Reckitt Benckiser

Driving innovative growth

Annual Report and Financial Statements 2010

I am pleased to report that Reckitt Benckiser enjoyed another year of market beating results despite a global market growth rate that steadily declined as the year progressed.

As targeted for 2010, we delivered like-for-like net revenue growth of +6%* for the Group excluding SSL, and +5%* for the business excluding SSL and RB Pharmaceuticals. Total adjusted income growth at +15%* was also very strong and again well ahead of our peers.

Bart Becht Chief Executive

£8,453m
our net revenue

£2,231m
adjusted operating profit

115.0p**
dividend per share

* at constant exchange rates

** Includes final 2010 dividend of 65p recommended by the Board

Contents

Chairman's Statement

Strong performance

In 2010 your Company delivered a strong performance. The management team achieved this despite facing challenging global market growth conditions. They also achieved continued market share growth on most of our Powerbrands.

Cash

In 2010 the strong net revenue growth of the business has been leveraged into even higher increases in profit and good cash conversion. There was £1,386m of net cash flow from operations and this cash has been put to work and used for some strategic acquisitions that will strengthen your Company's opportunity for profitable growth in the years ahead. To complete these acquisitions, the Company has taken on debt at a highly competitive rate. Net debt at end 2010 stands at £2,011m. Even with this debt, the balance sheet is in good shape.

Acquisitions

The largest of the strategic acquisitions the Company made in 2010 was the purchase of SSL with its Durex and Scholl brands. These brands join the ranks of the RB Powerbrands and offer attractive global growth opportunities. The Company has also announced its intention to purchase Paras, an Indian health and personal care company, strengthening the Company's footprint in this fast-growing market. The Company also bought back the Rest of World rights to Suboxone and Subutex, our opiate withdrawal drugs, from Merck, to put this business on a better growth platform.

Dividend

The success of the year means your Board is able to propose a final dividend of 65 pence per share. This brings the dividend for the year to 115 pence per share, an increase of 15%. The total shareholder return for the year is 8.5%.

Board of Directors

Since the AGM of 2010 we have appointed Liz Doherty as the Company's Chief Financial Officer, an Executive Director of the Board and member of our Executive Committee. Liz was previously Chief Financial Officer of Brambles Limited, the top 25 Australian-listed supply chain and information systems company. Prior to Brambles, Liz was Group International Finance Director with additional responsibility for corporate accounts, group tax and treasury at Tesco plc. She was seven years at Tesco, having joined from Unilever PLC, where she had a 22-year career. Liz's appointment followed the departure of Colin Day, our previous Chief Financial Officer and Executive Director of the Board. On behalf of the Board I would like to offer our thanks to Colin for this significant contribution to the Company over the past ten years.

During 2010 the Board continually assessed the performance and results of the business. Through management presentations, it reviewed strategy, brands, geographic area and functional performance and its human resource function. Additionally, the Board completed its annual corporate governance evaluation covering Board performance, corporate responsibility and business risk.

Annual General Meeting resolutions

The resolutions, which will be voted upon at our AGM of 5 May 2011, are fully explained in the Notice of Meeting. In addition to the routine resolutions put annually to our AGM, they will include a resolution to make amendments to the equity dilution limits within our share scheme rules, which will more closely align them to institutional guidelines. I would encourage all our shareholders to attend our AGM.

Thanks

On behalf of my fellow Board members I would like to thank Bart Becht, his executive team and all RB employees globally for their commitment and achievements over the year. In challenging circumstances they have delivered a strong performance for our shareholders. We are grateful and proud.

I would also like to thank my Board colleagues for their contributions and support. The Board does not for one second take for granted the support of our shareholders and we thank you for your on-going confidence and investment in our Company.

In what looks to be another challenging year ahead for the consumer goods industry, the Board believes that the strategies the Company continues to pursue are the right ones. We have the utmost confidence in the management team to lead the Company to continued success.

Adrian Bellamy Chairman

I am pleased to report that Reckitt Benckiser enjoyed another year of market beating results despite a global market growth rate that steadily declined as the year progressed.

As targeted for 2010, we delivered like-for-like net revenue growth of +6%* for the Group excluding SSL, and +5%* for the business excluding SSL and RB Pharmaceuticals. Total adjusted income growth at +15%* was also very strong and again well ahead of our peers.

Powerbrand focus

Our strong and continued success confirms that our strategy of focusing on Powerbrands behind new consumer relevant innovations and high levels of support continues to work for us.

Our new Lysol/Dettol No-Touch Hand Soap System is a great example of such innovations. This automatic dispenser is a captive gadget-refill system and while one of our most technologically advanced products it is the convenience of it and the benefit of not having to touch a germy soap dispenser ever again that has made it so successful. It has also allowed us to take mostly surface oriented brands like Lysol in the USA or Dettol in the UK more into Personal Care, breaking new ground and creating future opportunities for these brands.

Our Powerbrand focus over the last decade is also delivering excellently in developing markets. Net revenue growth in these markets soared to a +18%* like-for-like growth rate.

In many of these countries, the categories in which RB normally operates barely exist or are very underdeveloped. Good examples are Veet depilatories, Harpic specialist toilet bowl cleaners and Vanish fabric treatment products. Launching our Powerbrands in these countries is therefore not just focused on carving out strong market share positions. More importantly it is focused on showing consumers the benefits of these products so that they become part of their regular needs as they care for their families, homes and themselves. In 2010 we continued our Powerbrand roll out in these countries.

In the more developed countries of Europe and North America markets retrenched. Heavy discounting by competitors, trying to counter volume declines as consumers came under pressure, led to negative market growth rates. Despite these conditions, we improved our market share on balance in these markets and eked out modest revenue growth.

