiveness of the Auditors;
- Reviewed and discussed with the Auditors the findings of their work during the year;
- Received regular technical updates to keep abreast of changes in financial reporting and governance matters; and
- Reviewed the performance of the Audit Committee itself and agreed actions for dealing with the workload.

The Audit Committee has considered the following areas of significant judgement, complexity or estimation in relation to the 2013 Group financial statements:

- *Acquisition accounting – valuation of acquired intangible assets*
In May 2013 the Group obtained regulatory approval for a three-year collaboration agreement with Bristol-Myers Squibb in certain parts of Latin America. The Committee reviewed papers prepared by management addressing the accounting treatment applied, and the assumptions adopted in determining the fair value of assets and liabilities acquired including goodwill, the three-year collaboration agreement intangible asset and the prepaid option. Based on this review the Committee is comfortable that accounting for the transaction as a business combination under IFRS 3 (Revised) Business Combinations is appropriate and the assumptions applied are reasonable.
- *Tax provisioning*
The Group from time to time is involved in disputes in relation to ongoing tax matters in a number of jurisdictions around the world where the approach of the authorities is particularly difficult to predict. Where appropriate, provisions are made based on an assessment of each case. The level of provisioning for these tax investigations is an issue where management and tax judgement is important. The Committee has debated with management the key judgements made, including relevant professional advice that may have been received in each case, and considers the tax provisioning levels to be appropriate.

In addition, the Audit Committee has considered a number of other matters in relation to the 2013 Group financial statements, including:

- *Impairment testing of goodwill and indefinite life intangible assets*
Management performs an annual impairment review for goodwill and other intangible assets with indefinite lives, including the Group's Powerbrands. This is important given the significance of these items to the Group's Balance Sheet. Key judgements include estimates of future business performance and cash generation, discount rates and long-term growth rates (refer to note 9 of the Group Financial Statements for further detail). The Committee has reviewed management's analysis, including an assessment of the discount rates used, the appropriateness of specific risk factors applied to individual cash generating units and the adequacy of sensitivities applied. As a result of this review the Committee is comfortable with management's conclusion that no impairment is required and that the indefinite life of the Group's Powerbrands and various

other brand intangible assets continues to be appropriate.

- *Legal liability provisioning*
For the year ended 31 December 2013, the Group has recognised certain exceptional legal costs relating to historical regulatory investigations by various government authorities totalling £225m. The level of provisioning for these regulatory investigations is a matter where management and legal judgement is important. The Committee has discussed with management the key judgements made, including relevant legal advice received.
- *Exceptional items*
The Committee has considered the presentation of the Group financial statements and, in particular, the presentation of exceptional items and the items included within such measures. The Committee has discussed this with management and agrees that the presentation provides more meaningful information to Shareholders about the underlying performance of the Group.

The Audit Committee notes that trade spend was an area of focus for the Auditors. It is the Committee's view that whilst trade spend is a significant expense for the Group and involves an element of judgement, management operates an appropriate control environment which minimises the risks in this area. The Auditor's risk assessment is made before consideration of the control environment. In addition, there have been no significant items or issues which have arisen during the year in relation to trade spend which would need to be brought to the attention of the Audit Committee and, as a result, the Committee does not consider that this is a significant issue for disclosure in its report.

Auditors and Auditor Independence

PwC and its predecessor firms have been the sole Auditors of RB since 2000, the year after the merger of Reckitt & Colman plc and Benckiser N.V. in 1999, and the Company's Auditors since its formation in 2007. At the time of the merger, PwC were the Auditors of Reckitt & Colman plc and Deloitte LLP were the Auditors of Benckiser N.V. Post merger, the Audit Committee undertook a review and subsequently selected PwC as auditor for the Group for the December 2000 year end. In the opinion of the Audit Committee, the relationship with the Auditors works well and the Committee remains satisfied with their independence and effectiveness. It has, accordingly, not considered it necessary to require the firm to tender for the audit work, although this is kept under review annually. It is a requirement that the audit partner responsible for audit is rotated every five years and the lead audit partner was rotated-off during 2013. Our current expectation is that we will commence preparations for a competitive tender no later than 2019. There are no

Report of the Audit Committee (continued)

contractual obligations restricting the Company's choice of Auditors.

RB has a formal policy in place to safeguard Auditor independence. The Audit Committee and the CFO keep the independence and objectivity of the Auditors under review. The Committee reviews the nature and level of non-audit services undertaken by the Auditors during the year to satisfy itself that there is no impact 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 Auditors who already have a good understanding of RB.

The Company's published policy on non-audit fees states that, on an annual basis, non-audit fees should not normally be in excess of 50% of the Group's external audit and audit related fees on an aggregate basis. The Board confirms that, for the year ended 31 December 2013, non-audit fees were less than 50% of the audit and audit related fees.

Following a recommendation by the Audit Committee, and in accordance with section 489 of the 2006 Act, a resolution proposing the re-appointment of PwC as the Company's Auditors will be put to the Shareholders at the AGM. RB does not indemnify its Auditors.

The 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 RB, including periodic rotation of the audit engagement partners. Details of non-audit services are set out in note 4 on page 61.

D: Remuneration

D.1: THE LEVEL AND COMPONENTS OF REMUNERATION

The Company's compensation plan is performance-driven and designed to foster RB's innovative and entrepreneurial culture. Following the 1999 merger of Reckitt & Colman plc and Benckiser N.V. the Board set out to create a truly multinational Company and, as a result of this approach, people of many nationalities work with local citizens in each location in which RB operates.

The level and components of remuneration across RB is designed to facilitate global mobility and diversity. A similar employment contract is used and compensation rules apply equally for RB's Top400 managers in all markets. Salary ranges are based on global benchmarking and RB's annual cash bonus structure, long-term incentives and other benefits are offered across operating companies.

Details on the Company's remuneration strategy and the Directors' compensation arrangements are set out in the Directors' Remuneration Report on pages 34 to 46.

D.2: REMUNERATION COMMITTEE AND PROCEDURE

The Remuneration Committee chaired by Judith Sprieser comprised four members until June 2013 when it reduced to three following Graham Mackay's retirement from the Board due to ill health. As at August 2013, Judith Sprieser had served ten years on the Board. Nonetheless, pursuant to Code provision B.1.1, the Board has determined that, in its opinion, Judith Sprieser remains independent. Richard Cousins is considered independent under the

Code. The third member of the Committee is the Chairman, Adrian Bellamy, who was independent on appointment.

Detailed information on the Committee and its activities is set out in the Directors' Remuneration Report on pages 34 to 46.

E: Relations with Shareholders

E.1: RELATIONS WITH SHAREHOLDERS

The Board is committed to effective communications between the Company and its Shareholders. The Executive Directors and the Director of Investor Relations meet regularly with institutional Shareholders and financial analysts to discuss matters relating to the Company's business strategy and current performance. The Board receives regular monthly reports from the CEO which include updates on share price developments, major buyers and sellers of shares, investors' views and analysts' reports on the industry and on the Company specifically. Feedback on presentations and roadshow meetings with institutional investors is presented to the Directors. The investor relations programme includes:

- Formal presentations of full year and half year results and quarterly interim management statements;
- Regular meetings between institutional investors and senior management to ensure that the investor community receives a balanced and complete view of RB's performance, the issues faced by RB and any issues of concern to the investors;
- Response to enquiries from institutional Shareholders through the Company's investor relations team and from retail Shareholders through the Company Secretary; and

- A section dedicated to Shareholders on the Company's website.

Over two days in November 2013, the Company held an investor event with the twin objectives of:

- Demonstrating the significant talent within RB's management team outside the CEO and CFO; and
- Updating investors on the Company's value creation model and its ability to outperform with particular focus on health and hygiene, Powermarkets and emerging markets.

The Chairman is available to discuss governance and strategy with major Shareholders should such a dialogue be requested. During the year the Chairman liaised with Shareholders and reported on these meetings to the Directors. The Company believes that it is important to make key executives available, along with the SID, if required, to discuss matters of concern with its Shareholders.

E.2: THE ANNUAL GENERAL MEETING

The AGM provides all Shareholders with an opportunity to vote on the resolutions put to them. The AGM is used as the main opportunity for the Directors to meet directly with private investors. It is attended by the Directors and all Shareholders present are given the opportunity to ask questions of the Chairman, the Chairs of Board Committees and the Board as a unit.

All resolutions are voted on by way of poll so that each share has one vote. The results of the poll are released to the Stock Exchange and published on the website shortly after the AGM.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether IFRSs as adopted by the European Union and IFRSs issued by IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom

governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 20 confirms that, to the best of his/her knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU and IFRSs as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 19. The financial position of the Group and Company, its cash flows, liquidity position and borrowing facilities, as well as the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk are described in the Strategic Report on page 19 and in note 14 to the Group financial statements.

The Group has considerable financial resources together with a diverse customer and supplier base across different geographical areas and categories. As a consequence, the Directors believe that the Group and Company are well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements in accordance with the FRC's 'Going Concern and Liquidity Risk: Guidance For Directors of UK Companies 2009'. This statement is also made to fulfil the requirements of Listing Rules 9.8.6R(3) and 9.8.10R(1) and C.1.2 of the Code.

Disclosure of Information to Auditors

The Directors, having made appropriate enquiries, state that:

- 1 So far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- 2 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.

By Order of the Board

Elizabeth Richardson

Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

Company registration number: 6270876

7 March 2014

Directors' Remuneration Report

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. In this Report we describe how the principles of good governance relating to directors' remuneration, as set out in the UK Corporate Governance Code (September 2012) (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the Company has complied with these governance rules and best practice provisions.

Introduction

On behalf of the Board of Directors, it gives me great pleasure to present to you the Directors' Remuneration Report for the year ended 31 December 2013 for which we will be seeking approval at the Annual General Meeting (AGM) on 7 May 2014. In line with the new reporting regulations that came into effect on 1 October 2013, this Directors' Remuneration Report is split into three parts: this Annual Statement, a Policy Report (subject to a binding Shareholder vote at the 2014 AGM) and an Annual Report on Remuneration (subject to an advisory vote). I and my colleagues on the Remuneration Committee hope that the new layout of the Remuneration Report is clear, transparent and helpful, and that we can count on your support for our Remuneration Policy and its implementation during the year.

Context for Executive Remuneration at RB

The Committee continues to believe that its approach to remuneration, although different in some respects to typical FTSE practice, is an important factor in RB's success, supporting a strong performance culture and delivering significant benefits to all Shareholders. Our approach to remuneration reflects the global nature of our business. Our management team is multinational, is globally mobile and we compete for talent against a peer group of global FMCG companies. Central to our pay philosophy are the principles of:

- Simplicity;
- Shareholder alignment; and
- Pay for performance.

We reinforce our philosophy by positioning Executive Director fixed pay (base salary, pension and benefits) around median market

levels, but providing Executive Directors with incentive opportunities strongly linked to performance to enable above-market pay opportunities for above-market performance in terms of growth, profitability and Shareholder returns.

MAJOR DECISIONS ON, AND CHANGES TO, EXECUTIVE DIRECTORS' REMUNERATION DURING THE YEAR

The Structure of 2014 LTIP Awards (granted in December 2013)

During the first quarter of 2013, I held meetings with a number of our largest Shareholders on the subject of executive remuneration. The Committee, and the Board of Directors as a whole, take very seriously the views and feedback of our Shareholders, and, although the majority of Shareholders are strongly supportive of our philosophy and policy on remuneration, we did receive some comments and concerns over our long-term incentive plan (LTIP); in particular, the sole use of adjusted earnings per share (EPS), the EPS performance range, and the vesting level for achieving threshold performance.

Following a review of our LTIP in response to this feedback, the Committee agreed to make two changes to awards granted in December 2013:

- A widening of the performance range for EPS compound annual average growth (CAAG) from 6%-9% p.a. to 6%-10% p.a.
- A reduction in the threshold vesting level from 40% to 20% of maximum.

The Committee feels these changes reinforce our philosophy of above-market pay only for above-market performance. The new maximum vesting level of an EPS CAAG of 10% p.a. is equivalent to a top quintile (i.e. above 80th percentile) level of performance. In addition, we have maintained a threshold EPS CAAG target of 6% p.a. which is above market median performance, but reduced the level of vesting from 40% to 20% which substantially reduces the value of the LTIP to participants at this minimum level of performance.

The number of shares awarded to the CEO in December 2013 was increased from 200,000 in December 2012 to 240,000. The number of options awarded remained unchanged from previous years. The increase in the number of shares was considered appropriate in order to recognise the strong performance of the CEO since his appointment and still remains significantly below the LTI awards that were made to the previous CEO. Given the changes

outlined above, the CEO will only receive value from this additional benefit if truly exceptional performance is delivered.

These changes are covered more fully in the Annual Report on Remuneration.

Some of our Shareholders expressed a preference for EPS to be supplemented by a second measure, such as return on capital employed, in our LTIP. The Committee considered this feedback in depth and concluded, on balance, that it wished to maintain the simplicity and consistency of the LTIP. The Committee believes that the heavy weighting of the long-term variable equity component of pay for Executives, together with our demanding executive share ownership requirements (equivalent to up to 30x salary) reduce the need for a second measure since the proportion of personal net worth that the Executive Directors have invested in Company shares already strongly motivates them to act in a manner consistent with the best interests of our Shareholders.

I hope that this Remuneration Report achieves the aim of improved transparency and clarity under the new reporting requirements, and that we can count on your support at the forthcoming AGM for both our Remuneration Policy and the decisions we have taken as a Committee during the year.

Judith Sprieser

Chairman of the Remuneration Committee

Directors' Remuneration Policy

This section of the report sets out the Remuneration Policy for Executive Directors and Non-Executive Directors, which Shareholders will be asked to approve at the 2014 AGM on 7 May 2014. The Committee intends that the policy will come into effect on this date, if approved by Shareholders, and be effective for three years.

A summary of the Directors' Remuneration Policy is summarised in the table below:

EXECUTIVE DIRECTOR REMUNERATION POLICY TABLE

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Variable Remuneration (incentives)			
<p>Annual bonus To drive strong financial performance with significant reward for over achievement of annual targets</p>	<p>Financial targets are set by the Committee at the start of the year, with reference to prevailing growth rates in RB's peer group, and across the health care and FMCG industries more broadly. At the end of the year, the Committee determines the extent to which these have been achieved.</p> <p>Performance is assessed on an annual basis, using a multiplicative combination of the payouts for performance against each of the financial targets.</p> <p>Bonus payouts are in cash.</p> <p>Under the terms and conditions of the plan, the Company has the right to seek redress and damages from any individual who has been found to have breached the Company's Code of Conduct. This includes the Company's right to require an individual to repay any costs incurred through a breach of the Code of Conduct from any bonus payment made in the year the breach/ costs were incurred.</p> <p>The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero and capped at the maximum payout) to ensure alignment of pay with performance, e.g. in the event performance is impacted by unforeseen circumstances outside of management control.</p>	<p>Target opportunity: CEO: 120% of salary CFO: 90% of salary</p> <p>Maximum opportunity: 3.57x Target (CEO: 428% of salary) (CFO: 321% of salary)</p>	<p>Performance will be assessed against the growth in one or more key financial metrics of the business determined on an annual basis.</p> <p>The weighting between different financial metrics will be determined each year according to business priorities.</p> <p>For threshold performance, the bonus payout will be nil.</p> <p>Further details, including the performance measures for the current financial year, are disclosed in the Annual Report on Remuneration.</p>
<p>LTIP (share options and performance shares) To incentivise and reward long-term performance, and align the interests of Executive Directors with those of Shareholders</p>	<p>The LTIP comprises grants of share options and awards of performance shares (based on a fixed number), which vest subject to the achievement of stretching performance targets.</p> <p>The LTIP has a performance period of at least three years and a minimum vesting period of three years.</p> <p>The LTIP opportunity and the combination of share options and performance shares are reviewed annually with reference to market data and the associated cost to the Company, calculated using an expected value methodology.</p> <p>The performance condition is reviewed before each award cycle to ensure it remains appropriately stretching.</p> <p>The Committee has discretion to adjust the formulaic LTIP outcomes to improve the alignment of pay with value creation for Shareholders to ensure the outcome is a fair reflection of the performance of the Company.</p>	<p>The Committee calibrates LTIP share award and option grant sizes as a fixed number, with periodic adjustments to ensure that the fair value of an Executive Director's total remuneration is appropriately positioned relative to peers.</p> <p>The maximum award to any individual in one year will be 300,000 shares and 600,000 options.</p> <p>Details of the LTIP opportunity in respect of each year will be disclosed in the Annual Report on Remuneration.</p> <p>Dividends do not accrue on unvested share awards or on shares underlying options before they are exercised.</p>	<p>Vesting of the LTIP is subject to continued employment and the achievement of stretching adjusted diluted EPS growth targets.</p> <p>Threshold performance will result in 20% of maximum vesting. The vesting level will increase on a sliding scale from this threshold to 100% vesting for Stretch levels of performance.</p> <p>Further details, including the performance targets attached to the LTIP in respect of each year, are disclosed in the Annual Report on Remuneration.</p>
<p>Sharesave To encourage the ownership of RB shares</p>	<p>An HMRC approved scheme where employees (including Executive Directors) may save a monthly amount over three years. Options granted at up to a 20% discount.</p>	<p>Savings capped at the limit set by HMRC.</p>	<p>n/a</p>

EXECUTIVE DIRECTOR REMUNERATION POLICY TABLE (CONTINUED)

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Base Salary and Benefits			
<p>Base Salary To enable the total package to support recruitment and retention</p>	<p>Base salaries are reviewed annually typically with effect from 1 January.</p> <p>Salary levels/increases take account of:</p> <ul style="list-style-type: none"> Competitive practice in the Company's remuneration peer group, comprising international companies of a similar size and scope of operations. Individual performance. Salary increases awarded across the Group as a whole. 	<p>Salaries for Executive Directors should typically be around the median for competitors.</p> <p>Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p> <p>To avoid setting expectations of Executive Directors and other employees, no maximum salary is set under the Remuneration Policy.</p> <p>Salary increases for Executive Directors will be aligned with those of the wider workforce which take into account performance.</p> <p>Increases may be made above this level to take account of individual circumstances, which may include:</p> <ul style="list-style-type: none"> Increase in the size or scope of the role or responsibilities. Increase to reflect the individual's development and performance in role. For example where a new incumbent is appointed on a below market salary. <p>Where increases are awarded in excess of the wider employee population, the Committee will provide rationale in the relevant year's Annual Report on Remuneration.</p>	n/a
<p>Pension To provide appropriate levels of retirement benefit</p>	<p>Executive Directors may receive contributions into the RB Executive Pension Scheme, a defined contribution scheme, a cash allowance or a combination thereof.</p> <p>Base salary is the only element of remuneration that is pensionable.</p>	<p>CEO: 30% of pensionable pay CFO: 25% of pensionable pay</p>	n/a
<p>Benefits To provide benefits comparable to those that would be provided for an equivalent position elsewhere</p>	<p>Executive Directors receive benefits which consist primarily of the provision of a company car/ allowance and health care, although can include other benefits that the Committee deems appropriate, for example the cost of preparing tax returns or home leave.</p> <p>Relocation allowances and international transfer related benefits may also be paid, where required.</p>	<p>None of the existing Executive Directors received total taxable benefits exceeding 10% of salary during the last three financial years, and it is not anticipated that the cost of benefits provided will exceed this level in the financial years over which this policy will apply.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in medical coverage inflation).</p> <p>Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.</p>	n/a

NOTES TO THE POLICY TABLE

Payments from Existing Awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy detailed in this Report, i.e. before 7 May 2014. Details of these awards are disclosed in the Annual Report on Remuneration.

Performance Measure Selection and Approach to Target Setting

The measures used under the annual bonus are selected to reflect the Group's main financial priorities for any given financial year. With regard to the LTIP, the Committee regularly reviews the performance measure to ensure that it aligns well with the Company's strategy and with our Shareholders' interests. EPS is considered the most appropriate LTIP performance measure for a number of reasons:

- It focuses Executives on real profit growth which is strongly aligned with value creation at RB;
- It provides a well-recognised and accepted measure of the Company's underlying financial performance; and
- It is a measure that the plan participants can directly impact and is easily measurable.

EPS is measured on an adjusted diluted basis, as shown in the Group's financial statements, as this provides an independently verifiable measure of performance. However the Remuneration Committee maintains the discretion to make adjustments to the measure if this is considered to be appropriate. Any adjustments will be disclosed in the Annual Report on Remuneration.

Targets applying to the bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Bonus targets take into account prevailing growth rates in RB's peer group, and across the health care and FMCG industries more broadly. LTIP targets reflect industry context, expectations of what will constitute performance at the top of the peer group, and factors specific to the Company.

Remuneration Policy for other Employees

RB's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels for comparable roles in comparable companies.

Senior employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate.

Senior managers, who comprise of the Top400 employees, are eligible to participate in the LTIP on broadly similar terms as the Executive Directors, although award sizes vary by organisational level. In addition, Senior Executives, who comprise of the Top40 employees, are also required to build up significant shareholdings in RB of between 30-50,000 shares, representing c.8x base salary.

All UK employees are eligible to participate in the Company's Sharesave plan on identical terms.

Shareholder Alignment

The Committee recognises the importance of aligning Executive Directors' and Shareholder interests through executives building up significant shareholdings in the Company. Executive Directors are expected to acquire a significant number of shares over a period of eight years and retain these until retirement from the Board of Directors. The shareholding requirement for the CEO is 600,000 shares and for the CFO is 200,000 shares.

Details of the Executive Directors' current personal shareholdings are provided in the Annual Report on Remuneration on page 46.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Directors do not have service agreements, but are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code (September 2012) guidelines, all Directors are subject to re-election annually at the AGM.

It is the policy of the Board of Directors that Non-Executive Directors are not eligible to participate in any of the Company's bonus, share option, long-term incentive or pension schemes. An element of the basic fee is, however, paid in RB shares.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

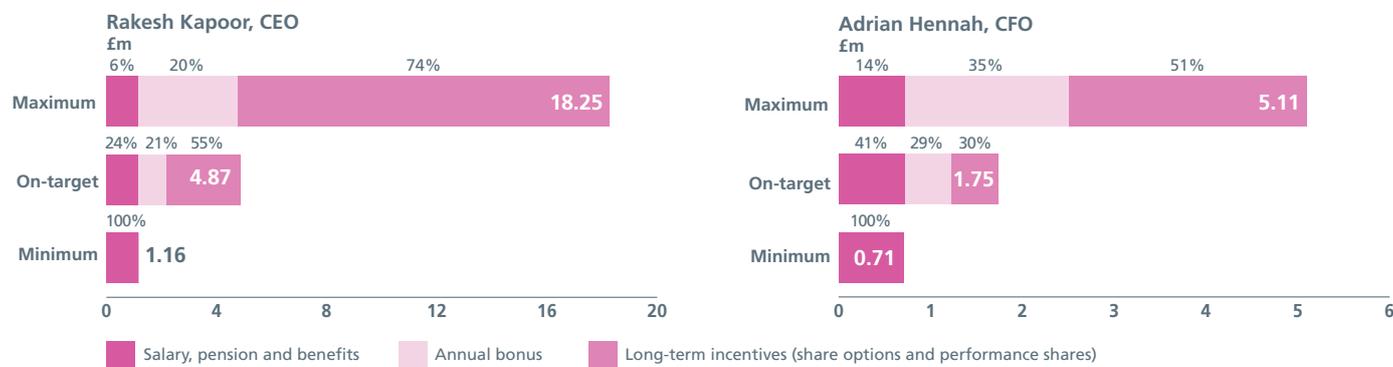
Component and objective	Approach of the Company
<p>Fees (cash and shares) To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Company</p>	<p>The fees paid to Non-Executive Directors are determined by the Board of Directors, with recommendations provided by the Chairman and CEO. The fees of the Chairman are determined by the Remuneration Committee.</p> <p>Additional fees are payable for acting as Deputy Chairman, Senior Independent Non-Executive Director and as Chairman of the Audit and Remuneration Committees. Members of the Audit and Remuneration Committees also receive an additional fee.</p> <p>Fee levels may be reviewed annually, with any adjustments effective 1 January. Fees are reviewed by taking into account external advice on best practice and competitive levels, in particular at FTSE 30 and FTSE 100 companies. Time commitment and responsibility are also taken into account when reviewing fees.</p> <p>Chairman and Non-Executive fees are delivered partly in cash and partly in RB shares which must be held until retirement from the Company.</p> <p>The fees paid to the Chairman and Non-Executive Directors in respect of the year under review (and for the following year), including the split between cash and shares, are disclosed in the Annual Report on Remuneration.</p> <p>Aggregate fees are limited to £1.5m by the Company's Articles of Association.</p>

SCENARIO ANALYSIS

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on RB's Remuneration Policy, applied to 2014 base salaries. The annual bonus and LTIP are based on the maximum opportunity levels applying for FY 2014. Benefits are based on those benefits paid in respect of FY 2014.

Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of the AGM which follows the third anniversary of grant and the projected values exclude the impact of share price movement.



Valuation Assumptions

The 'Minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance.

The 'On-target' scenario reflects fixed remuneration as above, plus target bonus payout (120% and 90% of salary for the CEO and CFO, respectively) and LTIP threshold vesting at 20% of the maximum award level.

The 'Maximum' scenario reflects fixed remuneration, plus full payout under all incentives (428% and 321% of salary for the CEO and CFO, respectively, under the annual bonus, and full vesting of LTIP awards).

The value of performance shares and share options is based on the price at grant of £47.83 (11 December 2013). Share options are valued as 10% of face value which has been calculated using a Black-Scholes option pricing model and assumptions aligned to the three-year performance period.

APPROACH TO RECRUITMENT REMUNERATION

External Appointment

In cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all existing components of remuneration, as follows:

Component	Approach	Award
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, the shortfall to median may be managed with phased increases over a period of two or three years subject to their development in the role.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or car allowance, health care and any necessary relocation expenses in line with ongoing Remuneration Policy.	
Pension	New appointees will receive pension contributions and/or an equivalent cash supplement in line with existing executives as set out in the ongoing Remuneration Policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum opportunity.	Target: 120% of salary Multiple: 3.57x Target
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. LTIP grants can take the form of performance shares, share options or a combination of the two.	300,000 performance shares 600,000 share options

The overall limit of variable remuneration will be as set out in the policy table taking into account the maximum value of the annual bonus and the maximum awards of options and shares under the LTIP.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met with the intention that the value awarded would be no higher than the expected value of the forfeited arrangements and made on a like-for-like basis.

Internal Promotion

In cases of appointing a new Executive Director by way of internal promotion, the policy will be consistent with that for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements even in instances where they would not otherwise be consistent with the prevailing Executive Director Remuneration Policy at the time of appointment.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will use the policy as set out in the table on page 37. A base fee in line with the prevailing fee schedule would be payable for membership of the Board of Directors, with additional fees payable for acting as Deputy Chairman, Senior Independent Director, as Chairman of the Audit and Remuneration Committees, and for being a member of the Audit and Remuneration Committees. Fees will be delivered partly in cash and partly in RB shares to be held until retirement from the Company.

SERVICE CONTRACTS AND EXIT PAYMENT POLICY

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract which is terminable on twelve months' notice and this practice will also apply for any new Executive Directors. In such an event, the compensation commitments in respect of their contracts could amount to one year's remuneration based on base salary, benefits in kind and pension rights during the notice period. Termination payments may take the form of payments in lieu of notice. Copies of Executive Director service contracts are available to view at the Company's registered office.

The Company's policy on any termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of the termination. The table below summarises how awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan:

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Annual Bonus		
Voluntary resignation or termination with 'cause'	Not applicable	No bonus to be paid for the financial year.
All other circumstances	At the end of the financial year	Bonuses will be paid only to the extent that objectives set at the beginning of the plan year have been met. Any such bonus will be paid on a pro rata basis up to the termination date.

LTIP		
Voluntary resignation or termination with 'cause'	Not applicable	Unvested awards lapse.
Ill-health, injury, permanent disability, retirement with the agreement of the Company, redundancy or any other reason that the Committee determines in its absolute discretion	After the end of the financial year in which the cessation of employment occurs; or at the discretion of the Committee, after the end of the relevant performance period.	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved (either to the end of the financial year in which cessation of employment occurs, or over the full performance period) and the proportion of the performance period worked.
Death	As soon as possible after date of death	The Committee may disapply performance conditions but will reduce awards to reflect the proportion of the performance period worked.
Change of control	On change of control	Awards will vest to the extent that any performance conditions have been satisfied (unless the Committee determines that the performance conditions should not apply). Awards will also be reduced pro rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.

EXTERNAL APPOINTMENTS

With the approval of the Board of Directors in each case, and subject to the overriding requirements of the Company, Executive Directors may accept one external appointment as a Non-Executive Director of another company and retain any fees received. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

The Committee does not consult with employees specifically on Executive Remuneration Policy. However, the Company seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its employee engagement strategy, and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates. Although the Company does not consult employees on executive remuneration, the Committee is mindful of the salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee considers Shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from Shareholder representative bodies more broadly, in shaping Remuneration Policy. The Committee Chairman speaks with a number of the Company's largest Shareholders on the subject of executive remuneration at least on an annual basis. The majority of Shareholders are supportive of the Company's philosophy and policy on remuneration, and the Committee will continue to keep its Remuneration Policy under regular review, to ensure it continues to reinforce the Company's long-term strategy and aligns closely with Shareholders' interests. The Committee will continue to consult our major Shareholders before making any significant changes to our Remuneration Policy.

Annual Report on Remuneration

The following section provides details of how our Remuneration Policy was implemented during the year ended 31 December 2013.

REMUNERATION COMMITTEE MEMBERSHIP IN 2013

As of 31 December 2013, the Remuneration Committee comprised three Non-Executive Directors.

- Judith Sprieser (Chairman)
- Richard Cousins
- Adrian Bellamy

Graham Mackay was also a member of the Remuneration Committee until 12 June 2013 when he retired from the Board. As at 31 December 2013, Judith Sprieser has served ten years on the Board of Directors. Nonetheless, pursuant to Code provision B.1.1, the Board of Directors has determined that, in its opinion, Judith Sprieser remains independent. Richard Cousins is considered independent under the Code. Adrian Bellamy, Chairman of the Company, was independent on appointment but has served on the Board of Directors for more than nine years.

The Committee's purpose is to assist the Board of Directors in fulfilling its oversight responsibility by ensuring that Remuneration Policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. On behalf of, and subject to approval by, the Board of Directors, the Committee primarily:

- Sets and regularly reviews the Company's overall remuneration strategy;
- Determines the general Remuneration Policy for Senior Executives; and
- In respect of the Chairman, the Executive Directors and members of the Executive Committee sets, reviews and approves:
 - Remuneration policies, including annual bonuses and long-term incentives;
 - Individual remuneration and compensation arrangements;
 - Individual benefits including pension and superannuation arrangements;
 - Terms and conditions of employment including the Executive Directors' service agreement;
 - Participation in any of the Company's bonus and long-term incentive plans; and
 - The targets for any of the Company's performance-related bonus and long-term incentive plans.

The Chairman of the Board of Directors and the CEO are responsible for evaluating and making recommendations to the Board of Directors on the remuneration of the Non-Executive Directors. Members of the Remuneration Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

The Remuneration Committee held four scheduled meetings and one additional meeting during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 26.

ADVISERS

Kepler Associates ('Kepler') was originally appointed by the Committee as independent advisor in mid-2012 following a competitive tender process, and was retained during 2013. The Committee undertakes due diligence periodically to ensure that Kepler remains independent of the Company and that the advice provided is impartial and objective. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During 2013, Kepler provided support to the Committee in relation to short and long-term incentive design, benchmarking executive remuneration structure and levels, and the consultation of Shareholders on remuneration matters. Kepler Associates does not advise the Company on any other matters. Their total fees for the provision of remuneration services to the Committee in 2013 were £215,935 on the basis of time and materials.

SUMMARY OF SHAREHOLDER VOTING AT THE 2013 AGM

The following table shows the results of the advisory vote on the 2012 Remuneration Report at the 2013 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	421,057,300	81.77%
Against	93,881,447	18.23%
Total votes cast (excluding withheld votes)	514,938,747	100.0%
Votes withheld	11,173,126	
Total votes cast (including withheld votes)	526,111,873	

Whilst the level of support for the Remuneration Report was broadly similar to that received at the 2012 AGM (84%), the Committee recognises that there remain a number of areas of concern for Shareholders, including incentive award opportunities and the use of a single long-term performance measure (EPS growth). The Committee believes the existing incentive arrangements are simple, reinforce our remuneration principles and align Executives closely with the interests of our Shareholders. In addition, the requirement for Senior Executives to build up significant shareholdings in the Company further supports our policy of executive alignment with Shareholders' interests. The Committee regularly reviews the incentive arrangements for Executive Directors and, taking into account the feedback received from our Shareholders, decided to make a number of changes to LTIP awards that were granted in December 2013, including a reduction in the threshold vesting level and an extension to the EPS performance range as explained in the Remuneration Committee Chairman's letter.

Single Total Figure of Remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2013 and the prior year. The values of each element of remuneration are based on the actual value delivered, where known. For the year ended 31 December 2012, the LTIP value has been restated to reflect the actual value of LTIP awards that vested on 2 May 2013 (at a share price of £46.77, rather than the estimated value based on £37.99, being the three-month average share price to 31 December 2012):

	Rakesh Kapoor		Adrian Hennah ¹		Liz Doherty ²	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Base salary	832,000	800,000	550,000	–	90,100	428,000
Taxable benefits ³	38,585	31,000	20,992	–	4,044	24,000
Annual bonus ⁴	3,564,288	1,814,000	1,767,150	–	78,153	729,000
LTIP	2,010,240⁵	5,527,800	–	–	–	–
Pension benefit ⁶	247,200	238,000	135,500	–	12,500	73,000
Other	–	–	1,395,750⁷	–	–	–
Total	6,692,313	8,410,800	3,869,392	–	184,797	1,254,000

¹ Adrian Hennah joined the Board of Directors as CFO on 12 February 2013. However he was employed by the Company from 1 January 2013 and the figures above represent all payments from the commencement of his employment. During 2013, Adrian Hennah served as a Non-Executive Director of Reed Elsevier PLC, for which he retained fees of £65,000. These fees are excluded from the table above.

² Liz Doherty stepped down from the Board of Directors on 12 February 2013 but was maintained in employment with the Company until 15 March 2013. The figures above represent all payments until the cessation of her employment. Details of payments made on cessation of employment are provided on page 44.

³ Taxable benefits consist primarily of company car or car allowance, health care and home leave.

⁴ Cash payment for performance during the year. See 'Annual Bonus in respect of 2013 performance' on page 42 for details.

⁵ Reflects the estimated value of LTIP shares and options granted in December 2010 which are due to vest on 7 May 2014 at 40%. These have been valued using an average share price over Q4 of £46.88. See the relevant sections on pages 42 for further details.

⁶ During the year Rakesh Kapoor participated in the RB Executive Pension Plan, a defined contribution scheme, in relation to which the Company contributed £50,000 in the year (2012: £50,000 for Rakesh Kapoor and Liz Doherty). The Company also paid Executive Directors a cash allowance which amounted to £197,200 and £135,500 for Rakesh Kapoor and Adrian Hennah, respectively. In combination these payments reflect the full pension provision outlined in the policy table (2012: £188,000 for Rakesh Kapoor and £23,000 for Liz Doherty).

⁷ Includes a sign-on award of £200,000, paid on appointment, partially to replace the value of deferred bonus awards at his previous employer. Value also includes a cash lump sum equal in value to 25,000 RB shares of £1,195,750, the net amount of which has been used to purchase shares which are retained as part of the Executive share ownership obligation.

INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2013 (AUDITED)
Annual Bonus in Respect of 2013 Performance

The performance measures attached to the 2013 annual cash bonus plan were net revenue and net income growth. As in 2012, target performance was calibrated to deliver a bonus of 120% and 90% of salary for the CEO and CFO respectively, with bonus payments worth up to 3.57x these target amounts (equivalent to 428% of salary for the CEO and 321% of salary for the CFO) available for truly exceptional performance. Performance under each of the measures is combined multiplicatively such that Threshold performance would deliver zero bonus whilst Stretch performance would deliver 3.57x target bonus.

The net revenue and net income targets set at the start of the year (not disclosed as we consider them to be commercially sensitive) took into account the fact that generics for Suboxone tablets entered the US market in late February 2013, and were anticipated to have a material impact on the revenue and profitability of the RB Pharmaceuticals business. Despite the challenges faced within RB Pharmaceuticals, the Group has delivered exceptional performance, by continuing to grow the core business and maintaining market share within RB Pharmaceuticals.

- Excluding RB Pharmaceuticals, net revenues have increased 7% based on a constant exchange rate and 5% on a like-for-like basis. These are well above the general market growth rates. This growth has been led by our new strategy to drive health and hygiene Powerbrands together with our focus on 16 Powermarkets.
- Excluding RB Pharmaceuticals, adjusted operating profit has also increased by 7% based on a constant exchange rate, with margins increasing to 23.6%, exceeding targets.
- Our volume film market share for total buprenorphine prescriptions in the US has been maintained at 68% since the launch of generic tablets which demonstrates an outstanding performance despite huge challenges being faced in this area.
- Excellent progress has been made with our acquired businesses. The effective ongoing integration of Schiff and effective collaboration agreements with BMS and Guilong has proven again RB's strength to acquire high quality businesses and delivering superior shareholder value.
- We have also delivered a significant gross margin expansion of +150 bps and net working capital improvements of £163m to minus £863m.
- This strong performance has resulted in a dividend payment which is 2% above that delivered last year.

Based on performance measures against the targets, but also supported by the overall financial results outlined above, the Committee has decided to make an annual bonus award of 428% of base salary to the CEO and 321% of base salary to the CFO, equivalent to 3.57x target bonus.

CEO's 2011 LTIP

LTIP awards for 2011 were dependent on compound average annual growth (CAAG) in adjusted EPS over the three-year period ending on 31 December 2013. The threshold target for awards was growth of 6% p.a., with awards vesting in full for growth of 9% p.a. The threshold performance target was achieved and the CEO's LTIP award (granted to him when he was EVP, Category Development) may vest to the following extent in May 2014 for performance over the completed three-year period:

Awards	Interests held	Exercise price	Vesting %	Interests vesting	Date vesting	Assumed market price	Estimated value
Shares	60,000	n/a	40%	24,000	7 May 2014	£46.88	£1,125,120
Options	180,000	£34.64		72,000	7 May 2014		£881,280

The value disclosed above and in the single total figure of remuneration table on page 41 captures the full number of interests vesting. As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2013 of £46.88. The actual value at vesting will be trued-up in the 2014 Annual Report on Remuneration.

Former CFO's LTIP awards

In line with the LTIP rules, Liz Doherty's outstanding LTIP share awards and option grants did not lapse on cessation of employment, but were prorated for the time elapsed from the start of each respective performance period to cessation of employment. Performance was tested over the performance period to 31 December 2013 to determine the vesting outcome for each time prorated award (which is due to vest in May 2014), as follows:

Awards	Date of grant	Interest granted	Exercise price	Time prorated interest ¹	Vesting %	Interests vesting	Assumed market price	Estimated value
Shares	9 February 2011	10,000	n/a	7,372	40%	2,949		£138,249
Shares	5 December 2011	45,000	n/a	18,173	0%	0	£46.88	£0
Options	5 December 2011	90,000	£32.09	36,346	0%	0		£0

¹ Reflects the number of weeks elapsed from the start of the performance period (1 January) to cessation of employment (15 March 2013).

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The following Non-Executive Director fee policy was in place for the year ended 31 December 2013:

Role	Cash fee	Fee delivered in RB shares
Chairman	£308,000	£67,000
Deputy Chairman	£82,000	£18,000
Non-Executive Director	£70,000	£15,000
Chairman of Audit Committee	£30,000	–
Chairman of Remuneration Committee	£30,000	–
Member of Audit Committee	£15,000	–
Member of Remuneration Committee	£15,000	–
Senior Independent Director	£12,000	–

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (CONTINUED)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2013 and the prior year:

	2013 fees £				2012 fees £			
	Base fee		Committee fees	2013 Total	Base fee		Committee fees	2012 Total
	Cash	Shares			Cash	Shares		
Adrian Bellamy	308,000	67,000	–	375,000	283,000	62,000	–	345,000
Richard Cousins	70,000	15,000	15,000	100,000	61,500	13,500	10,000	85,000
Peter Harf	82,000	18,000	15,000	115,000	65,500	14,500	10,000	90,000
Kenneth Hydon	70,000	15,000	30,000	115,000	61,500	13,500	20,000	95,000
André Lacroix ¹	70,000	15,000	21,000	106,000	61,500	13,500	10,000	85,000
Judith Sprieser	70,000	15,000	30,000	115,000	61,500	13,500	20,000	95,000
Warren Tucker	70,000	15,000	15,000	100,000	61,500	13,500	10,000	85,000
Graham Mackay ²	35,000	15,000	13,500	63,500	61,500	13,500	17,000	92,000
Nicandro Durante ³	7,083	–	–	7,083	–	–	–	–

¹ André Lacroix was appointed as Senior Independent Director with effect from 12 June 2013.

² The fees paid to Graham Mackay for 2013 relate to the period 1 January 2013 to 12 June 2013 when he stepped down from the Board of Directors.

³ Nicandro Durante was appointed a Non-Executive Director with effect from 1 December 2013.

SCHEME INTERESTS AWARDED IN 2013 (AUDITED)
LTIP

In December 2013, Executive Directors were granted the following awards under the LTIP, based on a fixed number of shares and share options:

	Date of grant	Shares over which awards granted	Market price at date of award ¹	Exercise price ²	Face value ³	Performance period	Exercise/ vesting period
Performance shares							
Rakesh Kapoor	11 December 2013	240,000	£46.69	n/a	£11,205,600	1 Jan 14 – 31 Dec 16	May 17
Adrian Hennah		45,000			£2,101,050		
Share options							
Rakesh Kapoor	11 December 2013	400,000	£46.69	£47.83	£18,676,000	1 Jan 14 – 31 Dec 16	May 17 – Dec 23
Adrian Hennah		90,000			£4,202,100		

¹ The market price on the date of award is the closing share price on the date of grant.

² The exercise price is based on the average closing share price over the five business days prior to the date of grant.

³ Based on the market price at the date of award.

Consistent with awards made since December 2008, vesting of the LTIP awards is dependent on the achievement of targets relating to compound average annual growth (CAAG) in EPS over a three-year period. EPS is measured on an adjusted diluted basis, as shown in the Group's financial statements, as this provides an independently verifiable measure of performance. However the Remuneration Committee maintains the discretion to make adjustments to the measure if this is considered to be appropriate. Any adjustments will be disclosed in the Annual Report on Remuneration.

There is no retesting. Awards granted in December 2013 will vest on the following, revised schedule:

EPS CAAG	<6%	6%	Between 6% and 10%	>10%
Proportion of awards vesting (%)	Nil	20%	Straight-line vesting between 20% and 100%	100%

In addition to the above awards and as disclosed in the 2012 Directors' Remuneration Report, following his appointment as CFO in February 2013, Adrian Hennah was granted the following awards under the LTIP, based on a fixed number of shares and share options in the form of performance shares and share options:

	Date of grant	Shares over which awards granted	Market price at date of award ¹	Exercise price ²	Face value ³	Performance period	Exercise/ vesting period
Performance shares							
Adrian Hennah	13 February 2013	45,000	£44.19	n/a	£1,988,550	1 Jan 13 – 31 Dec 15	May 16
Share options							
Adrian Hennah	13 February 2013	90,000	£44.19	£42.61	£3,977,100	1 Jan 13 – 31 Dec 15	May 16 – Feb 23

¹ The market price on the date of award is the closing share price on the date of grant.

² The exercise price is based on the average closing share price over the five business days prior to the date of grant.

³ Based on the market price at the date of award.

Vesting of Adrian Hennah's LTIP awards is dependent on the achievement of targets relating to compound average annual growth (CAAG) in EPS over a three-year period, as summarised in the table below. There is no retesting.

EPS CAAG	<6%	6%	7%	8%	>9%
Proportion of awards vesting (%)	Nil	40%	60%	80%	100%

Additionally, to reflect forfeited long-term incentive awards in relation to his previous employment, in December 2013 Adrian Hennah received, and in December 2014 will receive (subject to continued employment at each relevant award date), a cash lump sum equal in value to 25,000 RB shares, based on the option price for the annual LTI grant made in each relevant December.

In relation to this arrangement Adrian Hennah was awarded a cash sum of £1,195,750 equating to 25,000 RB shares at the option price for the annual LTI grant made on 11 December 2013. Following deductions for tax, Adrian Hennah used the net proceeds to purchase 13,629 RB shares which will be retained under his share ownership obligation.

PERCENTAGE CHANGE IN CEO REMUNERATION

The table below shows the percentage change in CEO remuneration from the prior year compared to the average percentage change in remuneration for all UK employees who form part of the senior management team (Top400). This group has been chosen as it represents the most appropriate comparator group for reward purposes for our UK-based Group Chief Executive.

The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2012 and 2013 populations.

	CEO % change 2012-2013	Other employees % change 2012-2013
Base salary	4%	3%
Taxable benefits	24%	0%
Annual bonus	96%	51%

The difference in the percentage change of the annual bonus for the CEO and other employees is primarily a result of the fact that different targets are set for different areas of the business which are subject to different challenges.

The percentage change in taxable benefits for other employees excludes international transfer benefits as this is volatile from year to year based on each individuals circumstance.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows Shareholder distributions (i.e. dividends and share buy backs) and total employee pay expenditure for FY 2012 and FY 2013, along with the percentage change in both.

	2013 £m	2012 £m	% change 2012-2013
Shareholder distributions (dividends and share buy backs)	1,271	1,451	-12.4%
Total employee expenditure	1,329	1,220	8.9%

EXIT PAYMENTS MADE IN THE YEAR (AUDITED)

As outlined in last year's Remuneration Report, Liz Doherty received a lump-sum termination payment which reflected historical contractual terms and company policy in April 2013 totalling £705,392. As disclosed last year, the Committee has updated the termination provisions for the CEO and the new CFO so that they are aligned with best practice and limited to 12 months base salary.

The payment to Liz Doherty consisted of a severance payment of £203,490 and a contractual payment in respect of one-half of annual base salary (£214,200) and a payment in respect of one-half of the average APP payout for the previous two years (£287,702).

Unvested share and option awards held by Liz Doherty at the time of her ceasing to be employed by RB will vest in May 2014 based on performance to 31 December 2013, in accordance with the LTIP rules. The awards were also reduced pro rata to reflect the proportion of the performance period not completed at the point of cessation of employment. The value of these LTIP awards is £138,249.

PAYMENTS TO PAST DIRECTORS (AUDITED)

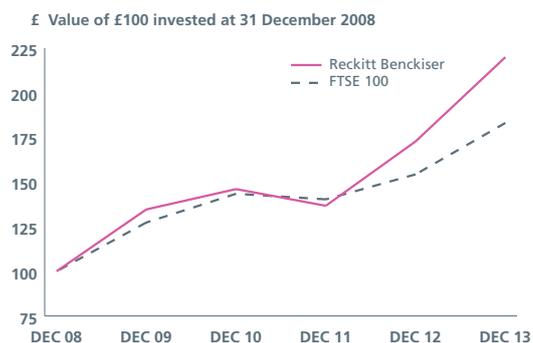
No payments were made to past Directors in the year.

REVIEW OF PAST PERFORMANCE

The graph below shows the TSR of the Company and the UK FTSE 100 Index over the five-year period from 1 January 2009 to 31 December 2013. 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. The table below details the Chief Executive's single figure of remuneration over the same period.

Historical TSR Performance

Growth in the value of a hypothetical holding over the five years to 31 December 2013.



CEO single figure of remuneration (£000)	2009	2010	2011	2012	2013
Rakesh Kapoor			£4,497	£8,411	£6,692
Bart Becht	£28,881	£17,150	£18,076		
STI award against maximum opportunity	100%	76%	31%	53%	100%
LTI award against maximum opportunity	100%	100%	100%	100%	40%

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2014

Base Salary

Base salaries are reviewed taking into account competitive practice for similar roles in the Company's remuneration peer group, comprising 19 international companies and individual performance. Following its review of salary levels in late 2013, the Committee approved the following base salary increases with effect from 1 January 2014:

Executive Director	Base salary at 1 January 2013	Base salary from 1 January 2014	Percentage increase
Rakesh Kapoor	£832,000	£865,000	4%
Adrian Hennah	£550,000	£561,000	2%

The base salary increases for Executive Directors takes into account performance and follows the same base salary merit increase guidelines as other UK employees. The average salary increase was c.3%, effective 1 January 2014.

Pension

The CEO and CFO continue to receive pension contributions (or equivalent cash allowances) of 30% and 25% of salary, respectively.

Performance Related Annual Bonus

For 2014, there will be no changes to the annual bonus opportunities for Executive Directors. Bonuses will continue to be based on RB's absolute net revenue growth (in Sterling at a constant exchange rate) and absolute net income growth (in Sterling at constant exchange rate), with the outcome under each of the measures combined multiplicatively to give a bonus outcome of 3.57x the target bonus opportunity if both Stretch targets are met.

Following the announcement of the strategic review of RB Pharmaceuticals, for 2014, 90% of the bonus opportunity will be based on the performance of the base business (excluding RB Pharmaceuticals) and 10% of the bonus opportunity based on the performance of RB Pharmaceuticals.

We have not disclosed the performance targets for 2014 as we consider them to be commercially sensitive. However, we commit to disclosing the targets retrospectively in the directors remuneration report for the year ending December 2015.