As we make our Powerbrands bigger in new and existing markets, we get operating leverage and a better product mix, resulting in higher operating margins. This, combined with excellent cost optimisation in our supply chain, enabled us to deliver operating margin improvement of 200 basis points, taking it to 26.4% for the Group. Margins were also helped by the continued success of our RB Pharmaceuticals business.

RB Pharmaceuticals

It is well known that by far the largest part of the Pharmaceuticals business, the Suboxone tablets in the USA, can become subject to generic competition at any time. To mitigate the potential impact of this, in August 2010 we launched a patent-protected and consumer preferred Suboxone film. The new film is a variant on the tablet. It dissolves faster and tastes much better, and as a result keeps patients in treatment longer. Compliance with the treatment regime, and the fact that the film is better from a child safety point of view, make it more attractive for doctors to prescribe. Conversion has been so successful that at the end of 2010 the film had already captured a 25% volume share of the US market. At this level it already represents 23% of the US revenues on an annualised basis.

Focused acquisition

As a result of the strong success of the business, adjusted net income grew by +15%*. This was despite the fact that we took a more conservative position on tax as the general tax environment has become less benign, and increased the tax rate from 25% to 26%. Underlying cash flow continued to be strong, another sign of the health of the business. Some of this hard-earned cash was reinvested in what we believe are strategic and financially compelling acquisitions.

All of the transactions increased our presence in the higher margin Health & Personal Care business, where we have built a track record of strong growth. Foremost among these was the purchase of SSL International which we announced in July and completed on 29 October.

* at constant exchange rates

A proven strategy

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

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

This transaction step changes the size of our Health & Personal Care category, increasing its net revenues by an anticipated 36% to make it one third of the Group's total net revenues. It has added two new Powerbrands with good further growth potential, taking our current arsenal to 19 Powerbrands in total. Durex, in the Sexual Wellbeing category, is the global No.1 condom brand and Scholl is the market leader in the Footcare category in many of the markets where it is present. This acquisition also materially enhances the scale and critical mass of our businesses in China and Japan.

Later in the year we also agreed to acquire Paras Pharmaceuticals in India. This will create a material health care business for us in one of the most promising health care markets in the world. It adds to our portfolio a number of leading Indian over-the-counter Health & Personal Care brands including: Moov, the No.1 topical analgesic pain ointment and D'Cold, the No.2 cold & flu remedy.

RB people

Through each of the acquisitions we made last year, we welcomed new employees to RB. These employees will be integral to our success in coming years. Our culture and the characteristics of our employees are our greatest competitive advantages. RB people are entrepreneurial, innovative, internationally diverse, dynamic and driven by a strong sense of ownership. Their performance and ours is underpinned by their ability not to submit to difficult market conditions but to excel by responding in innovative ways.

The bigger picture

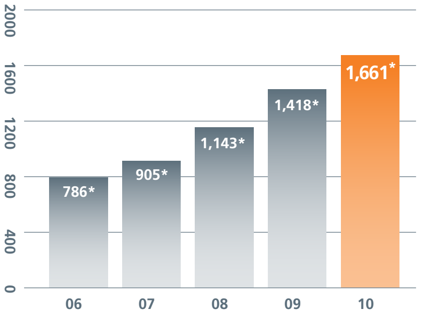
Their commitment goes beyond the commercial and is also focused on the planet's environment and supporting those most vulnerable in our society. Last year we made significant progress towards our goal of reducing the total carbon footprint of products during their creation, their use and ultimately their disposal, by 20% by 2020. In only two years we have already achieved an 11% reduction – the same impact as taking nearly one million cars off the road. RB was ranked joint-first in the Carbon Disclosure Project (CDP) 2010 FTSE 350 Report, and Sector Leader in its 2010 Global 500 Report; recognising our performance on both the Carbon Disclosure Leadership Index and Carbon Performance Leadership Index.

We also helped to save children's lives through our support of Save the Children in their emergency response work in places such as Haiti and Pakistan, and for their programmes to help children in many other countries around the world. Last year we helped to save 160,000 lives.

In conclusion, Reckitt Benckiser can look to 2011 with confidence. We have come through 2010 very well despite increasingly challenging conditions, and although the new year may hold a new set of challenges, our strategy, our innovation driven by our people and the new opportunities from acquisitions give us confidence that we can continue to deliver success.

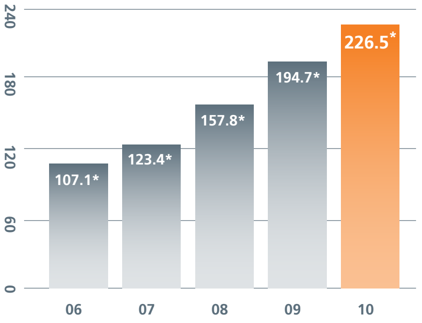
Bart Becht Chief Executive

Adjusted net income £m



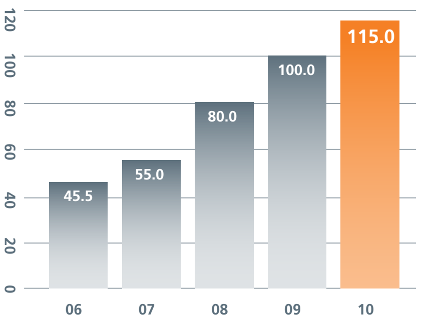
*adjusted to exclude the impact of exceptional items

Diluted earnings per share pence



*adjusted to exclude the impact of exceptional items

Dividend per share pence



Group financial highlights

	2010 £m	2009 £m	change %
Net revenues	**8,453**	7,753	**+9**
Operating profit	**2,130**	1,891	**+13**
Net income for the year	**1,568**	1,418	**+11**
Diluted earnings per share	**213.8p**	194.7p	**+10**
Adjusted operating profit*	**2,231**	1,891	**+18**
Adjusted net income for the year*	**1,661**	1,418	**+17**
Adjusted diluted earnings per share*	**226.5p**	194.7p	**+16**
Declared dividend per share	**115.0p**	100.0p	**+15**

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

2010 business highlights.
Net revenue grew by 7% (constant) to £8,453m. Adjusted operating profit up 15% (constant) to £2,231m. Total dividends paid of £773m, up 19% versus 2009.

This review for the financial year ended 31 December 2010 conforms to the Business Review required under the Companies Act 2006. It should be read in conjunction with the rest of this annual report, the Group's latest Sustainability Report and the Group's website (www.rb.com).

NATURE, OBJECTIVES AND STRATEGIES OF THE BUSINESS

Reckitt Benckiser is one of the world's leading manufacturers and marketers of branded products in Household Cleaning and Health & Personal Care, selling a comprehensive range through over 60 operating companies into around 180 countries. In 2010, approximately three quarters of net revenue was generated by brands that are either market leader or ranked second in their markets. The Group's principal product categories are listed below.

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

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

- Have a disproportionate focus on our 19 Powerbrands to realise our vision and drive above industry average growth to strengthen their global market positions.
- Transform the above industry average net revenue growth into attractive profits and cash flow.

The Group also seeks to complement these objectives with strategically and financially compelling acquisitions. During 2010, the Group announced the acquisition of SSL International plc (SSL) and proposed acquisition of Paras Pharmaceuticals Limited (Paras). These transactions provide a step change in the Group's global Health & Personal Care business, a key driver of the Group's net revenue and profit growth.

The acquisition of SSL adds two new Powerbrands with good further growth potential to the Group's portfolio, taking the total to 19. Durex, in the Sexual Wellbeing category, is the global number one condom brand and Scholl is the market leader in the footcare category in many of the markets in which it is present. The acquisition of SSL also materially enhances the scale and critical mass of the Group's businesses in China and Japan, two key East Asian markets.

The acquisition of Paras will create a material consumer healthcare business in India, with the addition of a number of strong and leading brands. These are complementary to the Group's existing portfolio, and include such products as Moov topical analgesic pain ointment, D'Cold Cold/Flu remedy, Dermicool for prickly heat and Krack medicated skin treatment for cracked heels. The Group expects to complete the acquisition of Paras during the first half of 2011.

THE GROUP'S BRAND PORTFOLIO AND MARKET POSITION

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

These leading positions include:

Health & Personal Care

The Health & Personal Care category consists of products that relieve or solve common personal and health problems. The Group's strength in this category was further enhanced by the acquisition of SSL on 29 October 2010.

- No.1 worldwide in Antiseptic Liquids with Dettol.
- No.1 worldwide in Depilatory products with Veet.
- No.1 worldwide in Medicated Sore Throat products with Strepsils.
- No.1 worldwide in condoms for both safe and more pleasurable sex, with Durex and Contex.
- No.2 worldwide in Cold/Flu (including decongestants) with Mucinex.
- No.3 worldwide in Acne treatment with Clearasil.
- Leading positions in Analgesics and Upper Gastro-Intestinal products in Europe and Australia with Nurofen and Gaviscon.
- Leading positions in Footcare and comfort footwear in many markets outside North America and Latin America, with Scholl.
- The Group also has local leading positions in Denture Care, Dry Skin Care and Cold/Flu products.

Fabric Care

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

Surface Care

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

Home Care

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

- No.2 worldwide in Air Care with Air Wick.
- No.1 worldwide in Pest Control with Mortein, the Group's international brand, supported by local brand franchises like d-Con in North America.
- No.2 worldwide in Shoe Care with such brands as Cherry Blossom and Nugget.

Dishwashing

- No.1 worldwide in Automatic Dishwashing (products used in automatic dishwashers) with Finish.
- The Group also has some small, local positions in the declining manual dishwashing market.

Other

The Group also has two non-strategic businesses: Food and Pharmaceuticals.

- **Food.** The Company owns a largely North American Food business, the principal brands of which are French's Mustard (the No.1 mustard) and Frank's Red Hot Sauce (the No.1 hot/wing sauce in North America).
- **Pharmaceuticals.** RB Pharmaceuticals (RBP) 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. Suboxone is a more advanced product compared to Subutex, as it has substantially better protection against abuse by the opioid-dependent population. In the US, Suboxone lost the exclusivity afforded by its Orphan Drug Status on 8 October 2009. Suboxone has received marketing approval from the European Commission for treatment in the 27 countries of the

European Union, Norway and Iceland, with data exclusivity until 2016.

Further to an announcement on 19 March 2010, the majority of the sales, marketing and distribution rights to the buprenorphine-containing products Suboxone, Subutex and Temgesic were bought back by the Group, starting 1 July 2010. The rights apply to a number of countries in Europe and the Rest of World. The consideration for the rights paid to Merck & Co., Inc. is approximately £100m. As a result, these countries are now fully included by the Group.

On 31 August 2010, the Group announced that it had received approval from the US Food and Drug Administration for its New Drug 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.