LTIP

LTIP awards for FY 2014 were granted in December 2013. Details of these awards are summarised on page 43. Awards to be made in December 2014 will be disclosed in the Annual Report of Remuneration in next year's Remuneration Report.

IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2014

Chairman and Non-Executive Director Fees

With effect from 1 January 2013, the fee payable to the Chairman of the Board of Directors is £375,000 per annum and the basic fee payable to each Non-Executive is £85,000 per annum, of which £67,000 and £15,000 is paid in the form of RB shares respectively. The additional fee payable for chairing either of the Audit and Remuneration Committees is £30,000 per annum, and for acting as the Senior Independent Director is £12,000 per annum. The Deputy Chairman receives an additional fee of £15,000 of which £3,000 is delivered in RB shares.

Chairman and Non-Executive Director fee levels will next be reviewed in 2014, with any changes effective from 1 January 2015.

Executive Directors' Shareholding Requirements (audited)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2013:

	Shares held		Options held		Shareholding guideline # shares
	Owned outright or vested (A)	Performance tested but unvested (B)	Vested but not exercised (C)	Performance tested but unvested (D)	
Rakesh Kapoor	317,537	700,000	360,000	1,380,000	600,000
Adrian Hennah	13,629	90,000	–	180,000	200,000

Rakesh Kapoor has exceeded his prorated target based on tenure to date and Adrian Hennah has made good progress towards his target during his first year as an Executive Director to the satisfaction of the Committee. Due to the levels of shareholdings of the current executive directors, LTIP awards that vest over the next three to five years will be required to be held until the director reaches their share ownership guideline. Indeed, we require directors to build up their share ownership guideline over eight years in equal instalments. This results in Directors having to buy shares from their own resources. The Committee also intends to consider during the year the extent to which Executives may be required to hold shares following their departure from the Board. Details of the scheme interests contained in columns B-D are provided in the table overleaf.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS UNDER THE LTIP (AUDITED)

LTIP	Notes	Grant date	At 1.1.13	Granted during the year	Exercised/ vested during the year	At 31.12.13 or date of cessation	Option price £	Market price at date of award £	Market price at date of exercise/ vesting £	Exercise/ vesting period
Liz Doherty* Options	1	5.12.11	90,000	–	–	90,000	32.09			May 14
Performance-based restricted shares	1	9.2.11	10,000	–	–	10,000		32.70		May 14
	1	5.12.11	45,000	–	–	45,000		32.19		May 14
Adrian Hennes Options	1	13.2.13	–	90,000	–	90,000	42.61			May 16–Feb 23
		11.12.13	–	90,000	–	90,000	47.83			May 17–Dec 23
Performance-based restricted shares	1	13.2.13	–	45,000	–	45,000		44.19		May 16
	1	11.12.13	–	45,000	–	45,000		46.69		May 17
Rakesh Kapoor Options	1	11.12.07	120,000		120,000	–	29.44		45.90	May 11–Dec 17
	2	8.12.08	180,000			180,000	27.29			May 12–Dec 18
	2	7.12.09	180,000			180,000	31.65			May 13–Dec 19
	1	1.12.10	180,000			180,000	34.64			May 14–Dec 20
	1	5.12.11	400,000			400,000	32.09			May 15–Dec 21
	1	3.12.12	400,000			400,000	39.14			May 16–Dec 22
	3	11.12.13		400,000		400,000	47.83			May 17–Dec 23
Performance-based restricted shares	1	7.12.09	60,000		60,000			31.80	46.77	May 13
	1	1.12.10	60,000			60,000		34.08		May 14
	1	5.12.11	200,000			200,000		32.19		May 15
	1	3.12.12	200,000			200,000		39.66		May 16
	3	11.12.13		240,000		240,000		46.69		May 17
Sharesave Scheme		Grant date	At 1.1.13	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.13	Option price (£)	Market price at exercise (£)	Exercise period
Rakesh Kapoor		8.9.08	796				796	21.92		Feb 16–July 16
Adrian Hennes		4.9.13		403			403	37.20		Feb 19–July 19

Notes

1 Vesting of LTIP is subject to the achievement of the following compound average annual growth (CAAG) in adjusted EPS over a three-year period:

EPS CAAG for awards granted in December 07-12	<6%	6%	7%	8%	>9%
Proportion of awards vesting (%)	Nil	40%	60%	80%	100%

2 Options which are vested but unexercised.

3 Vesting of LTIP is subject to the achievement of the following compound average annual growth (CAAG) in adjusted EPS over a three-year period:

EPS CAAG for awards granted in December 13	<6%	6%	7%	8%	9%	>10%
Proportion of awards vesting (%)	Nil	20%	40%	60%	80%	100%

* Details of Liz Doherty outstanding share LTIP share awards and option grants including vesting % and prorated awards based on cessation of employment are included on page 42 (former CFO's LTIP awards).

Independent Auditors' Report to the Members of Reckitt Benckiser Group plc

Report on the Group Financial Statements

Our Opinion

In our opinion the Group financial statements defined below:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

Separate Opinion in Relation to IFRSs as Issued by the IASB

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

What we have Audited

The Group financial statements, which are prepared by Reckitt Benckiser Group plc, comprise:

- The Group balance sheet as at 31 December 2013;
- The Group income statement and statement of comprehensive income for the year then ended;
- The Group statement of changes in equity and cash flow statement for the year then ended; and
- The notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Financial Statements (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an Audit of Financial Statements Involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the Directors; and
- The overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our Audit Approach Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £128m. This is calculated as being 5% of profit before tax adjusted for exceptional items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the Scope of our Audit

The Group is primarily structured along three geographic regions being LAPAC (Latin America, North Asia, South East Asia, Australia and New Zealand), RUMEA (Russia and the CIS, Middle East, North Africa, Turkey and sub-Saharan Africa), ENA (Europe and North America) with separate segments for the Food and RB Pharmaceuticals businesses. The Group financial statements are a consolidation of

reporting units, comprising the Group's operating businesses in these regions and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Accordingly, we identified 58 reporting units out of the Group's 699 reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. These 58 reporting units accounted for 74% of the Group's profit before tax and 75% of the Group's revenue. Our audit work at these reporting units, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinions on the Group financial statements as a whole.

Areas of Particular Audit Focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and that consider future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own independent judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 31.

Area of focus	How the scope of our audit addressed the area of focus
<p><i>Trade Spend Accruals</i></p> <p>The business enters into a number of sales agreements with customers that have a wide range of terms (promotions, rebates & discounts). Estimates of the trade obligations in connection with these agreements (trade spend accruals) are material to the balance sheet.</p> <p>We focused on this area because of the high level of judgement required in accounting for trade spend due to varying contractual terms and the fact that elements of the calculation are subjective and may not be finalised until after the year end. Accordingly the focus of our work includes the completeness and valuation of the estimates.</p>	<p>We agreed trade spend terms to underlying customer contracts and assessed whether estimates of trade spend were consistent with the terms set out in the contracts. We evaluated movements in trade spend estimates based on the accuracy of historic estimates, as well as against expectations derived from underlying contracts, to ascertain whether current year accruals were in line with the obligations. We also compared historical accuracy of prior year trade spend accruals to the actual liabilities incurred. In addition we tested a number of controls relating to trade spend accruals, covering items such as the segregation of duties over the creation and approval of the accruals and both the review and resolution of variations between expected and actual trade spend deductions awarded.</p>
<p><i>Provision for Uncertain Tax Exposures</i></p> <p>The Group has material tax exposures relating to potential or existing challenges by tax authorities in a number of territories around the world. These arise for a number of reasons including transactions undertaken where the applicable tax treatment is uncertain or judgemental or due to transfer pricing arrangements arising from centralised functions.</p> <p>We focused on this area because of the level of judgement required to be applied by management in quantifying appropriate provisions against these exposures. Changes in assumptions could materially impact the amounts recorded in the financial statements.</p>	<p>We obtained a detailed understanding of the Group's tax strategy and assessed key technical tax issues and risks related to business and legislative developments. We obtained explanations and evidence from management regarding the tax treatments applied to material transactions and an understanding of the transfer pricing policy within the Group. We challenged the key assumptions, particularly in relation to significant transactions undertaken in the period and where there have been significant developments in communications with local tax authorities, as well as undertaking a critical assessment of evidence that supports any provisions.</p>
<p><i>Acquisition of BMS Collaboration Agreement</i></p> <p>We focused on this area because it was a complex transaction which required the Directors to exercise a significant level of judgement, particularly around the valuation of the assets and liabilities acquired and the timing of their recognition.</p> <p>(Refer also to note 26 to the financial statements.)</p>	<p>We evaluated the Directors' assessment of this transaction as a business combination and discussed the rationale for the accounting principles applied around the timing of recognition of certain assets and liabilities. We obtained management's valuations of the acquired assets and liabilities and evaluated these by comparing management's cash flow forecasts to Board approved plans. In addition we challenged the assumptions supporting the acquisition synergies and tax benefits by comparing these to supporting third party market data, as well as comparing forecasts to historic performance.</p> <p>We performed sensitivity analysis over key drivers within the cash flow forecasts, including revenue, operating profit and estimated synergies, as well as the key assumptions around discount and growth rates. We then considered the likelihood of such movement in these key assumptions arising in assessing the appropriateness of the overall valuations.</p>
<p><i>Risk of Fraud in Revenue Recognition</i></p> <p>ISAs (UK & Ireland) require us to consider the risk of fraud in revenue recognition.</p> <p>As a consumer goods group a large number of sales agreements are entered into with customers with a wide range of terms covering promotions, rebates and discounts which increases complexity. In addition, current economic conditions in certain territories can place increased pressure on management to meet performance targets. Accordingly there is a risk that revenue could be misstated.</p>	<p>We focused our procedures on the occurrence of transactions and whether they were recorded in the period in which the Group became entitled to record revenue. We performed a combination of testing internal controls around revenue recognition and substantive testing of revenue recorded during the year using data analysis and sampling techniques. We tested sales transactions and credit notes raised around the year end and also reviewed significant customer contracts, in order to assess whether the conditions for revenue had been met. We also tested manual journals posted to record revenue to determine whether those postings were consistent with the Group's revenue recognition policy.</p>
<p><i>Risk of Management Override of Internal Controls</i></p> <p>ISAs (UK & Ireland) require that we consider this.</p>	<p>We assessed the overall control environment of the Group, including the 'whistle-blowing' arrangements. We interviewed senior management and the Group's internal audit function and specifically asked for their views on fraud and instances of fraud noted during the year. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested manual journal entries and incorporated an element of unpredictability in the timing of our work and samples in our testing plans.</p>

Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on page 33, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinion on Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other Matters on which we are Required to Report by Exception

Adequacy of Information and Explanations Received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' Remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to Shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 33 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 31, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- The statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other Information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- Materially inconsistent with the information in the audited Group financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the Audit

Our Responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other Matter

We have reported separately on the Parent Company Financial Statements of Reckitt Benckiser Group plc for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mark Gill (Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 London
 7 March 2014

Group Income Statement

For the year ended 31 December	Notes	2013 £m	2012 (restated) ¹ £m
Net revenue	2	10,043	9,567
Cost of sales	3	(4,074)	(4,029)
Gross profit		5,969	5,538
Net operating expenses	3	(3,624)	(3,096)
Operating profit	2	2,345	2,442
Adjusted operating profit		2,616	2,577
Exceptional items	3	(271)	(135)
Operating profit		2,345	2,442
Finance income	6	25	26
Finance expense	6	(56)	(60)
Net finance expense		(31)	(34)
Profit on ordinary activities before taxation		2,314	2,408
Tax on profit on ordinary activities	7	(574)	(583)
Net income		1,740	1,825
Attributable to non-controlling interests		1	4
Attributable to owners of the parent		1,739	1,821
Net income		1,740	1,825
Earnings per ordinary share			
Basic earnings per share	8	242.1p	251.4p
Diluted earnings per share	8	238.5p	248.4p

¹ Refer to note 1 for further details.

Group Statement of Comprehensive Income

For the year ended 31 December	Notes	2013 £m	2012 (restated) ¹ £m
Net income		1,740	1,825
Other comprehensive (expense) / income			
<i>Items that may be reclassified to profit or loss in subsequent years</i>			
Net exchange adjustments on foreign currency translation, net of tax	7	(369)	(255)
Gains on net investment hedges	7	6	–
Gains on cash flow hedges, net of tax	7	13	3
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	7	–	9
		(350)	(243)
<i>Items that will not be reclassified to profit or loss in subsequent years</i>			
Remeasurements of defined benefit pension plans, net of tax	7	41	(41)
		41	(41)
Other comprehensive expense, net of tax		(309)	(284)
Total comprehensive income		1,431	1,541
Attributable to non-controlling interests		1	(1)
Attributable to owners of the parent		1,430	1,542
		1,431	1,541

¹ Refer to note 1 for further details.

Group Balance Sheet

As at 31 December	Notes	2013 £m	2012 (restated) ¹ £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	11,141	11,162
Property, plant and equipment	10	761	736
Deferred tax assets	11	47	49
Available for sale financial assets	14	–	2
Retirement benefit surplus	21	50	27
Other receivables	13	249	33
		12,248	12,009
Current assets			
Inventories	12	746	735
Trade and other receivables	13	1,306	1,407
Derivative financial instruments	14	22	4
Current tax receivables		17	20
Available for sale financial assets	14	2	4
Cash and cash equivalents	15	808	887
		2,901	3,057
Total assets		15,149	15,066
LIABILITIES			
Current liabilities			
Borrowings	16	(2,169)	(3,271)
Provisions for liabilities and charges	17	(215)	(104)
Trade and other payables	20	(2,915)	(2,842)
Derivative financial instruments	14	(159)	(43)
Current tax liabilities		(203)	(203)
		(5,661)	(6,463)
Non-current liabilities			
Borrowings	16	(598)	(3)
Deferred tax liabilities	11	(1,702)	(1,824)
Retirement benefit obligations	21	(301)	(426)
Provisions for liabilities and charges	17	(156)	(100)
Non-current tax liabilities		(329)	(311)
Other non-current liabilities		(66)	(17)
		(3,152)	(2,681)
Total liabilities		(8,813)	(9,144)
Net assets		6,336	5,922
EQUITY			
Capital and reserves			
Share capital	22	74	73
Share premium		243	184
Merger reserve	24	(14,229)	(14,229)
Hedging reserve	24	15	2
Foreign currency translation reserve	24	(494)	(131)
Retained earnings		20,725	20,022
		6,334	5,921
Non-controlling interests		2	1
Total equity		6,336	5,922

¹ Refer to note 26 for further details.

The financial statements on pages 50 to 84 were approved by the Board and signed on its behalf on 7 March 2014 by:

Adrian Bellamy **Rakesh Kapoor**
Director Director

Group Statement of Changes in Equity

Restated ¹	Notes	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012		73	86	(14,229)	(1)	110	19,672	5,711	70	5,781
Comprehensive income										
Net income							1,821	1,821	4	1,825
Other comprehensive (expense) / income										
Remeasurements of defined benefit plans, net of tax	7						(41)	(41)		(41)
Gains on cash flow hedges, net of tax	7				3			3		3
Net exchange losses on foreign currency translation, net of tax	7					(250)		(250)	(5)	(255)
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	7					9		9		9
Total other comprehensive income / (expense)		–	–	–	3	(241)	(41)	(279)	(5)	(284)
Total comprehensive income / (expense)		–	–	–	3	(241)	1,780	1,542	(1)	1,541
Transactions with owners										
Proceeds from share issue			98					98		98
Share-based payments	23						49	49		49
Current tax on share awards							23	23		23
Shares repurchased and held in Treasury	22						(535)	(535)		(535)
Dividends	27						(916)	(916)	(4)	(920)
Acquisition of non-controlling interest							(51)	(51)	(55)	(106)
Reclassification of non-controlling interest on disposal									(9)	(9)
Total transactions with owners		–	98	–	–	–	(1,430)	(1,332)	(68)	(1,400)
Balance at 31 December 2012		73	184	(14,229)	2	(131)	20,022	5,921	1	5,922
Comprehensive income										
Net income							1,739	1,739	1	1,740
Other comprehensive income / (expense)										
Remeasurements of defined benefit plans, net of tax	7						41	41		41
Gains on cash flow hedges, net of tax	7				13			13		13
Net exchange losses on foreign currency translation, net of tax	7					(369)		(369)		(369)
Gains on net investment hedges						6		6		6
Total other comprehensive income / (expense)		–	–	–	13	(363)	41	(309)	–	(309)
Total comprehensive income / (expense)		–	–	–	13	(363)	1,780	1,430	1	1,431
Transactions with owners										
Proceeds from share issue	22	1	59					60		60
Share-based payments	23						55	55		55
Current tax on share awards							16	16		16
Deferred tax on share awards							44	44		44
Shares repurchased and held in Treasury	22						(279)	(279)		(279)
Treasury shares re-issued							79	79		79
Dividends	27						(992)	(992)		(992)
Total transactions with owners		1	59	–	–	–	(1,077)	(1,017)	–	(1,017)
Balance at 31 December 2013		74	243	(14,229)	15	(494)	20,725	6,334	2	6,336

¹ Refer to note 1 for further details.

Group Cash Flow Statement

For the year ended 31 December	Notes	2013 £m	2012 (restated) ¹ £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		2,345	2,442
Depreciation, amortisation and impairment		171	148
Fair value losses/(gains)		1	(7)
Gain on sale of property, plant and equipment and intangible assets		–	(13)
Gain on sale of businesses	26	–	(32)
(Increase)/decrease in inventories		(61)	19
Decrease/(increase) in trade and other receivables		32	(16)
Decrease in payables and provisions		(18)	(167)
Non-cash exceptional items		231	–
Share-based payments		55	49
Cash generated from operations		2,756	2,423
Interest paid		(49)	(34)
Interest received		25	27
Tax paid		(611)	(528)
Net cash generated from operating activities		2,121	1,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(200)	(166)
Purchase of intangible assets		(25)	(11)
Disposal of property, plant and equipment		9	13
Disposal of intangible assets		–	9
Acquisition of businesses, net of cash acquired	26	(418)	(877)
Disposal of businesses, net of cash disposed		–	81
Maturity/(purchase) of short-term investments		2	7
Maturity of long-term investments		2	14
Net cash outflow on deconsolidation of a subsidiary		–	(6)
Net cash used in investing activities		(630)	(936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	22	60	98
Shares purchased and held in Treasury	22	(279)	(535)
Treasury shares re-issued		79	–
Proceeds from borrowings		637	887
Repayments of borrowings		(1,002)	(112)
Dividends paid to owners of the parent	27	(992)	(916)
Dividends paid to non-controlling interest		–	(4)
Acquisition of non-controlling interest	25	(28)	(106)
Net cash used in financing activities		(1,525)	(688)
Net (decrease)/increase in cash and cash equivalents		(34)	264
Cash and cash equivalents at beginning of the year		882	634
Exchange losses		(43)	(16)
Cash and cash equivalents at end of the year		805	882
Cash and cash equivalents comprise:			
Cash and cash equivalents	15	808	887
Overdrafts	16	(3)	(5)
		805	882
RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS			
Net cash generated from operating activities		2,121	1,888
Net purchases of property, plant and equipment		(191)	(153)
Net cash flow from operations		1,930	1,735

¹ Refer to note 1 for further details.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

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

Basis of Preparation and Changes in Accounting Policy

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss. A summary of the Group's more important accounting policies is set out below.

The Directors continue to adopt the going concern basis for accounting in preparing these financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

The Group applies, for the first time, amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement* and IAS 19 (Revised) *Employee Benefits*.

Amendments to IAS 1 require items of other comprehensive income that may be reclassified to profit or loss to be presented separately from items that will never be reclassified. The statement of comprehensive income has been revised accordingly.

IFRS 10 replaces previous guidance on control and consolidation, IFRS 11 requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement, and IFRS 12 requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests

in subsidiaries, associates, joint arrangements and unconsolidated structured entities. These three standards are not mandatory under IFRS as adopted by the EU for the Group until 1 January 2014; however the Group has decided to early adopt the standards as of 1 January 2013. The impact on the Group of applying these standards is not significant.

IFRS 13 explains how to measure fair value and enhances fair value disclosures. The standard does not significantly change the measurement of fair value but codifies it in one place. The impact on the Group is not significant.

The amendments under IAS 36 *Impairment of Assets* in respect of the disclosure requirements have been early adopted.

IAS 19 (Revised) replaces the interest cost on pension scheme liabilities and expected return on pension scheme assets with a net interest amount that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset.

In addition, the Group now treats the net pension scheme interest amount as finance income/expense. Previously the interest cost on pension scheme liabilities and expected return on pension scheme assets were classified in either cost of sales or net operating expenses. The Directors believe that this change provides more relevant information about the performance of the Group and aligns the Group's accounting policies with common industry practice.

These restatements had no impact on the balance sheet and the following impact on the income statement and statement of comprehensive income.

	Year ended 31 December 2012 £m
<i>Group income statement</i>	
Decrease in cost of sales	1
Decrease in net operating expenses	6
Increase in operating profit	7
Increase in finance expense	(19)
Decrease in tax on profit on ordinary activities	4
Decrease in net income	(8)
<i>Group statement of comprehensive income</i>	
Decrease in actuarial losses, net of tax	8
Increase in other comprehensive income	8
Net impact on total comprehensive income	–

Basic, diluted, adjusted basic and adjusted diluted earnings per share decreased by

1.1p for the year ended 31 December 2012 as a result of the adoption of IAS19 (revised). The cash flow statement was restated as a result of the change in operating profit, with an offsetting decrease in payables and provisions.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014 and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

Basis of Consolidation

The consolidated financial statements include the results of Reckitt Benckiser Group plc, a company registered in the UK, and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Reckitt Benckiser Group plc. Control exists where the Group is exposed to, or has the rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

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.

Operating Segments

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

Specific items of income and expense reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment.

Foreign Currency Translation

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

1 ACCOUNTING POLICIES (CONTINUED)

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 year 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 financial statements 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 year.

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 equity on consolidation.

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 and assets under construction, the cost of property, plant and equipment is written off on a straight-line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

- Freehold buildings: not more than 50 years;
- Leasehold land and buildings: the lesser of 50 years or the life of the lease; and
- Owned plant and equipment: not more than 15 years (except for environmental assets which are not more than 20 years).

In general, production plant and equipment and office equipment are written off over ten years or less; motor vehicles and computer equipment over five years or less.

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

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

Business Combinations

The acquisition 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.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and retrospectively applied.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (including intangibles) is recorded as goodwill.

The consideration transferred 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.

Acquisition related costs are expensed as incurred.

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

For acquisitions before 1 January 2010 goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities with acquisition related costs capitalised as part of the cost of acquisition.

Non-controlling Interests

On an acquisition-by-acquisition basis the non-controlling interest is measured at either fair value or a proportionate share of the acquiree's net assets.

Purchases from non-controlling interests are accounted for as transactions with the owners and therefore no goodwill is recognised as a result of such transactions.

Goodwill and Intangible Fixed Assets

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 unit, or group of cash generating units, to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Separately acquired brands are shown at cost less accumulated amortisation and impairment. Brands acquired as part of a business combination are recognised at fair value at the acquisition date, where they are separately identifiable. Brands are amortised over their useful economic life, except when their life is determined as being indefinite.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and sustained and rising marketing investment. Within the Group, 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 unit, or group of 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 these 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, acquired and re-acquired 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 on a straight line basis over a period of seven years for Enterprise Resource Planning systems and five years or less for all other software licences.

Research and Development

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

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

Exceptional Items

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

- Restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities.
- Impairments of current and non-current assets.
- Gains/losses on disposal of businesses.
- Acquisition related costs.
- Costs arising as a result of material and non-recurring regulatory and litigation matters.

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

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

Impairment of Assets

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

1 ACCOUNTING POLICIES (CONTINUED)

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 pre-tax discount rate used in brand impairment reviews is based on a weighted average cost of capital for comparable companies operating in similar markets and geographies as the Group including, where appropriate, an adjustment for the specific risks associated with the relevant cash generating unit.

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) required to get the inventory to its present location and condition. Inventory valuation is determined on a first in, first out (FIFO) basis. Net realisable value is the estimated selling price less applicable selling expenses.

Trade Receivables

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

Cash and Cash Equivalents

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

For the purpose of the cash flow statement, bank overdrafts that form an integral part of the Group's cash management, and are repayable on demand, are included as a component of cash and cash equivalents.

Bank overdrafts are included within borrowings in the balance sheet.

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 in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred 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 tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the investor is able to control the timing of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities within the same tax jurisdiction are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle these balances on a net basis.

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

Past-service costs are recognised immediately in income.

The net interest amount is calculated by applying the discounted rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset.

The net pension scheme interest is presented as finance income/expense.

Post-Retirement Benefits Other Than Pensions

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

Employee Share Schemes

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

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

Provisions

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

Derivative Financial Instruments and Hedging Activity

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

1 ACCOUNTING POLICIES (CONTINUED)

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 other comprehensive income. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item affects 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 other comprehensive income at that time remains in other comprehensive income, 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 other comprehensive income is immediately transferred to the income statement.