As with all prescription drugs, the protection of the business has a finite term unless replaced with new treatments or forms. As a result of the loss of exclusivity in the US, up to 80% of the revenue and profit of the Suboxone tablet business in the US might be lost in the year following the launch of generic competitors, with the possibility of further erosion thereafter. However, in the event of generic competition to the Suboxone tablet, the Group expects that the Suboxone sublingual film will help to mitigate the impact thereof.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

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

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

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

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

Technological change and product improvement can therefore be a key determinant of the Group's success. Reckitt Benckiser's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Group maintains a large category development organisation, including market and consumer research, R&D and marketing/sales best practice, to fuel this pipeline and share category success factors and learning. The Group invested £125m in R&D in 2010. While the Group believes R&D to be a key contributor to innovative new products, it does not believe it to be the dominant performance indicator for innovation success. The Group's success is demonstrated by the fact that around one third of its net revenue comes from products launched over the last three years.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

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

Reckitt Benckiser has operating companies in over 60 countries and has sales in around 180 countries worldwide. At present, 68% of the Group's net revenue derives from Europe, North America and Australia/New Zealand (excluding Pharmaceuticals and SSL) with the remainder coming mostly from semi-established or developing economies. The Group is expanding its operations in these semi-established economies which may bring increased risks from greater economic volatility, additional governmental burden and regulation, political instability and local labour conditions. Many developing markets offer higher economic growth potential.

The Group structures its business through a matrix of a centralised Category Development organisation, Global Sales organisation, Supply organisation and support functions (Finance, Human Resources and Information Services), combined with three Area organisations, Europe, North America & Australia, and Developing Markets, plus RBP. The central Category Development function, where appropriate supported by Global Sales, is responsible for Powerbrand strategies, brand equity programmes and best practices and new product development (including R&D and consumer and market research), for implementation by the Area organisation.

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

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

The Supply function is responsible for all procurement (raw and packaging materials and services), production and logistics globally, and is directly responsible for the operation of the Group's 49 (including SSL) production facilities worldwide. Approximately 91% of manufacturing and supply is through these 49 sites around the world, with facilities located in Europe (17 facilities), North America (5 facilities), Australia and New Zealand (1 facility). The remaining facilities spread across Asia (18), Latin America (4), and Africa Middle East (4) include a small number of facilities in higher risk labour and social environments.

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

The Group has a comprehensive set of policies and procedures designed to enforce and protect its reputation and govern its business methods and practices. These cover, inter alia, a comprehensive Code of Conduct, an Environment Policy, a Global Manufacturing Standard, a Product Safety Policy including compliance with all regulatory requirements, and product quality. Internal controls on environmental, social, governance (ESG) matters and reputational risk are further outlined in pages 7 and 14 of this report.

RESOURCES

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

The 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 supply globally. 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, even after reinvesting in marketing, specifically media, at levels well above the industry average. The Group therefore 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 demand for new products or the time delay involved in stepping up production of new items to the levels required to supply many millions of units 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 minimised. 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.

The supply of strong management for the Group remains more than adequate. This is attributable to the Group's culture and its highly performance-oriented remuneration policy which is based on paying for excellent performance. The Group believes that its ability to attract and retain the excellent management it needs to continue its success depends critically on this system. The Group trains and develops its management pipeline through formal training programmes focusing on three areas – leadership skills, functional skills and general skills – and through a deliberate policy of training on the job. The Group has 22 formal training modules for middle management and Top 400 managers. During 2010, the Group ran over 80 courses on these modules, training over 1,000 people. 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 at least annually at the full Board and the Executive Committee.

The Group closely monitors and tracks its Top 400 international managers (T400), the core management team of the business. This is a diverse group, consisting of almost 40 nationalities. Over 60% of the T400 is working in a country that is not their original domicile, consistent with the Group's policy to develop a multi-national management team. Turnover within this T400 group in 2010 was 11.6%, which the Group considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2010 saw 59 promotions, 56 moves and ten external recruits. The Group ended the year with a low level of vacancies within the T400 of 15, or around 3.4% of the measured group.

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. A continuing programme of training and development reinforces the Group's commitment to employee involvement. The Board encourages employees to become shareholders and participate in the employee share ownership schemes.

The Group relies on its brand names and intellectual property. All of the Group's major brand names are protected by nationally or 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.

RELATIONSHIPS AND PRINCIPAL RISKS

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

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

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

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

Market risks

- Demand for the Group's products may be adversely affected by changes in consumer preferences.
- Customers, mainly large retailers, may decide to de-list the Group's brands, or not participate in the active promotion of the brands through in-store programmes.
- Competition may reduce the Group's market shares and margins.
- Competition from private label and unbranded products may intensify.

The Group aims to mitigate market risks through active category, brand and customer relationship management programmes supported by ongoing investment into new product development.

- The expiry of the Group's exclusive licence for Suboxone in the United States in 2009 and in the rest of the world in 2016 could expose the business to competition from generic variants.

The Group has developed a new patented delivery method for this product which will partially mitigate the risk of the expected entry of generic variants to the market.

Operational risks

- The Group's new product pipeline may not generate consumer-relevant innovation and improvement to fuel growth and build market shares.

The Group has a well established new product development process in place which includes the close monitoring of market trends and identification of relevant consumer insights. Prior to the wider roll out of new products, each undergoes a strict process of testing together with commercial trials in selected test markets.

- Key management may leave, or management turnover may significantly increase.

The Group structures its employee reward programme to attract and retain the best people. The Group also has a formal succession planning process in place with plans being reviewed and updated regularly for key management positions.

- Information technology systems may be disrupted or may fail, interfering with the Group's ability to conduct its business.

The Group has disaster recovery plans in place which are tested periodically and invests in appropriate anti virus software and other security measures to safeguard against this threat.

- Regulatory decisions and changes in the legal and regulatory environment could increase liabilities or limit business activities.

The Group's Code of Conduct which covers commercial and ethical practices has been rolled-out across its subsidiaries and is updated where changes to the legal and regulatory environment require it. Online training on the Code of Conduct is undertaken by employees annually. The Group also has regulatory and legal specialists at a Group, regional and local level who are responsible for setting policies and ensuring that employees are aware of, and comply with, laws and regulations relevant to their roles.

- Operating results may be affected by increased costs resulting from shortages of raw materials.
- Significant movement in the exchange rates in which the Group purchases its raw material and packaging may limit the Group's ability to expand margins.

The Group has well established cost savings initiatives in place and continues to look for cost effective sources of raw materials and the most efficient production processes. Forward contracts are also entered into, where appropriate, to hedge against movements in commodity prices and exchange rates.

- Unfavourable economic or business conditions may adversely affect or disrupt operations in countries in which the Group operates.
- A major supplier or customer could experience financial difficulties, impinging on the Group's normal course of business.

Business continuity plans are in place throughout the Group which aim to minimise the effects of operational disruption.

- The Group may not be able to integrate acquisitions and achieve the expected synergies and projected growth.

The Group establishes cross functional teams at a Group, regional and local level to manage the integration of new acquisitions and monitor the delivery of synergies. Regular progress updates are provided to the Executive Committee. The Group has a history of effectively integrating acquisitions.

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

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

Risks from the perspective of ESG matters and reputation are discussed in the Report of the Directors on page 14. These should be read in conjunction with the Group's annual Sustainability Reports (available on the Group's website at www.rb.com) which address a number of potentially reputation-affecting ESG matters such as employee health & safety at work and how the Group is addressing such matters, and which are independently assured.

In summary the principal ESG risks identified by the Group are:

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

Financial risks

The Group has a number of risk exposures in relation to tax, treasury, financial controls and reporting that are principally managed through the implementation of explicit policies, procedures and controls detailed in the Group's finance manual. These are subject to regular review by senior management, internal and external audit. See page 10 for more detail of how financial risks are mitigated.

Environmental matters, employees and social and community issues

In line with the requirements of the Companies Act 2006, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Group relating to environmental matters (including the impact of the Group's business on the environment), its employees, and social & community issues. A summary of this information is provided here with further information provided in other sections of the Business Review and in the Report of the Directors on page 14.

Overall, environmental, social and governance matters and reputational risk are addressed in the Report of the Directors on page 14, with regard to employees on page 13 and internal control in the Corporate Governance report on pages 19 and 20. These should be read in conjunction with the Group's latest Sustainability Report (available on the Group's website at www.rb.com) which addresses a number of potentially reputation-affecting issues such as employee health & safety at work and how the Group is addressing those issues, and which is independently assured.

In summary, environmental, employee and social & community issues identified by the Group are: product/ingredient regulation and specifically REACh (the European framework for the Registration, Evaluation, Authorisation and restriction of Chemicals), which is discussed in the Report of the Directors on page 14; product quality/safety and specifically the Group's arrangements for managing product quality such as to prevent large scale sub-standard quality events and its arrangements to ensure that its products are both suitable and safe for their intended use, which are discussed in the Report of the Directors on page 14; in terms of the environment, the carbon footprint of its products, which is described below; and, in terms of the impact of the Group's business on the environment, the greenhouse gas (GHG) emissions originating from its direct operations and specifically energy use at its global manufacturing operations. Due to the 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); specifically, the GHG emissions from the Group's global manufacturing operations circa. 300,000 tonnes CO_2-equivalents per annum. Additionally, the Group has been proactive in managing the energy use of its direct operations so as to continually reduce its associated GHG emissions since 2000; specifically, the Group reduced the GHG emissions from its global manufacturing facilities energy use between 2000 and 2009 by 40% per unit of production and by 23% in absolute terms.

The Group has taken a leadership position with regard to its products' 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. The Group publicly launched this initiative in November 2007, comprising its Carbon20 programme and the target to reduce its global products' carbon footprint across their complete lifecycle by 20% per dose by 2020 versus a 2007 baseline (www.Carbon20.info).

By 2009, the second year of the Group's Carbon20 programme, 3 million tonnes of CO_2 were avoided as a result of a 11% reduction per dose in the carbon impact of the Group's global products' lifecycle; this is similar to taking around one million cars off the road. This 11% reduction in carbon emissions per dose means the Group has achieved more than half of its Carbon20 target for 2020 in the second year of the programme.

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

As noted above regarding ESG matters and reputational risks: the Group has a full set of policies, programmes and control arrangements, building on its central Code of Conduct, that addresses the full range of ESG matters and reputational risks. The Code 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 Board holds a formal review of ESG matters at least annually.

PERFORMANCE OF THE BUSINESS IN 2010

2010 net revenue increased +9% (+7% constant) to £8,453m, with like-for-like growth of +6% for the Group excluding SSL and +5% like-for-like for the base business. SSL contributed £90m to the full year.

Where appropriate the term "base business" represents the Europe, North America & Australia and Developing Markets geographical areas and excludes RBP and SSL.

The gross margin improved by +40bp to 60.6%, largely as a result of input cost savings, benefits from cost optimisation programmes and a positive transaction impact from foreign exchange, partially offset by higher promotional spend. Total marketing was higher, and pure media spend rose +5% (+3% constant) to a level of 10.7% of net revenue. On an adjusted basis, operating profit was ahead +18% (+15% constant), with the adjusted operating margin up +200bp to 26.4% due to gross margin expansion and operating cost efficiencies. Operating profit as reported was £2,130m, +13% higher than last year (+10% constant) owing to an exceptional pre-tax charge of £101m taken in Q4 in respect of the acquisition of SSL. For the base business, adjusted operating profit rose +12% (+10% constant) to £1,697m, equating to a +110bp improvement in the margin.

Net finance income was £6m (2009: net finance income of £1m), with strong free cash flow generation during the year partly offset by the payment in respect of the acquisition of SSL in November. The 2010 net finance income includes a £3m exceptional charge in respect of financing costs associated with the acquisition of SSL. The tax rate was 26%, this higher rate being reflective of the less benign tax environment in which the Group now operates.