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

Net Investment Hedges

Gains and losses on those hedging instruments designated as hedges of the net investments in foreign operations are recognised in other comprehensive income to the extent that the hedging relationship is effective. Gains and losses accumulated in the foreign currency translation reserve are included in the income statement when the foreign operation is disposed of.

Net Revenue

Net revenue is 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 revenue is recognised at the time that the risks and rewards of ownership of the products are 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 property, plant and equipment are 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.

Share Capital Transactions

When the Group purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Purchased 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 would be transferred from retained earnings to the capital redemption reserve.

Dividend Distribution

Dividends to owners of the parent are recognised as a liability in the period in which the dividends are approved by the Company's

Shareholders. Interim dividends are recorded in the period in which they are approved and paid.

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, discount rates and long-term growth rates supporting the net book amount of indefinite life intangible assets at the balance sheet date (refer to note 9). If the actual results should differ, or changes in expectations arise, impairment charges may be required which would adversely impact operating results.
- The continuing enduring nature of the Group's brands supporting the assumed useful lives of these assets (refer to note 9).
- Measurement of intangible assets both in business combinations and other asset acquisitions requires the Group to identify such assets. Assumptions and estimates are made about future cash flows and appropriate discount rates to value identified intangible assets (refer to note 26).
- 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 (refer to note 7).
- 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 (refer to note 11).
- The Group recognises legal provisions in line the Group's provisions policy. The level of provisioning for regulatory investigation is a matter where management and legal judgement is important (refer to note 17).

2 OPERATING SEGMENTS

The Executive Committee is the Group's chief operating decision-maker (CODM). Management has determined the operating segments based on the reports reviewed by the Executive Committee for the purposes of making strategic decisions and assessing performance. The Executive Committee considers the business principally from a geographical perspective, but with the RB Pharmaceuticals (in table referred to as RBP) and Food businesses being managed separately given the significantly different nature of these businesses and the risks and rewards associated with them.

The Group's geographical segments comprise Europe and North America (ENA); Latin America, North Asia, South East Asia and Australia and New Zealand (LAPAC); and Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa (RUMEA). The geographical segments derive their revenue primarily from the manufacture and sale of branded products in the health, hygiene and home categories. RB Pharmaceuticals derives its revenue exclusively from the sales of buprenorphine-based prescription drugs, used to treat opiate dependence and Food derives its revenue from food products primarily sold in ENA.

The Scholl Footwear business, previously reported as part of RUMEA, is now reported as part of ENA. Comparative information has been restated on a consistent basis.

The Executive Committee assesses the performance of the operating segments based on net revenue and operating profit before exceptional items. Finance income and expense are not allocated to segments, as they are managed on a central Group basis.

Specific items of income and expense reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment. For the year ended 31 December 2013 the Corporate segment had £nil profit or loss (2012: £32m – relating primarily to the disposal of the Paras Personal Care business).

Operating Segments

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

	ENA £m	LAPAC £m	RUMEA £m	Food £m	Corporate £m	Total Ex-RBP £m	RBP £m	Total £m
2013								
Net revenue	5,074	2,511	1,356	325	–	9,266	777	10,043
Depreciation, amortisation and impairment	93	48	9	5	–	155	16	171
Adjusted operating profit	1,321	495	284	88	–	2,188	428	2,616
Exceptional items								(271)
Operating profit								2,345
Net finance expense								(31)
Profit on ordinary activities before taxation								2,314
2012 (restated)¹								
Net revenue	4,744	2,327	1,338	321	–	8,730	837	9,567
Depreciation, amortisation and impairment	95	32	8	5	–	140	8	148
Adjusted operating profit	1,156	465	296	92	32	2,041	536	2,577
Exceptional items								(135)
Operating profit								2,442
Net finance expense								(34)
Profit on ordinary activities before taxation								2,408

¹ Restated for Scholl Footwear segment move from RUMEA to ENA (net revenue £66m and operating loss of £7m) and the impact of the accounting policy change discussed in note 1.

2 OPERATING SEGMENTS (CONTINUED)

The Executive Committee reviews net working capital by segment and other assets and liabilities on a Group basis. The split of assets and liabilities by segment provided to the Executive Committee is as follows. Assets and liabilities not presented to the Executive Committee are shown below as a reconciling item.

	ENA £m	LAPAC £m	RUMEA £m	Food £m	RBP £m	Total £m
2013						
Inventories	416	245	99	5	129	894
Trade and other receivables	585	368	208	1	112	1,274
Total segment assets	1,001	613	307	6	241	2,168
Trade and other payables	(1,488)	(675)	(254)	(14)	(261)	(2,692)
2012 (restated)¹						
Inventories	393	250	110	4	108	865
Trade and other receivables	625	363	193	-	178	1,359
Total segment assets	1,018	613	303	4	286	2,224
Trade and other payables	(1,442)	(661)	(269)	(13)	(241)	(2,626)

¹ Restated for Scholl Footwear segment move from RUMEA to ENA (£8m inventory, £24m trade and other receivables, £14m trade and other trade payables).

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

	2013 £m	2012 (restated) ¹ £m
Inventories for operating segments	894	865
Unallocated:		
Elimination of profit on inter-company inventory	(148)	(130)
Total inventories per the balance sheet	746	735
Trade and other receivables for operating segments	1,274	1,359
Unallocated:		
Group items	32	48
Total trade and other receivables per the balance sheet	1,306	1,407
Total inventories and trade and other receivables per the balance sheet	2,052	2,142
Other unallocated assets	13,097	12,924
Total assets per the balance sheet	15,149	15,066
Trade and other payables for operating segments	(2,692)	(2,626)
Unallocated:		
Group items	(223)	(216)
Total trade and other payables per the balance sheet	(2,915)	(2,842)
Other unallocated liabilities	(5,898)	(6,302)
Total liabilities per the balance sheet	(8,813)	(9,144)

Unallocated assets include goodwill and intangible assets, property, plant and equipment, deferred and current tax, available for sale assets, retirement benefit surplus, other receivables, derivative financial assets and cash and cash equivalents. Unallocated liabilities include borrowings, provisions for liabilities and charges, current and deferred tax liabilities, other liabilities and retirement benefit obligations.

¹ Refer to note 26 for further details.

2 OPERATING SEGMENTS (CONTINUED)
Analysis of Categories

The Group analyses its revenue by the following categories:

	Net revenues	
	2013 £m	2012 £m
Health	2,633	2,068
Hygiene	3,835	3,682
Home	1,974	1,966
Portfolio brands	499	693
Food	325	321
	9,266	8,730
RB Pharmaceuticals	777	837
Total	10,043	9,567

Health, hygiene, home and portfolio brands categories are all split across the three geographical segments of ENA, LAPAC and RUMEA. Food (which is sold primarily in ENA) and RB Pharmaceuticals are recognised within their own operating segments.

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

	UK £m	US £m	All other countries £m	Total £m
2013				
Net revenue	676	2,777	6,590	10,043
Goodwill and other intangible assets	1,536	4,212	5,393	11,141
Property, plant and equipment	148	125	488	761
Other receivables	2	30	217	249
2012 (restated) ¹	UK £m	US £m	All other countries £m	Total £m
Net revenue	643	2,480	6,444	9,567
Goodwill and other intangible assets	1,536	4,274	5,352	11,162
Property, plant and equipment	137	124	475	736
Other receivables	4	4	25	33

¹ Refer to note 26 for further details.

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

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

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2013 £m	2012 (restated) ¹ £m
Cost of sales	(4,074)	(4,029)
Distribution costs	(2,467)	(2,314)
Administrative expenses:		
Pharmaceuticals research and development	(47)	(25)
Other research and development	(152)	(146)
Other	(692)	(489)
Total administrative expenses	(891)	(660)
Other net operating income	5	13
Exceptional items	(271)	(135)
Net operating expenses	(3,624)	(3,096)

¹ Refer to note 1 for further details.

Total foreign exchange losses of £16m (2012: £nil) 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.

Exceptional items	2013 £m	2012 £m
Legal provision	225	–
Acquisition, integration and restructuring costs	46	135
Total exceptional items	271	135

The Group incurred an exceptional charge of £271m during the year in respect of the following:

- £225m legal provision for historic regulatory issues (2012: £nil). Refer to note 17.
- £46m restructuring costs in relation to the new organisation, acquisition and integration costs (2012: £135m relating to the new organisation, acquisition and integration costs, and withdrawal of private label). This consists primarily of redundancy and business integration costs which have been included within operating expenses.

4 AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's Auditor and its associates.

	2013 £m	2012 £m
Audit services pursuant to legislation		
Audit of the Group's annual accounts	1.8	1.9
Audit of the accounts of the Group's subsidiaries	3.8	3.8
Audit related assurance services	0.3	0.4
Total audit and audit related services	5.9	6.1
Fees payable to the Company's Auditor and its associates for other services:		
Taxation compliance services	0.5	0.2
Taxation advisory services	1.7	4.3
Other assurance services	0.2	0.2
All other non-audit services	0.4	0.1
Total non-audit services	2.8	4.8
	8.7	10.9

Included in the above is £0.1m (2012: £0.1m) in relation to the audit of the financial statements of associated pension schemes of the Group.

5 EMPLOYEES

	Notes	2013 £m	2012 (restated) ¹ £m
(a) Staff costs			
The total employment costs, including Directors, were:			
Wages and salaries		1,026	958
Social security costs		197	170
Net pension costs (excluding net pension interest)	21	51	43
Share-based payments	23	55	49
		1,329	1,220

¹ Net pension costs have been restated to exclude net pension scheme interest now included in net finance expense. Wages and salaries restated on a consistent basis with 2013. Refer to note 1 for further details.

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 34 to 46, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2013 £m	2012 £m
Short-term employee benefits	17	11
Post-employment benefits	1	1
Share-based payments	14	15
Termination benefits	1	4
	33	31

Termination benefits and share-based payments include contractual commitments made to key management in 2013, comprising cash payments and shares to vest in 2014.

(b) Staff numbers

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

	2013 '000	2012 '000
ENA	12.5	13.9
RUMEA	7.6	7.1
LAPAC	15.1	13.7
RB Pharmaceuticals	0.7	0.6
Other	1.2	0.6
	37.1	35.9

6 NET FINANCE EXPENSE

	2013 £m	2012 (restated) ¹ £m
Finance income		
Interest income on cash and cash equivalents	25	26
Total finance income	25	26
Finance expense		
Interest payable on borrowings	(31)	(30)
Net pension scheme interest	(8)	(19)
Amortisation of issue costs of bank loans	(11)	(6)
Other finance expense	(6)	(5)
Total finance expense	(56)	(60)
Net finance expense	(31)	(34)

¹ Refer to note 1 for further details.

7 INCOME TAX EXPENSE

	2013 £m	2012 (restated) ¹ £m
Current tax	712	662
Prior year adjustments	(52)	(21)
Total current tax	660	641
Origination and reversal of temporary differences	9	22
Impact of changes in tax rates	(95)	(80)
Total deferred tax (note 11)	(86)	(58)
Tax on profit on ordinary activities	574	583

¹ Refer to note 1 for further details.

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for the year ended 31 December 2013 are taxed at an effective rate of 23.25% (2012: 24.5%).

UK income tax of £124m (2012: £138m) is included within current tax and is calculated at 23.25% (2012: 24.5%) 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:

	2013 £m	2012 (restated) ¹ £m
Profit on ordinary activities before taxation	2,314	2,408
Tax at the notional UK corporation tax rate of 23.25% (2012: 24.5%)	538	590
Effects of:		
Tax at rates other than the UK corporation tax rate	(67)	10
Adjustments to amounts carried in respect of unresolved tax matters	160	77
Incurrence/(utilisation) of tax losses	1	7
Withholdings and local taxes	21	16
Adjustment in respect of prior periods	(9)	(58)
Impact of changes in tax rates	(95)	(80)
Exceptional items	20	8
Other permanent differences	5	13
Tax on profit on ordinary activities	574	583

¹ Refer to note 1 for further details.

The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

Following the enactment of legislation in the UK to reduce the corporation tax rate to 21% from 1 April 2014, the total tax charge in 2013 includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change is a £95m reduction in the tax charge in the income statement. The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2013			2012 (restated) ¹		
	Before tax £m	Tax credit/ (charge) £m	After tax £m	Before tax £m	Tax credit/ (charge) £m	After tax £m
Net exchange adjustments on foreign currency translation	(369)	–	(369)	(256)	1	(255)
Gains on cash flow and net investment hedges	19	–	19	4	(1)	3
Reclassification of foreign currency translation reserve on disposal of subsidiary	–	–	–	9	–	9
Remeasurement of defined benefit pension plans (note 21)	68	(27)	41	(52)	11	(41)
Other comprehensive income	(282)	(27)	(309)	(295)	11	(284)
Current tax		–			(2)	
Deferred tax (note 11)		(27)			13	
		(27)			11	

¹ Refer to note 1 for further details.

The tax credited directly to the statement of changes in equity during the year is as follows:

	2013 £m	2012 £m
Current tax	16	23
Deferred tax (note 11)	44	–
	60	23

8 EARNINGS PER SHARE

	2013 pence	2012 (restated) ¹ pence
Basic earnings per share	242.1	251.4
Diluted earnings per share	238.5	248.4
Adjusted basic earnings per share	273.8	266.5
Adjusted diluted earnings per share	269.8	263.3

¹ Refer to note 1 for further details.

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent (2013: £1,739m (2012: £1,821m)) by the weighted average number of ordinary shares in issue during the year (2013: 718,384,234 (2012: 724,238,235)).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: Executive Share Options and Employee Sharesave schemes. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2013, there were 4 million (2012: 4 million) of Executive Share Options not included within the dilution because the exercise price for the options was greater than the average share price for the year.

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

Details of the adjusted net income attributable to owners of the parent are as follows:

	2013 £m	2012 (restated) ¹ £m
Net income attributable to owners of the parent	1,739	1,821
Exceptional items	271	135
Tax effect of exceptional items	(43)	(26)
Adjusted net income attributable to owners of the parent	1,967	1,930

	2013 Average number of shares	2012 Average number of shares
On a basic basis	718,384,234	724,238,235
Dilution for Executive Options outstanding and Executive Restricted Share Plan	9,829,873	8,098,123
Dilution for Employee Sharesave Scheme Options outstanding	838,787	659,327
On a diluted basis	729,052,894	732,995,685

¹ Refer to note 1 for further details.

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2013	7,757	3,335	57	235	11,384
Additions	1	–	21	3	25
Arising on business combinations	113	71	–	57	241
Disposals	–	–	(2)	–	(2)
Exchange adjustments	(154)	(94)	–	(12)	(260)
At 31 December 2013	7,717	3,312	76	283	11,388
Accumulated amortisation and impairment					
At 1 January 2013	82	28	22	90	222
Amortisation and impairment charge	3	–	1	27	31
Disposals	–	–	(2)	–	(2)
Exchange adjustments	1	(1)	(1)	(3)	(4)
At 31 December 2013	86	27	20	114	247
Net book amount at 31 December 2013	7,631	3,285	56	169	11,141

	Brands (restated) ¹ £m	Goodwill (restated) ¹ £m	Software £m	Other £m	Total (restated) ¹ £m
Cost					
At 1 January 2012	7,106	3,080	48	236	10,470
Additions	2	–	9	–	11
Arising on business combinations	884	357	–	–	1,241
Disposals	(37)	(17)	–	–	(54)
Exchange adjustments	(198)	(85)	–	(1)	(284)
At 31 December 2012	7,757	3,335	57	235	11,384
Accumulated amortisation and impairment					
At 1 January 2012	80	30	21	81	212
Amortisation and impairment charge	3	–	1	9	13
Disposals	–	(1)	–	–	(1)
Exchange adjustments	(1)	(1)	–	–	(2)
At 31 December 2012	82	28	22	90	222
Net book amount at 31 December 2012	7,675	3,307	35	145	11,162
Net book amount at 1 January 2012	7,026	3,050	27	155	10,258

¹ Refer to note 26 for further details.

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

Software includes intangible assets under construction of £52m (2012: £31m).

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 therefore 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 amounts of indefinite and finite life intangible assets are as follows:

Net book amount	2013 £m	2012 (restated)¹ £m
Indefinite life assets:		
Brands	7,606	7,650
Goodwill	3,285	3,307
Other	39	36
Total indefinite life assets	10,930	10,993
Finite life assets:		
Brands	25	25
Software	56	35
Other	130	109
Total finite life assets	211	169
Total net book amount of intangible assets	11,141	11,162

¹ Refer to note 26 for further details.

9 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Goodwill and other intangible assets with indefinite lives are allocated to a cash generating unit or a group of cash generating units (together 'CGU') for the purposes of impairment testing.

Cash Generating Units

After considering all the evidence available, including how brand and production assets generate cash inflows and how management monitors the business, the Directors have concluded that the Group's CGUs are health (sexual wellbeing), health (VMS), health (other), hygiene, home, and food.

Integration of the Schiff business was ongoing but not completed by year end. As a result this business continued to be treated as its own CGU, health (VMS). This CGU will be reassessed following the completion of integration into the Group's operations in 2014.

An analysis of the net book amount of indefinite life assets and goodwill by CGU is shown below:

CGU	Key brands	2013			2012 (restated) ¹		
		Indefinite life assets £m	Goodwill £m	Total £m	Indefinite life assets £m	Goodwill £m	Total £m
Health (sexual wellbeing)	Durex	1,915	956	2,871	1,952	976	2,928
Health (other)	Gaviscon, Mucinex, Nurofen, Scholl, Strepsils	3,036	1,786	4,822	2,926	1,783	4,709
Health (VMS)	Airborne, MegaRed, Move Free	801	352	1,153	815	357	1,172
Hygiene	Bang, Clearasil, Dettol, Finish, Harpic, Lysol, Mortein, Veet	1,082	149	1,231	1,176	149	1,325
Home	Air Wick, Calgon, Vanish, Woolite	781	42	823	786	42	828
Food	French's	30	–	30	31	–	31
		7,645	3,285	10,930	7,686	3,307	10,993

¹ Refer to note 26 for further details.

Indefinite life assets allocated to the Food CGU are not considered significant relative to the Group's total indefinite life assets. As such the disclosures below do not include discussion on the assumptions specific to Food.

Annual Impairment Review Key Assumptions

The annual impairment review for goodwill and other intangible assets with indefinite lives is based on an assessment of each CGU's value in use. Value in use is calculated from cash flow projections, based on historical operating results and short-term budgets and medium-term business plans approved by management covering a four-year period with an extrapolated fifth year. These projections exclude any estimated future cash inflows or outflows expected to arise from restructuring not yet implemented.

Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rates stated below. Individual long-term growth rates are applied to each product type within a CGU, and as such ranges are provided in some cases below. The long-term growth rates applied do not exceed the long-term average growth rate for the market and countries in which the CGU operates.

Management has assessed the appropriate discount rate for each individual CGU, using a Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group as the base discount rate, adjusted for risks specific to each CGU. Due to the similar geographic and product diversification of their respective markets and risks associated with each CGU, a pre-tax discount rate of 11% was determined for each of the health (sexual wellbeing), health (other), hygiene and home CGUs (2012: 11%). Health (VMS) is predominantly concentrated in one market, being the US. Therefore a pre-tax discount rate of 14% was applied, reflecting the increased risk associated with this CGU from its market concentration and the fact that this is a relatively new business to the Group.

Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, revenue growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands. The cash flow projections also take account of the expected impact from new product initiatives, efficiency initiatives and the maturity of the markets in which each CGU operates. These key assumptions are based on past performance and our experience of volumes, growth rates and prices in our key markets.

CGU	Growth %	Pre-tax discount rate %
Health (sexual wellbeing)	4	11
Health (VMS)	2.5	14
Health (other)	1-4	11
Hygiene	0-4	11
Home	0-2	11

Impairment Review

In October 2013 an impairment review was performed by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. No impairment was considered necessary. There were no significant changes in the period subsequent to the review.

Any reasonably possible change in the key assumptions on which the recoverable amounts of the health (sexual wellbeing), health (other), hygiene and home CGUs is based would not imply an impairment.

With a recoverable amount exceeding its carrying value by £19m, the health (VMS) CGU is the most sensitive to reasonably possible changes to key assumptions. This is expected of a recent acquisition where the acquired intangible assets were valued at fair value and updated at the end of the hindsight period in December 2013. Any significant change in assumptions could cause the carrying value to exceed the recoverable amount. For example, if all other assumptions were held constant, a reduction of 100 bps of the assumed compound annual growth rate in undiscounted net cash flows would result in the carrying value of this CGU exceeding its recoverable amount by £15m. Management expects that the completion of the integration of the business with the health (other) CGU in 2014 will realise planned synergies and hence minimise the risk of impairment.

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2013	525	1,285	1,810
Additions	28	172	200
Arising on business combination	1	4	5
Disposals	(4)	(44)	(48)
Reclassifications	46	(46)	–
Exchange adjustments	(20)	(49)	(69)
At 31 December 2013	576	1,322	1,898
Accumulated depreciation and impairment			
At 1 January 2013	205	869	1,074
Charge for the year	29	111	140
Disposals	(4)	(35)	(39)
Exchange adjustments	(6)	(32)	(38)
At 31 December 2013	224	913	1,137
Net book amount at 31 December 2013	352	409	761

	Land and buildings (restated) ¹ £m	Plant and equipment (restated) ¹ £m	Total (restated) ¹ £m
Cost			
At 1 January 2012	512	1,272	1,784
Additions	13	153	166
Arising on business combination	1	7	8
Disposals	(8)	(65)	(73)
Deconsolidation of subsidiary	(2)	(9)	(11)
Reclassifications	21	(21)	–
Exchange adjustments	(12)	(52)	(64)
At 31 December 2012	525	1,285	1,810
Accumulated depreciation and impairment			
At 1 January 2012	189	863	1,052
Charge for the year	24	111	135
Disposals	(3)	(57)	(60)
Deconsolidation of subsidiary	(1)	(6)	(7)
Exchange adjustments	(4)	(42)	(46)
At 31 December 2012	205	869	1,074
Net book amount at 31 December 2012	320	416	736
Net book amount at 1 January 2012	323	409	732

¹ Refer to note 26 for further details.

The net book amount of assets under construction is £60m (2012: £62m). Assets under construction are included within plant and equipment.

The reclassification from plant and equipment to land and buildings of £46m (2012: £21m) shows the transfer of completed assets.

Capital expenditure which was contracted but not capitalised at 31 December 2013 was £30m (2012: £20m).

11 DEFERRED TAX

	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences (restated) ¹ £m	Tax losses £m	Retirement benefit obligations (restated) ² £m	Total £m
Deferred tax liabilities						
At 1 January 2012	19	1,979	(184)	(6)	(36)	1,772
Charged/(credited) to the income statement	12	(92)	(29)	–	(51)	(160)
Credited to other comprehensive income	–	–	–	–	(10)	(10)
Arising on business combination	1	299	(13)	(9)	–	278
Disposal of business	–	(15)	–	–	–	(15)
Exchange differences	(1)	(46)	4	–	2	(41)
At 31 December 2012	31	2,125	(222)	(15)	(95)	1,824
Charged/(credited) to the income statement	(11)	(96)	–	5	17	(85)
Charged/(credited) to other comprehensive income	–	–	–	–	27	27
Charged/(credited) directly to equity	–	–	(44)	–	–	(44)
Arising on business combination	–	37	(12)	–	–	25
Exchange differences	–	(42)	2	–	(5)	(45)
At 31 December 2013	20	2,024	(276)	(10)	(56)	1,702

¹ Refer to note 26 for further details.

² Refer to note 1 for further details.

	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets						
At 1 January 2012	(5)	(16)	82	32	57	150
Credited/(charged) to the income statement	14	8	(44)	(32)	(48)	(102)
Credited to other comprehensive income	–	–	2	–	1	3
Exchange differences	–	1	(2)	–	(1)	(2)
At 31 December 2012	9	(7)	38	–	9	49
(Charged)/credited to the income statement	–	(6)	8	–	(1)	1
Exchange differences	–	–	(3)	–	–	(3)
At 31 December 2013	9	(13)	43	–	8	47

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

Certain deferred tax assets in respect of overseas corporation tax losses and other temporary differences totalling £163m (2012: £152m) have not been recognised at 31 December 2013 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes reasonably certain.

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.

12 INVENTORIES

	2013 £m	2012 £m
Raw materials and consumables	155	157
Work in progress	35	27
Finished goods and goods held for resale	556	551
Total inventories	746	735

The cost of inventories recognised as an expense and included as cost of sales amounted to £3,849m (2012: £3,821m). This includes inventory write offs and losses of £46m (2012: £23m).

The Group inventory provision at 31 December 2013 was £69m (2012: £81m).