Net income attributable to shareholders was £1,568m, an increase of +11% (+8% constant) versus 2009: on an adjusted basis, net income was up +17% (+15% constant). Diluted earnings per share of 213.8 pence was +10% higher on a reported basis; on an adjusted diluted basis, the growth was +16% to 226.5 pence.

OPERATING SEGMENT ANALYSIS AT CONSTANT EXCHANGE

Europe – 41% of net revenue

2010 total net revenue decreased -1% (+0% like-for-like) to £3,429m, with growth coming mainly in Health & Personal Care, Home Care and Dishwashing. In Health & Personal Care, the launch of the No-Touch Hand Soap System contributed to growth in Dettol, with a further contribution from Nurofen, Gaviscon and Strepsils. The increase in Home Care was helped by the launch of Air Wick Aqua Mist and Air Wick Ribbons, with the growth in Dishwashing coming from the continued success of Quantum. The result in Fabric Care was impacted by increased competitive activity for Vanish, and weakness in Water Softeners and Laundry Detergents.

For the full year, the operating margin was +110bp above last year at 24.0%, with operating profit of £823m.

North America & Australia – 27% of net revenue

2010 total net revenue increased +2% (+3% like-for-like) to £2,313m, with growth coming mainly in Health & Personal Care, Surface Care, Home Care and Dishwashing. The launch of the Lysol No-Touch Hand Soap System drove growth in Health & Personal Care, while the result in Surface Care was supported by the Lysol surface care range. The launch of Air Wick Aqua Mist and Air Wick Ribbons contributed to the performance in Home Care, with Quantum supporting the increase in Dishwashing.

Food increased as a result of a very good performance across the consumer portfolio, in particular further growth for French's Yellow Mustard, French's Fried Onions and Frank's Red Hot Sauce, and boosted by new variants for these franchises.

For the full year, operating profit increased +13% to £599m: the operating margin was +280bp higher at 25.9%.

Developing Markets – 22% of net revenue

2010 net revenue was ahead +18% to £1,884m, with growth evident in all regions. In Health & Personal Care, the Dettol personal care range, comprising bar and liquid soaps and shower gels, continued to deliver excellent growth. Veet, Strepsils and Gaviscon also contributed strongly. In Fabric Care, Vanish delivered a strong result, while Dettol, Harpic and Veja all contributed to growth in Surface Care. The increase in Home Care was driven by Air Care, and supported by the launch of Aqua Mist.

For the full year, operating profit increased by +21% to £275m. This resulted in a +10bp improvement in the operating margin to 14.6%.

Pharmaceuticals – 9% of net revenue

2010 net revenue for the Group's Subutex and Suboxone prescription drug business grew +24% to £737m. These buprenorphine-based products are used to treat opiate dependence. Growth was driven by an increase in the number of patients treated with Suboxone in the US and price increases. The net revenue performance was further helped by the full inclusion of a number of countries in Europe and Rest of World from 1 July 2010, as a result of the majority of sales, marketing and distribution rights to the buprenorphine-containing products Suboxone, Subutex and Temgesic being bought back by the Group.

For the full year, the operating margin improved by +890bp to 72.0%. Operating profit was £531m, an increase of +37%.

Suboxone has data exclusivity in Europe until 2016; in the US, Suboxone lost the exclusivity afforded by its Orphan Drug Status on 8 October 2009. As a result of the loss of exclusivity in the US, up to 80% of the revenues and profits of the Suboxone tablet business might be lost in the year following the launch of generic competitors, with the possibility of further erosion thereafter. To mitigate this potential impact, RBP introduced Suboxone sublingual film in September 2010, a patent-protected and patient-preferred delivery system. At the end of 2010, the market volume share for the sublingual film was 25%, and at this level it would represent c.23% of the total RBP US net revenue (approximately £138m on an annualised basis).

Further to an announcement on 19 March 2010, the majority of the sales, marketing and distribution rights to the buprenorphine-containing products Suboxone, Subutex and Temgesic were bought back by the Group, starting 1 July 2010. The rights apply to a number of countries in Europe and the Rest of World. The consideration for the rights paid to Merck is approximately £100m. As a result, these countries are now fully included by the Group.

On 31 August 2010, the Group announced that it had received approval from the US Food and Drug Administration for its New Drug 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. As the Group is rapidly converting Suboxone tablets to the sublingual film, there is a short-term dilutive impact on net revenue and operating profit: however, this conversion much better protects the medium and long-term earnings stream from the Suboxone franchise in the US. Hence, in the event of generic competition to the tablet, the Group expects that the Suboxone sublingual film will help to mitigate the impact thereof.

SSL – 1% of net revenue

Following consolidation from 1 November 2010, SSL delivered £90m net revenue in the two month period. Operating profit was £3m, after reflecting the cost of aligning SSL's trading practices with those of RB.

For reference only
The following information is pro forma to Reckitt Benckiser's December year-end and aligned with the Group's accounting policies, and is provided for reference purposes only.

SSL delivered FY 2010 net revenue of £797m (+0% like-for-like). The new range of Feeling condoms, including RealFeel and Fetherlite Ultra, boosted the performance of Durex, while the Hard Skin range of Footcare products supported the result for Scholl. This growth was offset by weaker performance for the local brands and other. Operating profit was £119m, equating to an operating margin of 14.9%.

CATEGORY REVIEW AT CONSTANT EXCHANGE RATES

Health & Personal Care (excluding SSL). Net revenue increased +6% to £2,265m. In Personal Care, the Dettol personal wash range continued to deliver excellent growth in Developing Markets and Europe, while the launch of the Lysol/Dettol No-Touch Hand Soap System also contributed strongly. Veet increased, helped by the new Suprem'Essence range with essential oils.

In Health Care, a strong result for Gaviscon and Strepsils was mitigated by the impact of a challenging comparative for Mucinex due to H1N1-related demand in Q4 2009.

Fabric Care. Net revenue declined –1% to £1,576m, impacted by increased competitive activity for Vanish, and weakness in Water Softeners and Laundry Detergents.

Surface Care. Net revenue grew +4% to £1,391m. The Lysol/Dettol germ protection ranges increased, boosted by a strong result for Harpic behind new initiatives and continued excellent performance from Veja in Brazil.

Home Care. Net revenue increased +8% to £1,152m. In Air Care, growth was driven by the launch of Air Wick Aqua Mist and Air Wick Ribbons, while the performance in Pest Control was supported by the Mortein range of automatic sprays and a good pest season.

Dishwashing. Net revenue increased +3% to £875m. The performance was led by the continued success of Finish Quantum, with growth in dishwashing additives and the launch of QuantuMatic also contributing.

Total Household and Health & Personal Care (excluding SSL). Net revenue was ahead by +4% to £7,322m.

RBP. 2010 net revenue for the Group's Subutex and Suboxone prescription drug business grew +24% to £737m, predominantly driven by a continued increase in the number of patients treated with Suboxone in the US and the launch of the Suboxone sublingual film which, with a market volume share of 25% in the most recent reading, is well ahead of our ingoing expectations. The performance was further helped by the full inclusion of a number of countries in Europe and the Rest of World from 1 July 2010, as a result of the majority of sales, marketing and distribution rights to the buprenorphine-containing products Suboxone, Subutex and Temgesic being bought back by the Group. Operating profit was ahead +37% to £531m, equating to a +890bp improvement in the operating margin to 72.0%.

Food. 2010 net revenue grew +9% to £304m with a very good performance across the consumer portfolio, in particular further growth for French's Yellow Mustard, French's Fried Onions and Frank's Red Hot Sauce, and boosted by new variants for these franchises. Operating profit increased +19% to £87m.

SSL. Following consolidation from 1 November 2010, SSL delivered £90m net revenue in the two month period. Operating profit was £3m.

FINANCIAL REVIEW

Basis of preparation. The financial information is prepared in accordance with IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board, and with the accounting policies set out in note 1 on pages 34 to 37.

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 finance income. Net finance income was £6m, a £5m improvement compared to 2009 (£1m), reflecting strong free cash flow generation during the year. The 2010 net finance income includes a £3m exceptional charge in respect of financing costs associated with the acquisition of SSL.

Tax. The underlying tax rate was 26% (2009: 25%).

Net working capital. (inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) of minus £900m was £357m adverse compared to the 31 December 2009 level, mostly due to the impact of consolidating SSL and an increase in RBP receivables following the buy back of the rights in Europe and Rest of World from Merck.

Cash flow. Cash generated from operating activities was £2,215m (2009: £2,323m) and net cash flow from operations was £1,386m (2009: £1,803m). Net interest received was £8m (2009: net interest paid of £4m) and tax payments increased by £308m to £679m (2009: £371m) following the settlement of a number of outstanding matters. Capital expenditure was higher than the prior year at £367m (2009: £158m), due to the buy back of the remaining sales, marketing and distribution rights to Suboxone, Subutex and Temgesic in Europe and the Rest of World and the investment in certain Health & Personal Care brands from Combe Incorporated.

Net debt. At the end of the year net debt was £2,011m (December 2009: net cash of £220m), an increase of £2,231m. This reflected net cash flow from operations of £1,386m, offset by the acquisition of SSL for £2,466m (net of cash acquired) in November, the payment of two dividends totalling £773m, the buy back of the remaining sales, marketing and distribution rights to Suboxone, Subutex and Temgesic in Europe and the Rest of World and the investment in certain Health & Personal Care brands from Combe Incorporated. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

Balance sheet. At the end of 2010, the Group had shareholders' funds of £5,130m (2009: £4,014m), an increase of +28%. Net debt was £2,011m (2009: net cash of £220m) and total capital employed in the business was £7,141m (2009: £3,794m).

This finances non-current assets of £10,700m (2009: £6,891m), of which £740m (2009: £639m) is tangible fixed assets, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets and other receivables. The Group has net working capital of minus £900m (2009: minus £1,257m), current provisions of £164m (2009: £88m) and long-term liabilities other than borrowings of £2,493m (2009: £1,752m).

The Group's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 30.6% on a reported basis and 32.4% on an adjusted basis (2009: 35.3% on both a reported and an adjusted basis).

Dividends. The Board of Directors recommends a final dividend of 65 pence per share (2009: 57 pence), an increase of +14%, to give a full year dividend of 115 pence per share (2009: 100 pence), an overall increase of +15%. The dividend, if approved by shareholders at the AGM on 5 May 2011, will be paid on 26 May to shareholders on the register at the record date of 25 February. The ex-dividend date is 23 February and the last date for election for the share alternative to the dividend is 5 May. The final dividend will be accrued once approved by shareholders.

Contingent liabilities. The Group is involved in a number of investigations by competition authorities in Europe 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.

2010 results excluding RBP and SSL
In light of the increasing significance of the RBP business, the Group provides the following information relating to the performance of the business in 2010 excluding RBP and the acquisition of SSL (on an adjusted basis).

	RB ex RBP & SSL £m	RB ex RBP & SSL % like-for-like	RBP £m	RBP % like-for-like	Total RB ex SSL £m	Total RB ex SSL % like-for-like
Net revenue	7,626	+5%	737	+24%	8,363	+6%
Adjusted operating profit	1,697	+10%	531	+37%	2,228	+15%
Adjusted operating margin	22.3%		72.0%		26.6%	

During 2010, one case has been settled with the Office of Fair Trading in relation to Gaviscon for an amount of £10.2m.