13 TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2013 £m	2012 £m
Trade receivables	1,173	1,269
Less: Provision for impairment of receivables	(44)	(47)
Trade receivables – net	1,129	1,222
Other receivables	126	131
Prepayments and accrued income	51	54
	1,306	1,407

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

As at 31 December 2013, trade receivables of £77m (2012: £92m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2013 £m	2012 £m
Up to 3 months	77	92

As at 31 December 2013, trade receivables of £71m (2012: £77m) were considered to be impaired. The amount of provision at 31 December 2013 was £44m (2012: £47m). It was assessed that a portion of the receivables is expected to be recovered due to the nature and historical collection of trade receivables. The ageing analysis of these receivables is as follows:

	2013 £m	2012 £m
Up to 3 months	33	37
Over 3 months	38	40
	71	77

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

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

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

	2013 £m	2012 £m
Sterling	101	99
Euro	282	305
US dollar	283	388
Brazil Real	107	89
Other currencies	533	526
	1,306	1,407

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

Non-current other receivables at 31 December 2013 were £249m (2012: £33m). £203m relates to a prepayment for an option to acquire legal title to intellectual property (refer to note 26). The remaining balance relates to other non-current prepayments and receivables due after one year.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
Financial Instruments by Category

At 31 December 2013	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Short-term deposits ¹	–	–	–	2	2	2
Trade and other receivables ²	1,275	–	–	–	1,275	1,275
Derivative financial instruments – FX forward exchange contracts	–	16	6	–	22	22
Cash and cash equivalents	808	–	–	–	808	808

		Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet						
Borrowings (excluding finance lease obligations and bond) ³		–	–	2,167	2,167	2,167
US\$1bn bond (two tranches of US\$500m at 2.125% and 3.625% respectively) ⁴		–	–	595	595	597
Finance lease obligations ³		–	–	5	5	5
Derivative financial instruments – FX forward exchange contracts		–	159	–	159	159
Trade and other payables ⁵		–	–	2,768	2,768	2,768
Other non-current liabilities ^{5,6}		–	–	45	45	45

At 31 December 2012	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Auction rate securities ⁷	–	–	–	2	2	2
Short-term deposits ¹	–	–	–	4	4	4
Trade and other receivables ²	1,366	–	–	–	1,366	1,366
Derivative financial instruments – FX forward exchange contracts	–	4	–	–	4	4
Cash and cash equivalents	887	–	–	–	887	887

		Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet						
Borrowings (excluding finance lease obligations) ³		–	–	3,269	3,269	3,269
Finance lease obligations ³		–	–	5	5	5
Derivative financial instruments – FX forward exchange contracts		43	–	–	43	43
Trade and other payables ⁵		–	–	2,698	2,698	2,698
Other non-current liabilities ^{5,6}		–	–	17	17	17

¹ These short-term deposits do not meet the requirements to be classified as cash equivalents as they have maturities greater than three months. They are however highly liquid assets.

² Prepayments and accrued income and employee benefit assets are excluded from the trade and other receivables balance as the analysis above is required only for financial instruments.

³ The categories in this disclosure are determined by IAS 39. Finance leases are outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

⁴ The fair value of bonds at 31 December 2013 is a liability of £597m (2012: £nil). This value is derived using a quoted market rate in an active market (level 1 classification).

⁵ Social security liabilities and other employee benefit liabilities are excluded as the analysis above is required only for financial instruments.

⁶ Included in other non-current liabilities is £21m (2012: £12m) to purchase the remaining shares of Shanghai Manon Trading Company Limited.

⁷ These investments are auction rate securities issued by US state authorities, denominated in US dollars with redemption dates falling beyond 2013. They are typically traded on a secondary market, however due to the inactivity of this market there was uncertainty over whether they were likely to be redeemed within one year and therefore were classified as non-current in 2012.

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

The fair value measurement hierarchy levels have been defined as follows:

- 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- 3 Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair value of forward foreign exchange contracts at 31 December 2013 is a liability of £159m (2012: £43m) and an asset of £22m (2012: £4m). This value is determined using forward exchange rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification).

As the value of level 3 instruments at 31 December 2013 is not material (2012: not material), no further level 3 disclosures have been made.

The Group has forward foreign exchange contracts that are subject to enforceable master netting arrangements which are not netted in the balance sheet. The value of these contracts at 31 December 2013 is a liability of £137m (2012: £39m). This figure consisted of assets of £22m (2012: £4m) and liabilities of £159m (2012: £43m).

The Group also has cash which is subject to a right of offset. As at 31 December 2013 the value of this cash was £27m (2012: £63m) of which consisted of assets of £34m (2012: £63m) and overdrafts of £7m (2012: £nil). As at 31 December 2013 the value of cash assets outside of netting agreements was £774m (2012: 824m) and the value of overdrafts outside of netting agreements was £3m (2012: £5m).

Financial Risk Management

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

The Group's financing and financial risk management activities are centralised into Group Treasury (GT) to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT 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. GT operates under the close control of the CFO and is subject to periodic independent reviews and audits, both internal and external.

1. Market Risk

(a) Foreign exchange risk

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

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

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans.

The local business units enter into forward foreign exchange contracts with GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2013 was £5,287m payable (2012: £4,303m payable).

The Group has designated bonds totalling \$1,000m (£597m) as the hedging instrument in a net investment hedge relationship. The hedged risk is the foreign exchange currency risk on the value of the Group's net investment in assets and liabilities denominated in US dollars. The net gain or loss under this arrangement is recognised in other comprehensive income. The net effect on other comprehensive income for the year ended 31 December 2013 was a £6m gain (2012: £nil).

Cash Flow Hedge Profile

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

	2013 £m	2012 £m
Euro	319	90
Australian dollar	177	90
Singapore dollar	120	43
Sterling	98	–
Canadian dollar	–	60
US dollars	32	1
Other	60	55
	806	339

These forward foreign exchange contracts are expected to mature over the period January 2014 to January 2015 (2012: January 2013 to January 2014).

There is no ineffective portion recognised in the income statement arising from cash flow hedges (2012: £nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2013 of £13m gain (2012: £3m gain) are recognised in the income statement in the year or years during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date.

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

In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship, with all others held constant, does not have a significant effect on the income statement or Shareholders' equity. A fluctuation analysis has been performed for all currencies. The largest potential fluctuation would be in respect of forward contracts between the Australian dollar and the Singapore dollar. If the Singapore dollar had strengthened/weakened by 5% against the Australian dollar, with all other variables held constant, the impact on Shareholders' equity would have been £12m (2012: less than £1m). As at 31 December 2013 if all other currencies had strengthened/weakened by 5% against Sterling with all other variables held constant, this would have had an immaterial effect on the income statement or Shareholders' equity (2012: immaterial).

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the local functional currency or are transferred to the functional currency of the Group through the use of derivatives.

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

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

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full year and pre-tax basis.

The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the income statement of a 50 basis-point shift in interest rates would be a maximum increase of £11m (2012: £9m) or decrease of £11m (2012: £9m), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

2. Credit Risk

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

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

Counterparty Risk

Counterparty	2013			2012		
	Credit rating	Limit £m	Exposure £m	Credit rating	Limit £m	Exposure £m
Bank A	AA-	200	142	AA	175	157
Bank B	A+	150	113	A	125	125
Bank C	A	125	97	A	100	89
Bank D	AAA	300	92	–	–	–
Bank E	A+	150	83	A	125	97
Bank F	A+	150	79	–	–	–
Bank G	A	125	78	A	100	64
Bank H	A-	75	59	A	75	36
Bank I	A-	75	57	A	100	36
Bank J	A	125	52	A	100	84

3. Liquidity Risk

Cash flow forecasting is performed by the local business units and aggregated by GT. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or better.

Borrowing Facilities

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations.

At the end of 2013, the Group had, in addition to its long-term debt of £598m (2012: £3m), committed borrowing facilities totalling £4,350m (2012: £4,000m), of which £3,500m exceeded 12 months' maturity. Of the total facilities at the year end, £nil (2012: £nil) was utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

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

	2013 £m	2012 £m
Undrawn committed borrowing facilities:		
Expiring within one year	850	400
Expiring between one and two years	500	850
Expiring after more than two years	3,000	2,750
	4,350	4,000

All borrowing facilities are at floating rates of interest.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Headroom between net debt and available facilities at 31 December 2013 was £2,254m (2012: £1,574m).

The Group's borrowing limit at 31 December 2013 calculated in accordance with the Articles of Association was £61,689m (2012: £60,468m).

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

	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2013					
Commercial paper	(2,159)	(2,159)	–	–	–
Bonds	(744)	(17)	(17)	(354)	(356)
Other borrowings	(22)	(19)	–	(3)	–
Trade payables	(991)	(991)	–	–	–
Other payables	(1,826)	(1,777)	(15)	(34)	–
At 31 December 2012					
Commercial paper	(3,250)	(3,250)	–	–	–
Other borrowings	(24)	(21)	–	(3)	–
Trade payables	(948)	(948)	–	–	–
Other payables	(1,767)	(1,750)	–	(17)	–

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

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2013				
Forward exchange contracts				
Outflow	(5,240)	(47)	–	–
Inflow	5,099	47	–	–
At 31 December 2012				
Forward exchange contracts				
Outflow	(4,233)	(70)	–	–
Inflow	4,190	70	–	–

4. Capital Management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments (refer to note 16). Total equity includes share capital, reserves and retained earnings as shown in the consolidated balance sheet.

	2013 £m	2012 £m
Net debt (note 16)	2,096	2,426
Total equity	6,336	5,922
	8,432	8,348

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

In maintaining an appropriate capital structure and providing returns for Shareholders, the Company provided returns to Shareholders in 2013 in the form of dividends and the buy back of shares. Refer to notes 27 and 22 respectively.

The Group monitors net debt and at year end the Group had net debt of £2,096m (2012: £2,426m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

15 CASH AND CASH EQUIVALENTS

	2013 £m	2012 £m
Cash at bank and in hand	304	371
Short-term bank deposits	504	516
Cash and cash equivalents	808	887

The Group operates in a number of territories, where there are either foreign currency exchange restrictions or where it is difficult for the Group to extract cash readily and easily in the short-term. As a result £109m (2012: £115m) of cash included in cash and cash equivalents is restricted for use by the Group.

16 FINANCIAL LIABILITIES – BORROWINGS

	2013 £m	2012 £m
Current		
Bank loans and overdrafts ¹	18	19
Commercial paper ²	2,149	3,250
Finance lease obligations	2	2
	2,169	3,271
Non-current		
Bonds	595	–
Finance lease obligations	3	3
	598	3

¹ Bank loans are denominated in a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.

² Commercial paper was issued in US dollars, is unsecured and bears interest based on relevant LIBOR equivalent.

	2013 £m	2012 £m
Maturity of debt		
Bank loans and overdrafts repayable:		
Within one year or on demand	18	19
Other borrowings repayable:		
Within one year:		
Commercial paper	2,149	3,250
Finance leases	2	2
Between two and five years:		
Bonds	299	–
Finance leases (payable by instalments)	3	3
Over five years:		
Bonds	296	–
	2,749	3,255
Gross borrowings (unsecured)	2,767	3,274

	2013 £m	2012 £m
Analysis of net debt		
Cash and cash equivalents	808	887
Overdrafts	(3)	(5)
Borrowings (excluding overdrafts)	(2,764)	(3,269)
Current available for sale financial assets	2	4
Derivative financial instruments	(139)	(43)
	(2,096)	(2,426)

	2013 £m	2012 £m
Reconciliation of net debt		
Net debt at beginning of year	(2,426)	(1,795)
Net (decrease)/increase in cash and cash equivalents	(34)	264
Repayment of borrowings	1,002	112
Proceeds from borrowings	(637)	(887)
Borrowings acquired in business combination	–	(99)
Exchange and other movements	(1)	(21)
Net debt at end of year	(2,096)	(2,426)

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2012 (restated) ¹	34	30	114	178
Charged to the income statement	26	123	16	165
Arising on business combination	7	–	14	21
Utilised during the year	(8)	(87)	(41)	(136)
Released to the income statement	–	–	(23)	(23)
Exchange adjustments	–	–	(1)	(1)
At 31 December 2012 (restated) ²	59	66	79	204
Charged to the income statement	241	9	30	280
Arising on business combination	–	–	21	21
Utilised during the year	(9)	(39)	(40)	(88)
Released to the income statement	(6)	(12)	(29)	(47)
Exchange adjustments	1	–	–	1
At 31 December 2013	286	24	61	371

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

	2013 £m	2012 (restated) ² £m
Current	215	104
Non-current	156	100
	371	204

¹ Provisions previously reported as 'Other provisions' have now been reported as 'Legal' and 'Other' provisions.

² Refer to note 26 for further details.

Provisions are recognised when the Group has a present 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.

Legal provisions include £222m (2012: £nil) of exceptional legal provisions in relation to a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries.

The restructuring provision relates principally to redundancies, the majority of which is expected to be utilised within one year.

Other provisions include onerous lease provisions expiring between 2014 and 2016 of £6m (2012: £7m) and environmental and other obligations throughout the Group, the majority of which are expected to be used within five years.

18 OPERATING LEASE COMMITMENTS

	2013 £m	2012 £m
Total future minimum lease payments under non-cancellable operating leases due:		
Within one year	57	37
Later than one and less than five years	90	72
After five years	23	32
	170	141

Operating lease rentals charged to the income statement in 2013 were £71m (2012: £54m).

As at 31 December 2013, total amounts expected to be received under non-cancellable sub-lease arrangements were £4m (2012: £5m).

Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2012: £2m).

19 CONTINGENT LIABILITIES

Contingent liabilities comprising guarantees relating to subsidiary undertakings, at 31 December 2013 amounted to £1m (2012: £3m).

The Group is involved in a number of investigations by government authorities and has made provisions for such investigations, where appropriate. Where it is too early to determine the likely outcome of these matters, the Directors have made no provision for such potential liabilities.

The Group from time to time is involved in disputes in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case.

20 TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Trade payables	991	948
Other payables	127	119
Other tax and social security payable	112	98
Accruals	1,685	1,677
	2,915	2,842

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS

The Group operates a number of defined benefit and defined contribution pension plans around the world covering many of its employees, which are principally funded. The Group's most significant defined benefit pension plan (UK) is a final salary plan, which closed to new entrants in 2005. As at 31 December 2013 there were 6,902 (2012: 6,843) participants receiving benefits, 5,949 (2012: 6,168) participants with deferred benefits and 365 (2012: 516) active participants. Trustees of the plan are appointed by the Group, active members and pensioner membership, and are responsible for the governance of the plan, including paying all administrative costs and compliance with regulations. The plan is funded by the payment of contributions to the plan's Trust, which is a separate entity from the rest of the Group. The Group also operates a number of other post-retirement plans in certain countries. The major plan is in the US (US Retiree Health Care Plan), where salaried participants become eligible for retiree health care benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. This plan closed to new members in 2009. As at 31 December 2013 there were 2,422 (2012: 2,691) eligible retirees and 1,061 (2012: 1,193) current employees potentially eligible. A Benefits Committee of the plan is appointed by the Group, and is responsible for the governance of the plan, including paying all administrative costs and compliance with regulations. This plan is unfunded.

	2013 £m	2012 (restated) ¹ £m
Balance sheet assets for:		
Other	50	27
Asset in balance sheet	50	27
Balance sheet obligations for:		
UK	(68)	(177)
US (medical)	(117)	(128)
Other	(116)	(121)
Liability in balance sheet	(301)	(426)
Net pension liability	(251)	(399)
Income statement charge included in operating profit for²:		
Defined contribution plans	27	25
Defined benefit plans (net charge excluding interest)		
UK	9	8
US (medical)	3	(1)
Other	12	11
Total pension costs recognised in operating profit (note 5)	51	43
Income statement charge included in net finance expense (note 6)	8	19
Income statement charge included in profit on ordinary activities before tax	59	62
Remeasurements (gains)/losses for:		
UK	(25)	34
US (medical)	(12)	2
Other	(31)	16
	(68)	52

¹ Refer to note 1 for further details.

² The income statement charge included within operating profit includes current service cost, administrative costs, past service costs and gains and losses on settlement and curtailment.

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

	2013				2012 (restated) ¹			
	UK £m	US (medical) £m	Other £m	Total £m	UK £m	US (medical) £m	Other £m	Total £m
Present value of funded obligations	(1,223)	–	(258)	(1,481)	(1,181)	–	(257)	(1,438)
Fair value of plan assets	1,155	–	303	1,458	1,004	–	277	1,281
(Deficit)/surplus of funded plans	(68)	–	45	(23)	(177)	–	20	(157)
Present value of unfunded obligations	–	(117)	(111)	(228)	–	(128)	(114)	(242)
Liability in balance sheet	(68)	(117)	(66)	(251)	(177)	(128)	(94)	(399)

¹ Refer to note 1 for further details.

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

The movement in the Group's net liability is as follows:

	Present value of obligation				Fair value of plan assets			
	UK £m	US (medical) £m	Other £m	Total £m	UK £m	US (medical) £m	Other £m	Total £m
At 1 January 2012 (restated) ¹	1,092	133	357	1,582	(896)	–	(216)	(1,112)
Current service cost	8	3	11	22	–	–	–	–
Curtailment gain	–	(4)	–	(4)	–	–	–	–
Interest expense/(income)	51	6	14	71	(42)	–	(10)	(52)
	59	5	25	89	(42)	–	(10)	(52)
Remeasurements:								
- Return on plan assets, excluding amounts included in interest income	–	–	–	–	(41)	–	(6)	(47)
- (Gain)/loss from changes in demographic assumptions	(4)	(3)	–	(7)	–	–	–	–
- (Gain)/loss from change in assumptions	85	13	9	107	–	–	–	–
- Experience losses/(gains)	(6)	(8)	13	(1)	–	–	–	–
	75	2	22	99	(41)	–	(6)	(47)
Exchange differences	–	(6)	(13)	(19)	–	–	10	10
Contributions – employees	1	–	–	1	(1)	–	–	(1)
Contributions – employers	–	–	–	–	(70)	(6)	(75)	(151)
Payments from plans:								
- Benefit payments	(46)	(6)	(20)	(72)	46	6	20	72
As at 31 December 2012 (restated) ¹	1,181	128	371	1,680	(1,004)	–	(277)	(1,281)

¹ Refer to note 1 for further details.

At 1 January 2013	1,181	128	371	1,680	(1,004)	–	(277)	(1,281)
Current service cost	9	3	12	24	–	–	–	–
Interest expense/(income)	50	5	12	67	(44)	–	(15)	(59)
	59	8	24	91	(44)	–	(15)	(59)
Remeasurements:								
- Return on plan assets, excluding amounts included in interest income	–	–	–	–	(51)	–	(26)	(77)
- (Gain)/loss from changes in demographic assumptions	(10)	9	6	5	–	–	–	–
- (Gain)/loss from change in assumptions	25	(13)	(21)	(9)	–	–	–	–
- Experience (gains)/losses	11	(8)	10	13	–	–	–	–
	26	(12)	(5)	9	(51)	–	(26)	(77)
Exchange differences	–	(2)	(1)	(3)	–	–	(1)	(1)
Contributions – employees	1	–	–	1	(1)	–	–	(1)
Contributions – employers	–	–	–	–	(99)	(5)	(4)	(108)
Payments from plans:								
- Benefit payments	(44)	(5)	(20)	(69)	44	5	20	69
As at 31 December 2013	1,223	117	369	1,709	(1,155)	–	(303)	(1,458)

The significant actuarial assumptions used for the two major plans as at 31 December 2013 were:

	2013		2012	
	UK %	US (medical) %	UK %	US (medical) %
Rate of increase in pensionable salaries	3.6	–	4.5	–
Rate of increase in deferred pensions during deferment	3.4	–	2.9	–
Rate of increase in pension payments – pensioners	3.1	–	2.7	–
Rate of increase in pension payments – non-pensioners	3.1	–	2.7	–
Discount rate	4.4	4.8	4.3	4.1
Inflation assumption	3.6	–	3.0	–
Annual medical cost inflation	–	5.0–9.0	–	5.0–9.0

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. For the UK plan the mortality assumptions were based on the following tables; the average life expectancy in years of a pensioner retiring at aged 60 on the balance sheet date is as follows:

	2013		2012	
	UK years	US years	UK years	US years
Male	28.4	25.1	28.2	24.1
Female	30.3	27.5	30.1	25.8

The average life expectancy in years of a pensioner retiring at aged 60 (15 years after the balance sheet date for the UK and 20 years after the balance sheet date for the US), is as follows:

	2013		2012	
	UK years	US years	UK years	US years
Male	30.2	27.3	30.0	25.7
Female	32.2	29.4	31.9	26.7

For the UK plan the mortality assumptions were based on the standard SAPS mortality table with medium cohort improvements to 2009 (scaled by 90% for males and 100% for females). Allowance for future improvements is made by adopting the 2012 edition of the CMI series with a long term trend of 1.5% per annum.

For the US plan the mortality assumptions were determined using the RP2000 Generational Mortality Table.

The sensitivity of the UK defined benefit obligation to changes in the principal assumptions

	Change in assumption	Change in Defined Benefit Obligation
Discount rate	Increase 0.1%	Decrease by 1.8%
RPI increase	Increase 0.1%	Increase by 1.4%
Life expectancy	Members younger by 1 year	Increase by 2.3%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Impact of medical cost trend rates

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

	2013		Impact on defined benefit obligation 2012	
	+1% £m	-1% £m	+1% £m	-1% £m
Effect on service cost and interest cost	1	(1)	2	(1)
Effect on post-retirement benefit obligation	18	(15)	20	(16)

Group plan assets are comprised as follows:

	2013				2012 (restated) ¹			
	UK £m	US (medical) £m	Other £m	Total £m	UK £m	US (medical) £m	Other £m	Total £m
Total equities	293	–	163	456	407	–	143	550
Total bonds	655	–	120	775	521	–	102	623
Total property	196	–	11	207	68	–	7	75
Total other assets	11	–	9	20	8	–	25	33
Fair value of plan assets	1,155	–	303	1,458	1,004	–	277	1,281

¹ Refer to note 1 for further details.

All Total equities and Total bonds are quoted investments. All Total other assets are unquoted investments.

Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the UK and US plans hold equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. All the UK plans have agreed with the Company a plan to de-risk the investment strategy of the plans at a pace that is commensurate with a planned return to full funding over a reasonable time scale. The de-risking plan provides for a proportion of the investment portfolio to move from equity holdings to government and corporate bonds over time. The corporate bonds are global securities with an emphasis on the UK and US. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

Inflation risk: Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member. Whilst the plans allow for an increase in life expectancy, increases above this assumption will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

Change in regulations: The Group is aware that future changes to the regulatory framework may impact the funding basis of the various plans in the future. The Group's pensions department monitors the changes in legislation and analyses the risks as and when they occur.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of quoted equities and quoted bonds, although the group also invests in property, and cash. The group believes that quoted equities offer the best returns over the long term with an acceptable level of risk. The Trustees of all the UK funds have moved the overwhelming majority of their assets to low cost investment funds in consultation with the Company whilst maintaining a prudent diversification.

For the largest UK plan, a full independent actuarial valuation was carried out at 5 April 2010 and a new valuation is currently underway with an effective date of 5 April 2013. For the US plan, a full independent actuarial valuation was carried out at 1 January 2012. The Group has agreed that it will aim to eliminate the pension plan deficit in the UK and Ireland over the next four years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 19.5% of pensionable salaries in the UK and nil in the US. The triennial valuation for the largest UK plan (effective date 5 April 2013) is due to be finalised during 2014, and any further contributions in excess of the ongoing contribution rate of 19.5% will be finalised at that time. The total contribution expected for 2014 is £54m and will be finalised when the current UK plan valuation is signed off by the Group and Trustee. The Group considers that the contribution rates set at the last valuation date, and any future further contributions in excess of the contribution rate, will be sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. For the purpose of IAS19 the projected unit valuation method was used for the UK and US plans, rolling forward the preliminary UK plan triennial valuation results (at 5 April 2013) and the 1 January 2012 US plan valuation to 31 December 2013. For the largest UK plan, the weighted average duration of the deferred benefit obligation is 17.3 years (2012: 17.3 years).

22 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2013	734,210,757	73	2	–
Allotments	2,324,422	1	–	–
At 31 December 2013	736,535,179	74	2	–

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2012	728,621,602	73	2	–
Allotments	5,589,155	–	–	–
At 31 December 2012	734,210,757	73	2	–

The holders of equity ordinary shares (par value 10p) 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 holders of subscriber ordinary shares (par value £1) have no entitlement to dividends. Holders have no right to attend or vote at any general meeting of the Company unless a resolution is proposed to wind up the Company or vary the rights attached to the subscriber shares.

Allotment of ordinary shares

During the year 2,324,422 ordinary shares (2012: 5,589,155 ordinary shares) were allotted and 4,258,793 ordinary shares were released from Treasury (2012: nil) to satisfy vestings/exercises under the Group's various share schemes as follows:

	2013		2012	
	Number of shares	Consideration £m	Number of shares	Consideration £m
Ordinary shares of 10p				
Executive Share Options – exercises	4,638,734	131	3,024,735	74
Restricted Shares Awards – vesting	1,571,035	–	1,405,345	–
Total under Executive Share Option and Restricted Share Schemes	6,209,769	131	4,430,080	74
Senior Executives Share Ownership Policy Plan – vesting	40,000	–	20,000	–
Savings-Related Share Option Schemes – exercises	333,446	7	1,139,075	24
Total	6,583,215	138	5,589,155	98

Market Purchases of Shares

During 2013 the Company purchased 6,000,000 equity ordinary shares in accordance with its share buy back programme (2012: 14,991,643) all of which are held as Treasury shares. The total amount paid to acquire the shares was £279m (including stamp duty) which has been deducted from Shareholders' equity (2012: £535m). 4,258,793 Treasury shares were released in 2013, leaving a balance held at 31 December 2013 of 16,732,850 (2012: 14,991,643).

23 SHARE-BASED PAYMENTS

The Group operates a number of incentive schemes, including a share option scheme, a restricted share scheme, and other share award schemes. All schemes are equity settled. The charge for share-based payments for the year was £55m (2012: £49m).

Executive Share Awards

Share options and restricted shares (Executive share awards) are awarded to the Top400 Management Group. Executive Share Awards have a contractual life of ten years but vest according to the following compound average annual growth (CAAG) rates in adjusted earnings per share over a three-year period:

CAAG per year (%)	Adjusted earnings per share 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 cost is spread over the three years of the performance period. For Executive Committee and Top40 members vesting conditions are not retested. For remaining Top400 members the targets can be retested over four or five years. If any target has not been met any remaining shares or options which have not vested will lapse.

Other Share Awards

Other share awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Other share awards have contractual lives of three to seven years and are generally not subject to any vesting criteria other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore have been aggregated in the tables below.

All outstanding Executive and Other share awards as at 31 December 2013 and 31 December 2012 are included in the tables below which analyse the charge for 2013 and 2012. The Group has used the Black-Scholes model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

Award	Grant date	Exercise price £	Performance period	Share price on grant date £	Black-Scholes model assumptions				Fair value of one award £
					Volatility %	Dividend yield %	Life years	Risk-free interest rate %	
Share options									
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.46
2005	06 December 2004	15.47	2005-07	15.44	23	2.3	4	4.88	2.99
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.33
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.23
2008	11 December 2007	29.44	2008-10	29.72	20	1.8	4	5.53	5.99
2009	08 December 2008	27.29	2009-11	27.80	25	3.1	4	2.78	4.69
2010	07 December 2009	31.65	2010-12	31.80	26	3.5	4	1.69	4.70
2011	01 December 2010	34.64	2011-13	34.08	26	4.3	4	2.16	4.49
2012	05 December 2011	32.09	2012-14	32.19	25	5.4	4	1.00	3.18
2013	03 December 2012	39.14	2013-15	39.66	20	4.3	4	0.61	3.29
2014	11 December 2013	47.83	2014-16	46.69	19	3.7	4	0.76	3.85
Restricted shares									
2009	08 December 2008	–	2009-11	27.80	25	3.1	4	2.78	24.31
2010	07 December 2009	–	2010-12	31.80	26	3.5	4	1.69	27.23
2011	01 December 2010	–	2011-13	34.08	26	4.3	4	2.16	28.22
2012	05 December 2011	–	2012-14	32.19	25	5.4	4	1.00	25.30
2013	03 December 2012	–	2013-15	39.66	20	4.3	4	0.61	32.76
2014	11 December 2013	–	2014-16	46.69	19	3.7	4	0.76	39.80

23 SHARE-BASED PAYMENTS (CONTINUED)

Table 2: Share awards movements 2013

Award	Grant date	Fair value of one award £	Movement in number of options				
			Options outstanding at 1 Jan 2013 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2013 number
Share options							
2004	08 December 2003	2.46	67,000	–	–	(67,000)	–
2005	06 December 2004	2.99	165,511	–	–	(52,061)	113,450
2006	05 December 2005	3.33	263,300	–	–	(35,000)	228,300
2007	08 December 2006	4.23	1,160,358	–	–	(841,856)	318,502
2008	11 December 2007	5.99	1,844,079	–	–	(1,037,886)	806,193
2009	08 December 2008	4.69	2,172,285	–	(1,513)	(1,075,071)	1,095,701
2010	07 December 2009	4.70	2,955,162	–	(1,469)	(1,155,308)	1,798,385
2011	01 December 2010	4.49	3,055,949	4,667	(143,162)	(359,422)	2,558,032
2012	05 December 2011	3.18	3,186,439	14,000	(264,914)	(15,130)	2,920,395
2013	03 December 2012	3.29	4,022,000	90,000	(791,412)	–	3,320,588
2014	11 December 2013	3.85	–	4,020,400	–	–	4,020,400
Restricted shares							
2010	07 December 2009	27.23	1,344,186	–	(62)	(1,344,124)	–
2011	01 December 2010	28.22	1,396,412	2,333	(71,097)	(214,152)	1,113,496
2012	05 December 2011	25.30	1,477,571	7,000	(122,364)	(12,759)	1,349,448
2013	03 December 2012	32.76	1,986,000	104,000	(472,355)	–	1,617,645
2014	11 December 2013	39.80	–	1,985,000	–	–	1,985,000
Other share awards							
UK SAYE	Various	Various	662,986	134,254	(52,920)	(138,332)	605,988
US SAYE	Various	Various	643,736	147,514	(68,637)	(158,136)	564,477
Overseas SAYE	Various	Various	1,084,343	2,011	(76,991)	(36,978)	972,385
SOPP	Various	Various	180,000	50,000	(10,000)	(40,000)	180,000
Weighted average exercise price (share options)			£32.13	£47.57	£37.03	£28.17	£36.57

Table 3: Share awards movements 2012

Award	Grant date	Fair value of one award £	Movement in number of options				
			Options outstanding at 1 Jan 2012 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2012 number
Share options							
2003	22 November 2002	2.05	67,319	–	–	(67,319)	–
2004	08 December 2003	2.46	263,000	–	–	(196,000)	67,000
2005	06 December 2004	2.99	398,511	–	–	(233,000)	165,511
2006	05 December 2005	3.33	581,971	–	–	(318,671)	263,300
2007	08 December 2006	4.23	1,516,358	–	(1,000)	(355,000)	1,160,358
2008	11 December 2007	5.99	2,790,669	–	(3,000)	(943,590)	1,844,079
2009	08 December 2008	4.69	2,991,334	–	(5,353)	(813,696)	2,172,285
2010	07 December 2009	4.70	3,229,322	–	(182,958)	(91,202)	2,955,162
2011	01 December 2010	4.49	3,559,047	–	(496,841)	(6,257)	3,055,949
2012	05 December 2011	3.18	4,020,400	(686,800)	(147,161)	–	3,186,439
2013	03 December 2012	3.29	–	4,022,000	–	–	4,022,000
Restricted shares							
2009	08 December 2008	24.31	1,338,916	–	(2,000)	(1,336,916)	–
2010	07 December 2009	27.23	1,493,830	–	(86,447)	(63,197)	1,344,186
2011	01 December 2010	28.22	1,620,015	25,000	(243,371)	(5,232)	1,396,412
2012	05 December 2011	25.30	2,010,200	(461,550)	(71,079)	–	1,477,571
2013	03 December 2012	32.76	–	1,986,000	–	–	1,986,000
Other share awards							
UK SAYE	Various	Various	754,823	152,282	(77,753)	(166,366)	662,986
US SAYE	Various	Various	722,362	203,972	(109,551)	(173,047)	643,736
Overseas SAYE	Various	Various	1,975,152	7,956	(99,103)	(799,662)	1,084,343
SOPP	Various	Various	100,000	110,000	(10,000)	(20,000)	180,000
Weighted average exercise price (share options)			£29.53	£38.11	£33.46	£24.37	£32.13

For options outstanding at the year end the weighted average remaining contractual life is 5.63 years (2012: 5.69 years). Options outstanding at 31 December 2013 that could have been exercised at that date were 4,360,531 (2012: 5,672,533) with a weighted average exercise price of £28.35 (2012: £26.08).

23 SHARE-BASED PAYMENTS (CONTINUED)

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 may only be granted in exceptional circumstances and therefore the effect of early exercise is not incorporated into the calculation.

The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the plans in 2013 or 2012 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.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The contribution in 2013 was £35m (2012: £27m).

The weighted average share price for the year was £45.80 (2012: £35.79).

Options and restricted shares granted during the year

Options and restricted shares which may vest or become exercisable at various dates between 2015 and 2021 are as follows:

	Price to be paid £	Number of shares under option
Long-Term Incentive Plan 2007 – share options	47.83	4,110,400
Long-Term Incentive Plan 2007 – restricted shares	–	2,089,200
Reckitt Benckiser Senior Executives Share Ownership Policy Plan	–	40,000
Total		6,239,600
Savings-Related Share Option Schemes		
UK Scheme	37.20	129,438
US Scheme	37.20	147,514
Total		276,952

Options and restricted shares unvested/unexercised at 31 December 2013

Options and restricted shares which have vested or may vest at various dates between 2014 and 2020 are as follows:

	Price to be paid £		Number of shares under option	
	From	To	2013	2012
Executive share option and restricted share schemes				
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	12.76	18.10	341,750	495,811
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options	22.57	22.57	318,502	1,160,358
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	47.83	16,519,694	17,235,914
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares	–	–	6,065,789	6,204,169
Reckitt Benckiser Senior Executives Share Ownership Policy Plan	–	–	180,000	180,000
			23,425,735	25,276,252
Savings-related share option schemes				
	From	To	2013	2012
UK Scheme	16.90	37.20	605,988	662,986
US Scheme	25.78	37.20	564,477	643,736
Overseas Scheme	21.95	27.99	972,385	1,084,343
Total			2,142,850	2,391,065

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.

24 RETAINED EARNINGS AND OTHER RESERVES

The merger reserve relates to the 1999 combination of Reckitt & Colman plc and Benckiser N.V. and a Group reconstruction in 2007 treated as a merger under Part 27 of the Companies Act 2006.

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

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

25 RELATED PARTY TRANSACTIONS

On 19 March 2013 the Group purchased an additional 25% of Shanghai Manon Trading Company Limited, thereby increasing its share to 75.01%. The consideration for the transaction amounted to £28m, including transaction costs.

Key management compensation is disclosed in note 5a.

The principal subsidiary undertakings included in the consolidated financial statements at 31 December 2013 are disclosed in note 2 to the Parent Company financial statements.

26 BUSINESS ACQUISITIONS AND DISPOSALS

a. Collaboration with Bristol-Myers Squibb (BMS)

On 8 May 2013 the Group received regulatory approval for a three-year collaboration agreement with BMS for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. This arrangement, which also includes personnel, supply contracts and an option to acquire legal title to the related intellectual property at the end of the collaboration period for a multiple of earnings, was secured for an upfront cash payment of \$482m (£311m).

This transaction is accounted for as a business combination under IFRS 3 (Revised) *Business Combinations*.

The collaboration agreement provides the Group with an immediate health care platform, distribution network and infrastructure in Latin America and trusted brands with a strong fit with the Group's existing health portfolio.

All assets and liabilities were recognised at the following provisional fair values. The amount of consideration transferred over the net assets acquired is recognised as goodwill in the Group financial statements.

	Provisional fair value £m
Intangible asset	57
Deferred tax assets	4
Provisions	(16)
Net assets acquired	45
Goodwill	36
Consideration transferred for net assets and goodwill	81
Payment for prepaid option	250
Total consideration transferred	331
Cash consideration	311
Deferred consideration	20
Total consideration transferred	331

Related to the transaction, payments totalling £250m have been attributed to the future option to acquire legal title to the related intellectual property. The option is exercisable by the Group at the end of the collaboration period, subject to certain payments, in addition to the £331m, to be made at that time. The prepayment of this option is not an asset purchased as part of the business combination under IFRS 3 (Revised), and is therefore disclosed separately in the table above. The prepayment is included in other non-current receivables.

The intangible asset acquired relates to the three-year collaboration agreement.

Goodwill represents the strategic premium to establish an immediate platform, infrastructure and distribution network in the Latin American over-the-counter consumer health care market, the value of expected synergy savings, and assembled workforce.

Acquisition related costs of £3m are included in net operating expenses and exceptional items in the income statement.

The fair values of identifiable net assets are stated at provisional amounts which will be finalised within the 12-month hindsight period following acquisition. Provisional fair value adjustments cover the recognition of acquired intangibles and their associated deferred tax and accounting policy alignment.

All assets and liabilities are included within the LAPAC operating segment and the health category. The amount of revenue and profit of the BMS business since acquisition were not material in the context of the Group Income Statement. Had the business been acquired on 1 January 2013, the revenue and profit of the Group for the year would not have been materially different to those appearing in the Group Income Statement.

26 BUSINESS ACQUISITIONS AND DISPOSALS (CONTINUED)**b. Acquisition of Schiff**

On 14 December 2012 the Group acquired control of Schiff by acquiring 100% of the issued share capital for a consideration of \$1.3bn (£813m). Schiff is a leading provider of branded vitamins, nutrition supplements and nutrition bars predominantly in the US. Schiff's vitamins, minerals and supplements (VMS) product portfolio includes a number of market-leading brands in the specialist product category in the US. This transaction has been accounted for by the acquisition method.

The fair values of the identifiable assets and liabilities at the date of acquisition were provisionally estimated and disclosed in the 2012 Annual Report and Financial Statements. The table below sets out the movements from the provisional fair values detailed in the 2012 Annual Report and Financial Statements and the updated final fair values at acquisition date. The adjustments made to restate the Group balance sheet primarily relate to the recognition of a minor brand intangible, and adjustments to provisions for legal matters and trade related expenses due to additional information which has come to light during the hindsight period and recognition of related deferred tax liabilities.

These adjustments have been recorded as a prior year restatement of the balance sheet of the Group as at 31 December 2012. There is no impact to the Group income statement for the year ended 31 December 2012.

	Provisional fair values at acquisition date £m	Additional fair value adjustments £m	Final fair values at acquisition date £m
Intangible assets	811	4	815
Property, plant and equipment	9	(1)	8
Inventories	27		27
Trade and other receivables	27		27
Current tax receivable	9		9
Cash and cash equivalents	6		6
Borrowings	(99)		(99)
Provisions for liabilities and charges (current)	(42)	24	(18)
Trade and other payables	(37)		(37)
Deferred tax liabilities	(268)	(10)	(278)
Provisions for liabilities and charges (non-current)	(3)		(3)
Other non-current liabilities	(1)		(1)
Net assets acquired	439	17	456
Goodwill	374	(17)	357
Total consideration transferred	813	–	813
Total cash consideration	813	–	813
Total consideration transferred	813	–	813

The intangible assets acquired include the brand assets associated with Airborne, Digestive Advantage, MegaRed, Move Free and Schiff Vitamins.

c. Minor Acquisitions and Disposals

On 8 January 2013 the Group obtained control of Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products, by acquiring 100% of the share capital for cash consideration of £102m. A further £18m of cash consideration is deferred over the next three years.

On 17 September 2012 the Group acquired a 100% interest in SICO by acquiring the trade and business assets of the leading Mexican condom manufacturer.

On 29 May 2012 the Group sold the Paras personal care business for £81m, net of cash disposed. A gain of £32m is recognised in the income statement for the year ended 31 December 2012, of which £15m arises from deferred tax.

27 DIVIDENDS

	2013 £m	2012 £m
Dividends on equity ordinary shares:		
2012 Final paid: 78p (2011: Final 70p) per share	561	511
2013 Interim paid: 60p (2012: Interim 56p) per share	431	405
Total dividends for the year	992	916

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 77p per share which will absorb an estimated £554m of Shareholders' funds. If approved by Shareholders it will be paid on 29 May 2014 to Shareholders who are on the register on 21 February 2014, with an ex-dividend date of 19 February 2014.

28 POST BALANCE SHEET EVENTS

On 24 February 2014 part of a wider legal case was settled, which related to one of the current provisions held at the balance date. The remaining provisions that were held in relation to this case at the balance sheet date are still considered to be appropriate.

Five-year Summary

	2013 £m	2012 (restated) ¹ £m	2011 £m	2010 £m	2009 £m
Income statement					
Net revenue	10,043	9,567	9,485	8,453	7,753
Operating profit	2,345	2,442	2,395	2,130	1,891
Adjusted operating profit	2,616	2,577	2,487	2,231	1,891
Exceptional Items	(271)	(135)	(92)	(101)	–
Operating profit	2,345	2,442	2,395	2,130	1,891
Net finance (expense)/income	(31)	(34)	(19)	6	1
Profit on ordinary activities before tax	2,314	2,408	2,376	2,136	1,892
Tax on profit on ordinary activities	(574)	(583)	(622)	(566)	(474)
Attributable to non-controlling interests	(1)	(4)	(9)	(2)	–
Net income attributable to owners of the parent	1,739	1,821	1,745	1,568	1,418
Balance sheet					
Net assets	6,336	5,922	5,781	5,130	4,014
Net working capital	(863)	(700)	(701)	(639)	(867)
Statistics					
Reported basis					
Operating margin	23.3%	25.5%	25.3%	25.2%	24.4%
Total interest to operating profit (times covered)	75.6x	71.8x	126.1x	n/a	n/a
Tax rate	24.8%	24.2%	26.2%	26.5%	25.0%
Diluted earnings per share	238.5p	248.4p	237.1p	213.8p	194.7p
Dividend cover [†]	1.8x	1.9x	1.9x	1.9x	2.0x
Declared dividends per ordinary share	137p	134p	125p	115p	100p
Adjusted basis*					
Operating margin	26.0%	26.9%	26.2%	26.4%	24.4%
Total interest to operating profit (times covered)	84.4x	75.8x	130.9x	n/a	n/a
Diluted earnings per share	269.8p	263.3p	247.1p	226.5p	194.7p
Dividend cover [†]	2.0x	2.0x	2.0x	2.0x	2.0x

† Dividend cover is calculated by dividing basic earnings/adjusted earnings per share by ordinary dividends per share relating to the year.

* Adjusted basis is calculated by adding/deducting the exceptional items from net income for the year.

¹ Restated for change in IAS 19 as discussed in note 1 to the Group financial statements. 2011 and prior years have not been restated.

Parent Company Independent Auditors' Report to the Members of Reckitt Benckiser Group plc

Report on the Parent Company Financial Statements

Our Opinion

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have Audited

The Parent Company financial statements, which are prepared by Reckitt Benckiser Group plc, comprise:

- The Parent Company balance sheet as at 31 December 2013; and
- The notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Financial Statements ('Annual Report'); rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an Audit of Financial Statements Involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the Directors; and
- The overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on Matters Prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Report of the Directors for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Matters on which we are Required to Report by Exception

Adequacy of Accounting Records and Information and Explanations Received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' Remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration

specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other Information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- Materially inconsistent with the information in the audited Parent Company financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- Is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the Audit

Our Responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other Matter

We have reported separately on the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2013.

Mark Gill (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

7 March 2014

Parent Company Balance Sheet

As at 31 December	Notes	2013 £m	2012 £m
Fixed assets			
Investments	2	14,729	14,680
Current assets			
Debtors: amounts falling due within one year	3	70	59
Debtors: amounts falling due after more than one year	4	2	8
		72	67
Current liabilities			
Creditors: amounts falling due within one year	5	(5,676)	(4,498)
Net current liabilities		(5,604)	(4,431)
Total assets less current liabilities		9,125	10,249
Provisions for liabilities	6	(222)	–
Net assets		8,903	10,249
EQUITY			
Capital and reserves			
Called up share capital	7	74	73
Share premium account	8	243	184
Profit and loss reserve	8	8,586	9,992
Total Shareholders' funds	8	8,903	10,249

The financial statements on pages 87 to 92 were approved by the Board of Directors on 7 March 2014 and signed on its behalf by:

Adrian Bellamy **Rakesh Kapoor**
Director Director

Notes to the Parent Company Financial Statements

1 PARENT COMPANY ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable UK accounting standards. Accounting policies have been consistently applied to all the years presented unless otherwise stated.

As permitted by s.408 of the Companies Act 2006, no profit and loss account is presented for Reckitt Benckiser Group plc.

Foreign Currency Translation

Transactions denominated in foreign currencies are translated 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied.

Taxation

The tax charge/credit is based on the result for the year 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.

A net deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Fixed Assets

Fixed asset investments are stated at the lower of cost and their recoverable amount, which is determined as the higher of net realisable value and value in use. A review for the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11, 'Impairment of Fixed Assets and Goodwill'.

Employee Share Schemes

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company accounts.

Debtors

Debtors are initially recognised at fair value less provision for impairment.

Provisions

Provisions are recognised when the Company has a present 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.

Share Capital Transactions

When the Company purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Purchased 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 the profit and loss reserve.

Dividends

Dividends payable are recognised when they meet the criteria for a preset obligation (i.e. when they have been approved).

Cash Flow Statement

Reckitt Benckiser Group plc has presented a Group cash flow statement in its 2013 Annual Report and Financial Statements. The Directors have not prepared a cash flow statement for the Company.

2 INVESTMENTS

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2013	14,680
Additions during the year	49
At 31 December 2013	14,729
Provision for impairment:	
At 1 January 2013	–
Provided for during the year	–
At 31 December 2013	–
Net book amounts:	
At 1 January 2013	14,680
At 31 December 2013	14,729

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Principal Subsidiary Undertakings

The principal subsidiary undertakings as at 31 December 2013, all of which are included in the consolidated financial statements, are shown below.

	Product category	Country of incorporation or registration and operation	Effective % of share capital held by the Group
Reckitt Benckiser plc	holding company	UK	Ordinary 100
Reckitt Benckiser (Australia) Pty Limited	health, hygiene, home	Australia	Ordinary 100
Reckitt Benckiser (Brasil) Limitada	health, hygiene, home	Brazil	Ordinary 100
Reckitt Benckiser (Canada) Inc.	health, hygiene, home and food	Canada	Ordinary 100
Reckitt Benckiser Deutschland GmbH	health, hygiene, home	Germany	Ordinary 100
Reckitt Benckiser España SL	health, hygiene, home	Spain	Ordinary 100
Reckitt Benckiser France SAS	health, hygiene, home	France	Ordinary 100
Reckitt Benckiser Healthcare (UK) Limited	health, hygiene, home	UK	Ordinary 100
Reckitt Benckiser LLC	health, hygiene, home and food	US	Ordinary 100
Reckitt Benckiser Pharmaceuticals Inc.	pharmaceuticals	US	Ordinary 100
Reckitt Benckiser (India) Limited	health, hygiene, home	India	Ordinary 100
Reckitt Benckiser Italia SpA	health, hygiene, home	Italy	Ordinary 100
Reckitt Benckiser Arabia FZE	health, hygiene, home	UAE (Dubai)	Ordinary 100
Schiff Nutrition International, Inc.	health	US	Ordinary 100

With the exception of Reckitt Benckiser plc, none of the above subsidiaries are held directly by Reckitt Benckiser Group plc.

As permitted by s.410 of the Companies Act 2006, particulars of other subsidiary undertakings are not shown above. A full list of the Company's subsidiary undertakings will be annexed to the Company's annual return to Companies House.

3 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Amounts owed by Group undertakings	70	59

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

4 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £m	2012 £m
Deferred tax assets	2	8

Deferred tax assets consist of short-term timing differences.

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Amounts owed to Group undertakings	5,673	4,491
Taxation and social security	3	7
	5,676	4,498

Included in the amounts owed to Group undertakings is an amount of £5,671m (2012: £4,473m) which is unsecured, carries interest at LIBOR and is repayable on demand. All other amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

6 PROVISIONS FOR LIABILITIES

Provisions are recognised when the Company has a present 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 for liabilities include indemnities provided by the Company to subsidiaries for exceptional legal provisions in relation to a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries. Provisions expected to be settled within one year are £137m (2012: £nil) and after more than one year but less than five years are £85m (2012: £nil).

7 CALLED UP SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2013	734,210,757	73	2	–
Allotments	2,324,422	1	–	–
At 31 December 2013	736,535,179	74	2	–

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2012	728,621,602	73	2	–
Allotments	5,589,155	–	–	–
At 31 December 2012	734,210,757	73	2	–

For details of the allotment of ordinary shares during 2013 refer to note 22 of the Group financial statements on page 79.

The holders of ordinary shares (par value 10p) 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 holders of subscriber ordinary shares (par value £1) have no entitlement to dividends. Holders have no right to attend or vote at any general meeting of the Company unless a resolution is proposed to wind up the Company or vary the rights attached to the subscriber shares.

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year				
At 1 January 2013	73	184	9,992	10,249
Loss for the financial year	–	–	(269)	(269)
Dividends	–	–	(992)	(992)
Shares allotted under share schemes	1	59	–	60
Capital contribution in respect of share-based payments	–	–	49	49
Share-based payments	–	–	6	6
Shares repurchased and held in Treasury	–	–	(279)	(279)
Treasury shares reissued	–	–	79	79
At 31 December 2013	74	243	8,586	8,903

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year				
At 1 January 2012	73	86	11,447	11,606
Loss for the financial year	–	–	(54)	(54)
Dividends	–	–	(916)	(916)
Shares allotted under share schemes	–	98	–	98
Capital contribution in respect of share-based payments	–	–	43	43
Share-based payments	–	–	7	7
Shares repurchased and held in Treasury	–	–	(535)	(535)
At 31 December 2012	73	184	9,992	10,249

Reckitt Benckiser Group plc has £8,288m (2012: £9,725m) of its profit and loss reserve available for distribution.

During 2013 the Company purchased 6,000,000 equity ordinary shares in accordance with its share buy back programme (2012: 14,991,643) all of which are held as Treasury shares. The total amount paid to acquire the shares was £279m (including stamp duty) which has been deducted from Shareholders' equity (2012: £535m). 4,258,793 Treasury shares were released in 2013, leaving a balance held at 31 December 2013 of 16,732,850 (2012: 14,991,643).

9 SHARE-BASED PAYMENTS

Reckitt Benckiser Group plc has two employees, the Group's CEO and CFO. The tables below include details of their share awards and those for any individuals previously holding these roles. Details of their share awards that are not fully vested are set out in the Directors' Remuneration Report. The charge for share-based payments for the year was £6m (2012: £7m) and National Insurance contributions were £3m (2012: £7m). The Company has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the awards.

The fair value of awards with options outstanding at 31 December 2013 is shown in note 23 of the Group financial statements on pages 80 to 82.

Table 1: Share awards movements 2013

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2013 number	Movement in number of options			Options outstanding at 31 December 2013 number
				Granted/adjustments number	Lapsed number	Exercised number	
Share options							
2007	08 December 2006	4.23	800,000	–	–	(800,000)	–
2008	11 December 2007	5.99	600,000	–	–	(600,000)	–
2009	08 December 2008	4.69	600,000	–	–	(600,000)	–
2010	07 December 2009	4.70	534,615	–	–	(534,615)	–
2011	01 December 2010	4.49	334,615	–	(66,923)	(267,692)	–
2012	05 December 2011	3.18	490,000	–	(53,654)	–	436,346
2013	03 December 2012	3.29	400,000	90,000	–	–	490,000
2014	11 December 2013	3.85	–	490,000	–	–	490,000
Restricted shares							
2010	07 December 2009	27.23	267,308	–	–	(267,308)	–
2011	01 December 2010	28.22	177,308	8,173	(33,461)	(133,847)	18,173
2012	05 December 2011	25.30	245,000	–	(37,628)	–	207,372
2013	03 December 2012	32.76	200,000	45,000	–	–	245,000
2014	11 December 2013	39.80	–	285,000	–	–	285,000
Other share awards							
UK SAYE	04 September 2006	6.61	1,011	–	–	–	1,011
Weighted average exercise price			£29.79	£46.48	£33.51	£27.94	£39.97

Table 2: Share awards movements 2012

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2012 number	Movement in number of options			Options outstanding at 31 December 2012 number
				Granted/adjustments number	Lapsed number	Exercised number	
2007	08 December 2006	4.23	800,000	–	–	–	800,000
2008	11 December 2007	5.99	600,000	–	–	–	600,000
2009	08 December 2008	4.69	693,077	–	–	(93,077)	600,000
2010	07 December 2009	4.70	653,077	–	(65,385)	(53,077)	534,615
2011	01 December 2010	4.49	600,000	–	(265,385)	–	334,615
2012	05 December 2011	3.18	490,000	–	–	–	490,000
2013	03 December 2012	3.29	–	400,000	–	–	400,000
Restricted shares							
2009	08 December 2008	24.31	346,538	–	–	(346,538)	–
2010	07 December 2009	27.23	326,538	–	(32,692)	(26,538)	267,308
2011	01 December 2010	28.22	310,000	–	(132,692)	–	177,308
2012	05 December 2011	25.30	245,000	–	–	–	245,000
2013	03 December 2012	32.76	–	200,000	–	–	200,000
Other share awards							
UK SAYE	04 September 2006	6.61	1,011	–	–	–	1,011
Weighted average exercise price			£29.15	£39.14	£34.05	£28.87	£29.79

Further details of the share awards relating to the relevant Directors are set out in the Directors' Remuneration Report on pages 34 to 46.

For details of the contractual life, performance criteria, valuation assumptions and volatility of the share awards, please refer to note 23 of the Group financial statements.

The weighted average remaining contractual life of the outstanding options is 5.63 years (2012: 5.69 years).

The weighted average share price for the year was £45.80 (2012: £35.79).

10 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m (2012: £0.05m).

11 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within Financial Reporting Standard No. 8 'Related Party Disclosures' not to disclose related party transactions with wholly owned subsidiaries of the Reckitt Benckiser Group. There were no other related party transactions (2012: nil).

12 CONTINGENT LIABILITIES

The Company has issued a guarantee to the Trustees of the Reckitt Benckiser Pension Fund covering the obligations of certain UK subsidiaries of the Group who are the sponsoring employers of the UK defined benefit pension fund. The guarantee covers any amounts due to the pension fund from these subsidiaries if they fail to meet their pension obligations.

Other contingent liabilities are disclosed in note 19 of the Group financial statements.

13 DIVIDENDS

	2013 £m	2012 £m
Dividends on equity ordinary shares:		
2012 Final paid: 78p (2011: Final 70p) per share	561	511
2013 Interim paid: 60p (2012: Interim 56p) per share	431	405
Total dividends for the year	992	916

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 77p per share which will absorb an estimated £554m of Shareholders' funds. If approved by Shareholders it will be paid on 29 May 2014 to Shareholders who are on the register on 21 February 2014, with an ex-dividend date of 19 February 2014.

14 POST BALANCE SHEET EVENTS

On 24 February 2014 part of a wider legal case was settled, which related to one of the current provisions held at balance sheet date. The remaining provisions that were held in relation to this case at the balance sheet date are still considered to be appropriate.

Our Relationships and Principal Risks

Relationships

The Group's key external relationships are broadly based. With our customers (retailers) no single one accounts for more than 10% of net revenue and our top ten customers account for less than one quarter of net revenue. Although these customers continue to become more concentrated in their chosen markets, the Group's wide geographical spread and diversity of product lines provides a natural balance.

Equally, the Group sources its raw and packaging materials and finished goods from a wide variety of predominantly international companies and co-packers. No single supplier accounts for more than 5% of cost of sales and the Group's global purchasing function balances the need for competitive pricing with continuity of supply.

The Group's brand portfolio is also broadly based with the most significant Powerbrand accounting for approximately 9% of net revenue. Each brand in turn is founded on a variety of appropriate technology platforms which drive a steady stream of product development. The individual brands are self-supporting and independent of the RB corporate brand, and each other. This reduces the potential for any brand reputation damage to impact across a broader front.

The financial stability of the Group is supported by a low level of leverage, as borrowings to finance acquisitions are paid down through strong cash flows, and a stable Shareholder base.

Given the combination of the financial strength and geographic spread of the Group, its range of brands and products, and its low level of reliance on individual key customers and suppliers, the Directors consider that its exposure to specific events which would materially adversely affect the Group's ability to deliver its strategic objectives is low.

Principal Risks

The principal and specific risks that, in the opinion of the Directors, pose the most significant threat to the delivery of the Group's listed strategic objectives are as listed:

Any of the following, or a combination of such factors, could have a material adverse effect on our business, prospects, results of operations or financial condition.

We could be adversely affected by economic conditions in, and political developments affecting, the markets in which we operate.

We are one of the world's leading manufacturers and marketers of branded health, hygiene and home products, selling a comprehensive range of products through over

60 operating companies in nearly 200 countries. Consequently, our business and results of operations are affected by changes in both global economic conditions and the individual markets in which we operate. Global economic trends continue to pose challenges, and in many of our markets, austerity measures, constraints on consumer lending and slow or no economic growth continue to impede consumer purchasing power and adversely impact consumer confidence. In addition, terrorist acts, civil unrest and other similar disturbances, as well as natural catastrophes, can impact economic conditions and consumer confidence, degrade infrastructure, disrupt supply chains and otherwise result in business interruption.

A variety of factors may adversely affect our results of operations and financial condition during periods of economic uncertainty or instability, social or labour unrest or political upheaval in the markets in which we operate. For example, our operations and supply chains may be disrupted. Consumers may purchase less or switch to purchasing generic products, private label products and economy brands, as opposed to branded products, which could impact our sales, or result in a shift in our product mix from higher margin to lower margin product offerings. In addition, we may face increased pricing pressure or competing promotional activity for lower-priced products as competitors seek to maintain sales volumes. Periods of economic upheaval may also expose us to greater counterparty risks, including with customers, suppliers and financial institutions, who may become insolvent or otherwise unable to perform their obligations. We may also experience greater fluctuations in foreign currency movements, increased commodity prices and increased transportation and energy costs. Periods of economic and political upheaval may also lead to government actions, such as imposition of martial law, trade restrictions, foreign ownership restrictions, capital, price or currency controls, nationalisation or expropriation of property or other resources, or changes in legal and regulatory requirements, including those resulting in potentially adverse tax consequences. We may also be unable to access credit markets, including the commercial paper market, on favourable terms, or at all, which could materially adversely affect our liquidity and capital resources or significantly increase our cost of capital.

Our Powerbrands collectively contribute a significant portion of our revenue, and any material adverse change to demand for existing Powerbrands or any future products we may

develop, could have a material adverse effect on our business.

Our results of operations depend to a significant extent on our ability to launch and sell products that appeal to, and are accepted by consumers and, in particular, our Powerbrands. Consumer preferences, tastes and habits are constantly evolving. Various factors, some of which are beyond our control, may have an adverse impact on demand for our Powerbrands. For example, certain products within our health and hygiene categories have in the past exhibited, and may in the future exhibit, seasonal fluctuations. Launch of new products or variants of our existing Powerbrands may not neutralise the impact of weak performance of one of our Powerbrands. Similarly, our failure to differentiate our existing Powerbrands or future products from competitors, whether through quality, innovation, marketing or otherwise, may adversely impact consumer demand for our products. Certain markets, including a number of emerging markets in which we plan to focus our investment and growth efforts, exhibit more volatile demand in reaction to macro-economic factors than other markets. Similarly, if consumer patterns change within the major consumer clusters that we have identified, or fail to react as anticipated, we may have to reassess our growth plans, and alter our sales strategy.

If we are unable to respond to changes in consumer demand in a timely or adequate manner, or at all, and/or accurately predict or anticipate factors that may impact demand, and if we are unable to differentiate our brands from competitors, our business, financial condition and results of operations may be materially and adversely affected.

Our business, financial condition, and results of operations substantially depend on our ability to improve our existing products, and successfully develop and launch new products and technologies.

Our ability to maintain and grow our market share depends to a large extent on our ability to successfully and cost-effectively introduce and market new products (whether variants of existing, or newly developed, products), and to develop equipment, technology and manufacturing processes for our products. If we are unable to successfully develop, launch and market new products that obtain consumer acceptance, in a timely manner, or at all, we may be unable to compete and maintain or grow our market share. Any new product or line extension may not generate sufficient consumer interest and sales levels to become a profitable product or to cover the costs of its

development or promotion. In addition, if we decide to pursue growth opportunities in new categories and new category segments or in regions in which we have no prior experience or limited experience, we may become exposed to unexpected or greater risks and potential losses.

Product innovation and development generally involve considerable costs, and may involve a lengthy process. For example, research and development ('R&D') required to develop health products could take a significant period of time, from discovery to commercial product launch, and given the limited duration of patents, the longer we take to develop and launch a product, the less time for which we have exclusivity, in which we can recoup our development costs and seek to profit. We may be unable to successfully complete clinical trials and obtain applicable regulatory approvals in a timely manner, or at all, and may fail to gain market approval for our products. Additionally, we may encounter infringement claims by competitors, which may preclude or delay commercialisation of our products. Any delays could result in us not being the first to market, and could undermine our competitive advantage. If any of the products we are currently developing, or may develop in future, fail to become market-ready or to achieve commercial success at expected levels, or at all, we may incur substantial losses. If we fail to develop or upgrade our equipment, technology and manufacturing processes at least in line with our competitors, we may be unable to compete effectively and lose market share.

Substantial harm to our reputation, or the reputation of one or more of our brands, may materially adversely affect our business.

The majority of our brands have worldwide recognition. Maintaining our established reputation and trust with key stakeholders, including consumers, customers and trading partners is critical to our business. Various factors may adversely impact our reputation, including product quality inconsistencies or contamination. We have in the past faced quality-related issues, which resulted in trade and consumer recalls and such recalls may have a material adverse impact on our reputation. Raw materials that we source for production may become contaminated through the supply chain, and other product defects may occur due to human error or equipment failure, among other things. Reputational risks may also arise with respect to the methods and practices of third parties that are part of our supply chain, including labour standards, health, safety and environmental standards, raw material sourcing, and ethical standards in the countries in which we operate. We may also be the victim of product tampering. Any perceived or actual concerns related to our products, our supply chain, or the industry more generally, such as the long-term effects of household chemicals and OTC (over-the-counter) drug ingredients on human health and the environment, may be widely disseminated online, on consumer blogs or other social media sites, or via print and broadcast media.

Similarly, any litigation that we face may subject us to increasing negative attention in the press. In addition, companies with global operations recently have come under criticism for corporate tax planning, and criticism of our structures or those of our peers could also generate negative publicity. Any negative publicity could significantly undermine our reputation, and current methods of dissemination of information (including the ability of reports to 'go viral' online) mean that potential threats to reputation can occur in a very short period of time and reach a far broader audience than historically was the case, making it far more difficult to address.

Moreover, third parties may sell products that are counterfeit or unauthorised versions of our brands, or inferior 'lookalike' brands that resemble ours. Consumers may confuse our products with such brands.

We could be materially adversely affected by the loss of revenue from the sales of Suboxone and Subutex.

Our RB Pharmaceuticals business, which manufactures and distributes Subutex (a buprenorphine-based treatment for opiate dependence) and Suboxone (a buprenorphine and naloxone-based treatment for opiate dependence), generated 8% of our net revenue and 16% of our operating profit before exceptional items in 2013.

The introduction of generic products typically leads to a loss of sales of the branded product and a decrease in the price at which branded products can be sold. In the United States, the exclusivity afforded to Suboxone by its orphan drug status under the regulations of the US Food and Drug Administration ('FDA') ended in 2009. Suboxone has marketing approval from the European Commission for treatment in the 28 countries of the European Union, Norway and Iceland, with data exclusivity until 2016. Two manufacturers launched generic Suboxone tablets in March 2013, which have gained a 13% volume (by mg) market share (according to Source Healthcare Analytics' Pharmaceutical Audit Suite Weekly Data as at 27 December 2013) of the buprenorphine market in the United States.

In March 2013, based on the enhanced benefits of our Suboxone sublingual Film (which we launched in August 2010) and the reduction in unintended paediatric exposure due to its unit-dose child resistant packaging, we voluntarily withdrew our Suboxone tablets from the US market. We expect other manufacturers to introduce branded tablets that contain buprenorphine.

Orexo has recently introduced branded tablets that contain buprenorphine. These tablets may capture market share from our Suboxone sublingual Film. Although our Suboxone sublingual Film has a volume market share of 68% of the US buprenorphine-based opioid addiction treatment market, as of 31 December 2013, we expect that increased price pressure will lead to a material reduction in net revenue from this product and adversely affect our overall revenues and operating profit.

In addition, our patents relating to the Suboxone sublingual Film expire on various dates through 2030. We have recently been informed of the filing of abbreviated new drug applications ('ANDA') by Par Pharmaceutical Companies, Inc. ('Par Pharmaceutical'), Watson Laboratories, Inc. ('Watson Laboratories') and Alvogen Pine Brook, Inc. ('Alvogen') for generic Suboxone sublingual Films in the United States. The FDA can approve an ANDA for a generic version of a branded drug without requiring the applicant to undertake the full clinical testing necessary to obtain approval to market a new drug. An ANDA applicant usually needs to only submit data demonstrating that its product has the same active ingredient(s) and is bioequivalent to the branded product, in addition to any data necessary to establish that any difference in strength, dosage form, inactive ingredients or delivery mechanism does not result in different safety or efficacy profiles, as compared to the reference drug. Although we have filed a patent infringement lawsuit against the ANDA applicants noted above, which means that the FDA cannot approve the generic entrant until the earlier of 30 months or the disposition of the patent infringement proceedings, the lawsuit may not be resolved in our favour or we may choose to settle due to the unpredictable nature and significant costs of patent litigation. If any other generic company is able to obtain FDA approval of its generic Suboxone sublingual Film, it may be able to launch its generic version of Suboxone sublingual Film prior to the expiration of any or all of the applicable patents covering our Suboxone sublingual Film.

Further, pharmacies may discontinue stocking, doctors may stop prescribing, and payors may reduce the reimbursement on or may stop reimbursing, Suboxone sublingual Film, which may have an additional adverse impact on our revenue.

Loss of revenue from the sales of Suboxone and Subutex, whether due to competition from generic products or due to decisions not to prescribe or stock our drugs, could have a material adverse effect on our results of operations and our business.

We compete in intensely competitive industries.

We face vigorous competition worldwide. We compete with well-established local, regional, national and international companies that target the same consumer base as we do, some of whom may have more significant resources with which to establish and promote their products. We also face competition from 'private label' products, and generic non-branded products, which typically are sold at lower prices, by major retail companies, some of whom may be our customers. Competition from these sources has grown in recent years. In the pharmaceutical sector, we also compete with big generic manufacturers and smaller branded firms, as well as R&D firms, which may have more significant resources than we do. Consolidation of key trade customers in the sectors in which we operate may limit opportunities for growth, and increase competitive pressures further.

Our products generally compete on the basis of product quality and performance, promotional activities, brand recognition, price, timely development and launch, or other benefits to consumers. If we are unable to offer products that consumers choose over our competitors' products, our business and results of operations may be materially adversely affected. In addition, our products compete with other products for shelf space in retail stores and for marketing focus, such as via in-store promotional activities of our brands. Our competitive position, and consequently sales of our products, may be harmed to the extent that we are unable to successfully maintain sound working relationships with our trade customers, who determine access to shelf space and product placement on shelf, set retail prices and control in-store promotional activities of our brands, and can establish pricing differentials between similar products on shelf. As the retail sector becomes more concentrated, retailers could impose downward pressure on prices and require commercial incentives before agreeing to offer our products for sale to consumers. Further, to the extent trade customers increase usage of their own distribution networks and private label brands, the competitive advantage we derive from our brand equity could be impaired. In addition, new sales channels have emerged, and continue to emerge, such as sales made through the Internet via online shopping, which may affect customer and consumer preferences, and competitive dynamics. If we are unable to effectively compete in these new channels, this could adversely impact our results and our prospects. Moreover, increased competition means that we need to spend more on promotion of our products.

Any of the foregoing could have a material adverse impact on our future sales and prospects, consequently adversely impacting our results of operations. Competition also extends to administrative and legal challenges of product claims and advertising. Responding to legal challenges and defending our products and intellectual property rights could result in significant expenses and may divert resources away from product and technological innovation, which may have a material adverse impact on our financial condition and results of operations.

We are exposed to foreign currency exchange rate risk.

We operate on a global basis, and hold assets, incur liabilities, earn revenues, pay expenses, and make investments in a number of currencies, with our non-UK operations generating a significant portion of our net revenue. In FY 2013, 93% of our net revenue was derived from markets outside the United Kingdom. The Sterling value of our revenues, profits and cash flows from non-UK markets may be reduced or our supply costs, as measured in Sterling in those markets, may increase. Additionally, a number of our competitors are based in countries whose currencies fluctuate against Sterling, and they may benefit from having their costs incurred in weaker currencies relative to Sterling. We

prepare our financial statements in pounds sterling, and our financial results are affected by fluctuations among the relative value of Sterling and other functional currencies, particularly the US dollar and Euro. For example, in FY 2013, we incurred a net exchange loss on foreign currency translation, net of tax, of £363m in our statement of comprehensive income. Further, currency translations may make it more difficult for investors to understand the relative strengths or weaknesses of the underlying business on a period-to-period comparative basis.

We currently hedge some of our currency exposures using financial instruments, and we try to align our interest costs and operating profits of our major currencies where possible, which may not be effective. Hedging transactions do not eliminate the exchange rate risk entirely, and may not be fully, or at all, effective.

We are subject to the risk that countries in which we operate may impose or increase exchange controls or devalue their currency.

We operate in a number of countries, particularly emerging markets, which impose exchange controls, including, but not limited to, Argentina, Brazil, China, India, Russia, South Africa and Venezuela. Such controls may restrict or make it impossible to convert local currency into other currencies, restrict our ability to repatriate earnings from a country (for example, £109m of our cash and cash equivalents as at 31 December 2013 were restricted for use by us), borrow on the international markets to fund operations in that country or limit our ability to import raw materials or finished products, any or all of which could materially adversely affect our business, liquidity and results of operations. In addition, emerging markets are prone to currency devaluations, such as, for example, the devaluation by the government of Venezuela of its currency in February 2013, which tend to make our products more expensive in local currency terms.

We face risks of interruptions of our supply chain and disruptions in our production facilities, which could materially adversely affect our results of operations.

We source our raw and packaging materials (including bulk chemicals, plastics, pulp and metal cans) and finished goods from a wide variety of predominantly international chemical and packaging companies and co-packers. We also outsource the manufacture of some of our products to third parties. Our suppliers generally are diversified in terms of geography and supplied items, but we may face risks to continuity of supply arising from certain specialised suppliers, both of raw materials and of third party manufactured items, including specialty chemicals and components. We may also incur higher prices for raw materials than we may otherwise have to pay if we adopted a more concentrated approach to obtaining supplies. More generally, significant disruptions to our suppliers' operations, such as disruptions resulting from natural catastrophes (including as a result of the effects of climate change),

pandemics or other outbreaks of diseases, acts of war or terrorism, or otherwise, may affect our ability to source raw materials on a more global basis, and negatively impact our costs. The failure of a number of third party suppliers to fulfil their contractual obligations, in a timely manner, or at all, may result in delays or disruptions to our business. Replacing suppliers may require a new supplier to be qualified under industry, governmental or our standards, which could require investment and may take time.

In addition, a number of our facilities are critical to our business and major or prolonged disruption at those facilities, whether due to accidents, sabotage or otherwise could materially adversely affect our operations. Moreover, sites in which our products are manufactured are subject to supervision by regulatory agencies, on both an ongoing and ad hoc basis. For example, Suboxone sublingual Film is manufactured at a single-source production facility in the United States, and FDA approval is generally limited to the specific approved production facility. If we are unable to obtain or produce sufficient quantities of a particular product, at specifically approved facilities, whether due to disruption to, or failure of, our manufacturing processes, or otherwise, we may fail to meet customer demand on a timely basis, which could undermine our sales and result in customer dissatisfaction and damage to our reputation. In addition, any failure to comply with applicable legal requirements could lead to interruption of production, product recalls, seizures and revocation of licenses to operate at any of our facilities.

Any interruption or disruption in our supply chain, particularly if significant or prolonged, could materially adversely affect our business, prospects, results of operations and financial condition.

Volatility in the price of commodities, energy and transportation may impact our profitability.

Certain materials for the production or packaging of finished goods, such as oil-related commodities, are subject to fluctuating prices. Increases in the costs or decreases in the availability of these commodities, and increases in other costs such as energy and transportation, could adversely affect our profitability if we are unable to pass on the higher costs in the form of price increases or otherwise achieve cost efficiencies. Even if we were to increase the prices of our products, competitors may opt not to adjust their prices in response to increasing costs and customers may refuse to pay higher prices. Our inability to manage this risk effectively, or at all, could have a material adverse effect on our results of operations.

We have grown, and may continue to grow, in part, through acquisitions, joint ventures and business alliances, which involve various risks.

While we are principally focused on organic growth, we have in the past grown, and expect in the future to continue to grow, through acquisitions. Acquisitions present a range of risks and uncertainties.

Historically we have funded acquisitions through short-term borrowings, which we repaid through cash flow from our operations. In the past three years, we have moved away from this model due in part to the size of the acquisitions. We expect that future acquisitions will be funded through either additional borrowings or through equity, or a combination of the two. We are shifting our capital structure in favour of more medium-term borrowings, in part to be able to fund larger acquisitions. This in turn could result in an increase in our net debt, and will likely increase our level of interest expense as we move away from the commercial paper market, which has benefited from the low interest rate environment following the financial crisis. Material or transformative acquisitions could require shareholder approval, either due to the level of equity funding or due to corporate governance requirements. While we target a strong investment grade 'A' banded credit rating for our debt, acquisitions of a certain size, to the extent we rely more heavily on debt funding, could place pressure on our credit rating.

Our competitors may choose to target the same acquisition candidates, and consolidation in the industry may limit available opportunities for acquisitions. We may also be restricted by applicable antitrust laws, foreign investment laws, or other laws and regulations, from pursuing acquisitions, in which case we may bear substantial out-of-pocket expenses associated with a failed acquisition.

We may fail to achieve projected financial results of acquisitions, including expected cost and revenue synergies. In making acquisitions, we make various assessments, including expected growth rates which we may fail to achieve. To the extent that economic benefits associated with our acquisitions diminish in the future, we may be required to record impairment charges to goodwill or other assets, which could affect our financial condition.

Through our acquisitions, we may also assume unknown or undisclosed business, operational, tax, regulatory and other liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While we seek to mitigate these risks in most of our transactions through, among other things, due diligence processes and indemnification provisions, we cannot be certain that the due diligence processes we conduct are adequate (particularly with respect to acquisitions of privately held companies and in countries where legislation and transparency make the process more difficult) or that the indemnification provisions and other risk mitigation measures we put in place will be sufficient.

We could also face significant risks related to integration of the acquired businesses into the RB Group, particularly if we attempt to simultaneously integrate multiple businesses. Acquisitions in emerging markets, such as China, where we recently completed an acquisition, may impose particular risks related to integration across different corporate cultures, systems, languages and other market

and regulatory risks. In addition, acquisitions in markets in which we have limited or no prior experience may pose a greater risk. Moreover, integration of acquired businesses, as well as any attendant internal reorganisation, can also require significant management attention, which may place strain on management resources and processes, and otherwise disrupt operations. Acquisitions can also place a strain on Group-wide internal control systems.

If we are unable to effectively manage risks associated with acquisitions, our business, financial condition and results of operations may be materially adversely affected.

In addition, we may choose to enter into joint ventures, business alliances or collaboration agreements, which could involve the same or similar risks and uncertainties as are involved in acquisitions. For example, we recently entered into a three-year collaboration agreement with Bristol-Myers Squibb for a number of market-leading OTC consumer health care brands in Brazil, Mexico and certain other parts of Latin America. Joint ventures generally involve a lesser degree of control over business operations, which have in the past presented, and may in the future present, greater financial, legal, operational and/or compliance risks.

We may be unable to attract and retain qualified personnel, including key senior management.

We invest in recruiting and training personnel and senior management. Our business depends, in part, on executive officers and senior management to provide uninterrupted leadership and direction for our business, and qualified personnel for product R&D. This need is all the more acute in the context of a growing business, and the strategic internal reorganisations and resource planning programmes to promote and manage such growth. The market for talent is intensely competitive and may become increasingly more competitive. We could face challenges in sourcing qualified personnel, with the requisite training and suitable international experience, particularly in countries such as China, where the availability of skilled employees may be limited.

Further, variable pay is, and will continue to be, the major element of our current Executive Directors' and Senior Executives' total compensation package. If we achieve our target levels of performance, the variable elements will amount to 59%-76% of Executive Directors' total remuneration. If we are unable to achieve our performance targets, our senior management would not be entitled to such variable pay, which may operate as a disincentive for them to continue their employment with us.

The loss of key personnel, or our inability to recruit qualified personnel to meet our operational needs, may delay, or curtail the achievement of major strategic objectives, and could adversely impact our business.

A disruption to, or failure of, our information technology systems and infrastructure, may adversely affect our business.

We are increasingly dependent on information technology systems and infrastructure to support a wide variety of key businesses processes, including processing and storage of confidential data, as well as for international and external communications as part of our logistics and distribution functions with suppliers, customers and consumers. Failures or disruptions to our systems or the systems of third parties on whom we rely, due to any number of causes, particularly if prolonged, or if any failure or disruption were to impact our backup or disaster recovery plans, could result in a loss of key data and/or affect our operations.

The combination of our recently initiated strategic business reorganisation and enterprise resource planning (ERP) programmes could result in sub-optimal implementations and reduced focus due to conflicting demands for management attention.

Our computer systems, software and networks may be vulnerable to unauthorised access (from within our organisation or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact. The occurrence of one or more of these events potentially could jeopardise confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in significant losses or reputational damage.

We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Furthermore, we routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with customers, suppliers, counterparties and other third parties to develop secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all such third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer, supplier, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

Our business is subject to significant governmental regulation.

Our business and products are heavily regulated by governments and other regulatory bodies in the countries in which we operate. Regulation is imposed in respect of, but not limited to, ingredients, manufacturing standards, labour

standards, product safety and quality, marketing, packaging, labelling, storage, distribution, advertising, imports and exports, social and environmental responsibility and health and safety. In addition, we are required to obtain and maintain licenses in respect of certain of our products, which must be regularly updated in order to improve our products and take into account any variations. If we are found by regulators or courts to have been non-compliant with applicable laws and regulations, we could be subject to civil remedies such as fines, injunctions or product recalls, and/or criminal sanctions, any of which could have a material adverse effect on our business, reputation, financial condition and results of operations.

We are subject to the introduction of new regulations, modification of existing regulations or changes in interpretations of existing or new regulations. Changes to the laws and regulations to which we and our operations are subject, whether as a result of new or more stringent requirements, or more stringent interpretations of existing requirements, could impact the way we conduct our business or market our products (for example, up-scheduling of an OTC product would result in it being moved from on-the-shelf to behind the counter) and could impose significant compliance costs and have a material adverse effect on our results of operations.

The laws and regulations to which we are subject may not be transparent, may be difficult to interpret, and/or may be enforced inconsistently.

In our experience, emerging markets can pose heightened risks with respect to laws and regulations, when compared with countries with more developed institutional structures. Given our focus on growth in RUMEA and LAPAC, we are exposed to heightened regulatory risks. For example, in some emerging market countries, the laws and regulations to which we are subject may not always be fully transparent, can be difficult to interpret and may be enforced inconsistently. The legal systems in such countries may not be well-established or reliable. There may be a lack of respect for the rule of law, a lack of enforcement of property rights, inconsistent or insufficient access to remedy through legal systems, lack of judicial independence and corruption, which could result in greater uncertainty in enforcing contracts, difficulties in obtaining legal redress, particularly against the state or state-owned entities, and higher operational costs and risks to our business.

We could be subject to investigations and potential enforcement action, which could have a material adverse effect on our business.

We could be subject to regulatory investigations or potential enforcement action that targets an industry, a set of business practices or our specific operations. These investigations or enforcement actions could be in respect of specific industry issues or broader business conduct issues. Moreover, these investigations or enforcement actions could be triggered by allegations of general corporate misconduct or

by allegations of individual employee misconduct in violation of internal policies and procedures.

Regulatory authorities and consumer groups may, from time to time, request or conduct reviews of the use of certain ingredients that are used in manufacturing our products, the results of which may have a material adverse effect on our business. For example, parabens, a family of chemicals commonly used as preservatives in personal care, cosmetic and pharmaceutical products, underwent a review by the European Commission's Scientific Committee on Consumer Safety in May 2013. Based on the findings of that review, restrictions were introduced to limit the use of certain parabens (butyl and propyl) and to ban others (iso) in cosmetic products sold across Europe. Furthermore, several European countries such as Denmark and France are considering banning the use of parabens altogether.

Ingredient legislation, such as the one related to parabens, could have a detrimental impact on our business, undermine our reputation and goodwill and affect consumer demand for products containing such ingredients. We may voluntarily remove, or be required to remove, certain ingredients from our products or products that we may acquire. We may not be able to develop an alternative formulation, successfully modify our existing products or obtain necessary regulatory approvals on a timely basis or at all, which could adversely impact our business and results of operations.

Historical or future violations of antitrust and competition laws may have a material adverse impact on our business, financial condition and results of operations.

We are subject to antitrust and competition laws in the vast majority of countries in which we do business. Failure to comply with applicable antitrust and competition laws, rules and regulations in any jurisdiction in which we operate may result in civil and/or criminal legal proceedings being brought against us.

We have in the past been, currently are, and may in the future be, subject to investigations and legal proceedings with respect to antitrust and competition issues. In 2010, we were fined £10.2m by the UK Office of Fair Trading ('OFT') following our admission that we had infringed UK and EU competition rules on abuse of dominance in respect of our supply of Gaviscon Original Liquid brand alginates/antacids to the National Health Service. Based in part on the OFT decision, we have received civil claims for damages from the health authorities of England, Wales, Scotland and Northern Ireland, and certain pharmaceutical companies. We are also involved in certain competition law-related proceedings in other countries. Competition and antitrust violations enquiries often continue for several years, can be subject to strict non-disclosure provisions, and, if laws are deemed to have been violated, can result in substantial fines and other sanctions, which may have a material adverse effect on our business, reputation, financial condition and results of operations. As part of the

announcement of our HY 2013 results, we reported a provision of £225m, principally relating to competition matters.

Our strategy for growth has historically included, and continues to include, acquisition activities, which are subject to antitrust and competition laws. Such laws and regulations may impact our ability to pursue, or delay the implementation of, strategic transactions.

We operate in a number of countries in which bribery and corruption pose significant risks, and we may be exposed to liabilities under anti-bribery laws for any violations. Any violation of applicable money laundering laws could also have a negative impact on us.

We are subject to anti-bribery laws and regulations that prohibit us and our intermediaries from making improper payments or offers of payments to foreign governments, their officials and political parties or private parties, for the purpose of gaining or retaining business, including the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended, and similar laws worldwide. Given our extensive international operations, particularly in emerging markets, where bribery and corruption may be more commonplace, we are exposed to significant risks, particularly with respect to parties that are not always subject to our control such as agents and joint venture partners. These risks may be heightened for us due to our operations in the health care sector, which in recent years has experienced greater compliance risks than other sectors. We may also be held liable for successor liability violations of such laws, committed by companies which we acquire, or in which we invest. Acquisitions also expose us to risk of ongoing compliance issues until such time as we can fully integrate acquired operations into our compliance and control frameworks. Moreover, due to the significant amounts of money involved in global supply contracts, there is also potential for suppliers to attempt to bribe our employees. Actual or alleged violations of anti-bribery laws could result in severe consequences, including, but not limited to, civil and criminal sanctions, termination of contracts by our counterparties, disruptions to our business and reputational harm, all of which could materially and adversely affect our financial condition and results of operations.

We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by us could have a negative effect on our results of operations.

Our business is subject to product liability claims.

As a product manufacturer, we are subject, from time to time, to certain legal proceedings and claims arising out of our products, including as a result of unanticipated side effects or issues that become evident only after products are widely introduced into the marketplace. Some of our products present inherent dangers, including due to the presence of chemicals, which if mishandled or misused,

could result in significant damage. We have paid in the past, and may be required in the future to pay, compensation for losses or injuries that are allegedly caused by our products. Product liability claims may arise, among other things, from claims that our products are defective, contain contaminants, provide inadequate warnings or instructions, or cause personal injury to persons or damage to property. Product liability claims, if resolved unfavourably, or if settled, could result in injunctions and/or may require us to pay substantial damages, and related costs, including punitive damages, as well as result in the imposition of civil and criminal sanctions.

If one of our products is found to be defective, we could be required to recall it, and/or we may be required to alter our trademarks, labels, or packaging, which could result in adverse publicity, significant expenses, potential disruptions in our supply chain and loss of revenue. We have in the past voluntarily implemented, and may in the future face product quality concerns and voluntarily implement, product recalls, which could expose us to product liability claims. Additionally, complaints, investigations and litigation by consumers or government authorities relating to our products, our competitors' products or individual ingredients may result in judgments that affect us and/or the industry in which we operate. A recall of a product that is similar to ours could result in confusion concerning the scope of the recall and/or a decline in consumer confidence about our products, which may consequently impact our business and results of operations. We may not be insured fully, or at all, in respect of such risks, and we have in the past, and may in the future, face disputes with our insurers in the event that they refuse to cover a particular claim. In such instances, we may be required to bear substantial losses, which could adversely impact our capital expenditures, expenses and liabilities. Any of the foregoing could materially adversely impact our business, financial condition and results of operations.

Legal proceedings in respect of claims outside the product liability area could also adversely impact our business, results of operations and financial condition.

Outside the product liability area, we are subject to legal proceedings and other claims arising out of the ordinary course of business, and we may become involved in legal proceedings, which include, but are not limited to, claims alleging intellectual property rights infringement, breach of contract, environmental laws and health and safety laws. From time to time, we face consumer complaints and/or civil or criminal investigations in respect of our products and their alleged purposes, including in respect of advertising claims that we make about our products. Significant claims, or a substantial number of small claims, may be expensive to defend and may divert management time and our resources away from our operations. Where appropriate, we establish provisions to cover potential litigation-related costs. Such provisions may turn out to be insufficient, and any insurance

coverage we maintain may not cover our losses fully, or at all.

We cannot predict the outcome of individual legal actions. We may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. We may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when we believe we have valid defences to liability. We may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Substantial legal liability could materially adversely affect our business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm our business.

Labour disruptions may affect our results of operations.

A substantial portion of our workforce is unionised, and our relationship with unions, including labour disputes or work stoppages, could have an adverse impact on our financial results. We are a party to collective bargaining agreements covering approximately one-third of our direct employees. If, upon the expiration of such collective bargaining agreements, we are unable to negotiate acceptable contracts with labour unions, it could result in strikes by the affected workers and thereby significantly disrupt our operations. Further, if we are unable to control health care and pension costs provided for in the collective bargaining agreements, we may experience increased operating costs and an adverse impact on future results of operations.

Changes in tax legislation and other circumstances that affect tax calculations could adversely affect our financial condition and results of operations.

We conduct business operations in a number of countries, and are therefore subject to tax and intercompany pricing laws in multiple jurisdictions, including those relating to the flow of funds between RB and its subsidiaries. Our effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years, and may be affected by changes in the tax laws of the jurisdictions in which we operate, or the interpretation of such tax laws. Certain tax positions taken by us are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. In particular, international transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement.

Changes in tax laws, regulations and related interpretations and increased enforcement actions and penalties may alter the environment in which we do business, and tax planning arrangements are frequently scrutinised by tax authorities worldwide.

We have in the past faced, and may in the future face, audits and challenges brought by tax authorities, and we are involved in ongoing

tax investigations in a number of jurisdictions around the world. If material challenges were to be successful, our effective tax rate may increase, we may be required to modify structures at significant costs to us, we may also be subject to interest and penalty charges and we may incur costs in defending litigation or reaching a settlement. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We may be unable to secure and protect our intellectual property rights.

Our business relies on protecting our brands and intellectual property rights. We may not be able to obtain and perfect our intellectual property rights and, even if obtained, these rights may be invalidated, circumvented or challenged in future. Third parties may infringe on, or misappropriate, our rights, by for example, asserting rights in, or ownership of, our trademarks, trade dress rights, designs, patents, copyrights or other intellectual property rights. If we fail to discover any infringements of our intellectual property rights, or are otherwise unable to successfully defend and enforce our rights, our business, prospects, and results of operations could be materially adversely affected. Sales of counterfeit or unauthorised versions of our brands or inferior 'lookalike' brands which resemble ours, could result in confusion among consumers between our products and such other brands. Consequently, our brand equity and reputation may be undermined. Any failure to perfect or successfully assert our intellectual property rights could make us less competitive and may have a material adverse effect on our business, operating results and financial condition.

In addition, our intellectual property rights may be undermined if one of our trademarks or brand names were to become a generic name for, or synonymous with, a general class of product or service. Should any of our trademarks become genericised, competitors may be allowed to use the genericised trademark to describe their similar products in certain countries.

The loss of patent protection, ineffective protection, or expiration of our patents may impact our financial condition and results of operations.

Intellectual property laws and patent offices are still developing, particularly in emerging markets. Patent protection varies in different countries, and can be substantially weaker in emerging markets in which we operate, when compared to the United States and the European Union. We have in the past faced, and may in the future face, significant challenges in enforcing or extending our current intellectual property protections, or any protections we may obtain in future, in the same manner as in more developed regions such as the United States and European Union.

We have obtained patent protection for a variety of our intellectual property, including the composition of some of our products (such as

detergent), and in respect of our prescription drug Suboxone sublingual Film. Infringement of our patent-protected intellectual property may occur, particularly in emerging market countries. Certain countries may adopt measures to facilitate competition within their markets from generic manufacturers, and refuse to recognise patent protection. For example, a recent decision in India not to grant a new patent to an industry participant for a modified form of a drug that holds patent protection elsewhere, reflects the heightened risk we may face in emerging markets. Additionally, expiry of our patents may increase competition and pricing pressures, and adversely impact our sales revenue, if generic products in the same or similar product class were to emerge. We could be similarly impacted if competitors lose patent protection in a product class in which we compete.

We may face challenges to our intellectual property rights, including allegations of infringement of others' rights.

We may face challenges to our intellectual property rights from third parties, who allege that we are infringing on their rights. If we are unable to successfully defend against allegations of infringement, we may face various sanctions, including injunctions, monetary sanctions for past infringement, product recalls, alterations to our intellectual property, products, and/or packaging, which could result in significant expense and negative publicity, and may have a material adverse effect on our financial condition and results of operations.

Our business may be adversely affected by our funding requirements.

Our liquidity needs are driven by our ability to generate cash from operations and the level of borrowings (and related levels of headroom), the level of acquisition, the level of share repurchases and dividends, dispositions, target ratings for our debt and options available to us in the equity and debt markets. Historically we have obtained our funding from the commercial paper market and have benefited from the low interest rate environment following the financial crisis.

We maintain committed back-up credit facilities, which have remained undrawn since FY 2009. At 31 December 2013, we had £4,350m in undrawn commitments. If we are not able to access the commercial paper market to the extent that we require, or at all, we may need to drawdown amounts under our committed bilateral credit facilities, which accrue interest at floating rates based on changes in certain published rates such as LIBOR. Increases in such rates could result in significantly higher interest expense for us, which would negatively affect our results of operations.

As part of our strategy to maintain financial flexibility, as well as to procure additional funding for future acquisitions, including both bolt-on acquisitions as well as acquisitions that may be more material in size, we are seeking to increase the level of medium-term funding.

Implementation of this strategy will increase our levels of interest expense compared to recent years that benefited from low interest rates since 2008.

We are subject to risks relating to estimates and assumptions that we are required to make, and that affect the reported amounts in our financial statements.

The preparation of our financial statements 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 estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates. For example, measurement of intangible assets, both in acquisitions and business combinations, requires us to identify such assets and any assumptions and estimates of future cash flows and appropriate discount rates to value identified assets may be impacted by various factors, including adverse economic conditions, or integration issues.

Compliance and Routine Risks

In order to manage the more numerous and routine risks, the Group maintains a complete and robust governance framework. This consists of a full set of policies, processes and systems covering all aspects of compliance, with international and local laws as well as with the Group's stated minimum control standards.

Management provides primary assurance by driving risk compliance through their respective area, regional or functional responsibility. This is done through regular and detailed business reviews. Secondary assurance is provided independently through a combination of internal and external audit covering all aspects of the Group's operations.

Financial Risk Management

The Group's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity.

The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

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

The Board reviews and agrees policies, guidelines and authority levels for all areas of Treasury activity and individually approves significant activities. GT operates under the close control of the CFO and is subject to periodic independent reviews and audits, both internal and external.

Foreign Exchange Risk

The Group prepares its financial statements in Sterling but conducts business in many foreign currencies. As a result, it is subject to foreign 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.

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

Market Price Risk

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

Interest Rate Risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group monitors its interest expense rate exposure on a regular basis. The Group manages its interest rate exposure on its gross financial assets by using fixed rate term deposits.

Credit Risk

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

Liquidity Risk

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are

considered sufficient to meet the Group's projected cash requirements.

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

Capital Management

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

In maintaining an appropriate capital structure and providing returns for Shareholders, in 2013

the Company has provided returns to Shareholders in the form of dividends, the current details of which are included in the Financial Review for the year on page 15, and share buy backs.

The Group monitors net debt (total borrowings less cash and cash equivalents; short-term available for sale financial assets and financing derivative financial instruments) and at the year end the Group had net debt of £2,096m (2012: £2,426m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Details of numerical disclosures relating to the Group's financial risk management are included in note 14 to the financial statements on pages 70 to 73.

Shareholder Information

Electronic Communications

The Shareholders passed a resolution at the 2008 AGM enabling the Company's website to be used as the primary means of communication with them. Shareholders who have positively elected, or are deemed to have consented, to receiving electronic communications in accordance with the Companies Act 2006 will receive written notification whenever Shareholder documents are available to view on the Company's website.

Shareholders who have received a notice of availability of a document on the Company's website are entitled to request a hard copy of any such document at any time free of charge from the Company's Registrar. Shareholders can also revoke their consent to receive electronic communications at any time by contacting the Registrar.

The Company's 2013 Annual Report and Notice of the 2014 AGM are available to view at www.rb.com/online-annual-report-2013.

The Investor Relations section of the website contains up-to-date information for Shareholders including:

- Detailed share price information;
- Financial results;
- Dividend payment dates and amounts;
- Access to Shareholder documents including the Annual Report; and
- Share capital information.

Annual General Meeting

To be held on Wednesday, 7 May 2014 at 11.15 am 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. Shareholders who have registered for electronic communication can:

- Receive an email alert when Shareholder documents are available;
- View the Annual Report and Notice of AGM on the day they are published;
- Cast their AGM vote electronically; and
- Manage their shareholding quickly and securely online.

Final Dividend for the Year ended 31 December 2013

The Directors have recommended a final dividend of 77p per share, for the year ended 31 December 2013. Subject to approval at the 2014 AGM, payment will be on 29 May 2014 to all Shareholders on the register as at 21 February 2014.

Company Secretary

Elizabeth Richardson

Registered Office

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

Registered and Domiciled in England

No. 6270876

Company Status

Public Limited Company

Auditors

PricewaterhouseCoopers LLP

Solicitors

Slaughter and May

Registrar and Transfer Office

The Company's Registrar, Computershare, is responsible for maintaining and updating the Shareholder register and making dividend payments.

If you have any queries relating to your shareholding please write to, or telephone, the Company's Registrar at the following address:
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZY

Reckitt Benckiser Shareholder helpline: 0870 703 0118

Website: www.computershare.com/uk

American Depository Receipts

Reckitt Benckiser Group plc American Depository Receipts (ADRs) are traded on the over-the-counter market (OTC) under the symbol RBGLY. Five ADRs represent one ordinary share. J.P. Morgan Chase Bank N.A. is the Depository.

If you should have any queries, please contact:

J.P. Morgan Chase Bank N.A.
PO Box 64504, St Paul, MN 55164-0504, US
E-mail: jpmorgan.adr@wellsfargo.com
Telephone number for general queries: (800) 990 1135
Telephone number from outside the US: +1 651 453 2128

Key Dates

Announcement of quarter 1 interim management statement	16 April 2014
Annual General Meeting	7 May 2014
Payment of final ordinary dividend	29 May 2014
Announcement of interim results	28 July 2014
Payment of interim ordinary dividend	September 2014
Announcement of quarter 3 interim management statement	21 October 2014
Preliminary announcement of 2014 results	11 February 2015
Publication of 2014 Annual Report and Accounts	April 2015
Annual General Meeting	May 2015

Analysis of Shareholders as at 31 December 2013

Distribution of shares by type of Shareholder	No. of holdings	Shares
Nominees and Institutional Investors	9,774	719,378,732
Individuals	14,368	17,156,447
Total	24,142	736,535,179

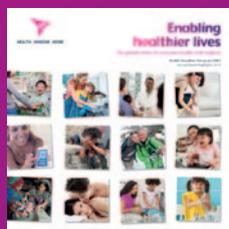
Size of shareholding	No. of holdings	Shares
1 – 500	14,678	3,052,238
501 – 1,000	4,047	2,964,286
1,000 – 5,000	3,770	7,687,368
5,001 – 10,000	459	3,250,149
10,001 – 50,000	558	13,143,965
50,001 – 100,000	165	11,768,568
100,001 – 1,000,000	366	114,891,103
1,000,000 and above	99	579,777,502
Total	24,142	736,535,179

'Boiler Room' Scams

Shareholders who are offered unsolicited investment advice, discounted shares, a premium price for shares, or free company or research reports, should take these steps before handing over any money:

- 1 Get the name of the person and organisation.
- 2 Check the Financial Services Register at www.fsa.gov.uk/register to ensure they are authorised.
- 3 Use the details on the Financial Services Register to contact the firm.
- 4 Call the FCA Consumer Helpline on 0800 111 6768, if there are no contact details on the Register or if they are out of date.
- 5 Search the FCA's list of unauthorised firms and individuals to avoid doing business with at www.fca.org.uk/scams.
- 6 If you are approached by fraudsters please contact the FCA using their helpline, or share fraud reporting form at www.fca.org.uk/scams.
- 7 Consider getting independent financial advice.

Using an unauthorised firm to buy or sell shares or other investments will prohibit access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.



This report is part of an integrated approach to reporting our total performance. Our family of reports also includes the Annual Report Highlights, the Sustainability Report on our social and environmental responsibilities, and regularly updated corporate responsibility information at www.rb.com

Left: Annual Report Highlights 2013

Right: Sustainability Report 2013 (report to be published at www.rb.com)

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