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.

On 23 February 2011 the Group received a civil claim for damages from the Department of Health and others in the United Kingdom regarding alleged anti-competitive activity involving the Gaviscon brand. The claim is under review and although it is at an early stage, the Directors do not believe that any potential impact would be material to the Group financial statements.

Financial risk management

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

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

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

Foreign exchange risk

(a) Translation risk

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

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

(b) Transaction risk

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

Market price risk

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

Interest rate risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group manages its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group manages its interest rate exposure on its gross financial assets by using 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 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 investment, are considered sufficient to meet the Group's projected cash requirements.

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

Capital management

The Group's objectives for managing capital are to safeguard the Group's and Company'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 2010 the Company has provided returns to shareholders in the form of dividends, current details of which are included in the Financial Review for the year, above.

The Group monitors net debt (total borrowings less cash and cash equivalents and financing derivative financial instruments) and at the year end the Group had net debt of £2,011m (2009: net cash of £220m). The Group does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Details of numerical disclosures relating to the Group's financial risk management are included in note 24 to the Accounts on pages 58 to 62.

PROSPECTS

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

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

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

For 2011, the Group is aiming for another year of above industry average growth:

For the Group excluding SSL, the target is for +4% like-for-like net revenue growth, with profit growth ahead of that. This net revenue target compares to a global market which is currently showing no growth.

For the recently-acquired SSL business, the Group is also targeting around +4% net revenue growth on a like-for-like basis (base: £762m): in addition, the Group is aiming to add 50% of the £100m cost synergies to the current profit level. An exceptional pre-tax charge in the region of £150m is expected to be incurred in 2011, of which around £4m will be exceptional financing costs. This brings the total pre-tax exceptional charge in respect of the acquisition of SSL and further reconfiguration of the enlarged Group to around £250m, of which approximately £216m relates to restructuring and c.£34m is transaction costs.

For RBP, the Group continues to target further market share growth for the Suboxone film variant. At this time, the Group has no new intelligence as to the timing of potential generic competition to the Suboxone tablets in the US.

Taking all of the above into consideration, the targets for the total Group are for +12% net revenue growth (base: £8,453m) and +10% adjusted net income growth (excluding exceptional charges on a base of £1,661m), both at constant exchange. These targets exclude the potential impact of generic competition to the Suboxone tablets in the US, and will be adjusted downwards in the event that generic competition emerges.

Cautionary note concerning forward looking statements

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

KEY PERFORMANCE INDICATORS

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

KPI	2010	2009	Comments
Net revenue growth % like-for-like growth of net revenue at constant exchange	+6%	+8%	Measures the increase in sales of the Group
Powerbrands % of net revenue from top brands*	69%	70%	Measures the growth and importance of the Group's flagship brands
Gross margin % Gross profit as % of net revenue	60.6%	60.2%	Measures the resources available for reinvestment or profit growth
Media investment Media investment as % of net revenue	10.7%	11.1%	Measures the rate of reinvestment in the Group's brands
Operating margin %** Operating profit** as % of net revenue	26.4%	24.4%	Measures the profitability of the Group
EPS (fully diluted)** % change in EPS (fully diluted)**	226.5p +16%	194.7p +23%	Measures the increase in profit per share of the Group
Net cash flow See page 33	£1,386m -23%	£1,803m +53%	Measures how the Group converts its profits into cash
Net working capital ratio (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) as % of net revenue	-£900m -10.6%	-£1,257m -16.2%	Measures the ability of the Group to finance its expansion and release cash from working capital
Management turnover	12%	16%	% of T400 management that has left the Group
% of net revenue in No.1 or No.2 brand positions	73%	73%	Measures the health of the Group's brand market positions

* Excludes the acquisition of SSL

** Adjusted to exclude the impact of exceptional items

Board of Directors and Executive Committee

THE BOARD OF DIRECTORS

Adrian Bellamy (69, British) ‡ #
Was appointed a Non-Executive Director of the Company in 1999 and became Non-Executive Chairman in May 2003. He is a Director of The Gap Inc and a Director and Chairman of Williams-Sonoma, Inc. He was Chairman of The Body Shop International plc until March 2008 and was formerly Chairman and a Director of Gucci Group NV and of The Robert Mondavi Corporation.

Bart Becht (54, Dutch) #
Joined the Board in 1999, on his appointment as Chief Executive Officer of the Company. He was appointed Chief Executive of Benckiser Detergents, subsequently Benckiser N.V., in 1995 and Chairman of Benckiser's Management Board from May 1999. He holds no external directorships.

Richard Cousins (51, British) ‡
Was appointed a Non-Executive Director of the Company in October 2009. He is Chief Executive Officer of Compass Group PLC, the world's largest catering company. He was until 2006 Chief Executive Officer of BPB plc, having held a number of positions with that company since 1990. He is a former Non-Executive Director of P&O plc and HBOS plc.

Colin Day (55, British)
Joined Reckitt Benckiser in September 2000 from Aegis Group plc where he was Group Finance Director from 1995. He was formerly a Non-Executive Director of Vero plc, the Bell Group plc, easyJet plc, Imperial Tobacco plc and Cadbury plc. He is a Non-Executive Director of WPP Group plc and AMEC plc. Colin stepped down from his role on 8 February 2011.

Liz Doherty (53, British)
Joined Reckitt Benckiser in January 2011 and was appointed to the Board as Chief Financial Officer on 8 February 2011. She was CFO at Brambles Limited for two years. Prior to Brambles, Liz spent seven years at Tesco plc where she was the number two in the finance function and Group International Finance Director. She joined Tesco from Unilever PLC, where she had a 22-year career. Liz served as a Non-Executive Director of SABMiller plc from 2006 until stepping down from this role ahead of joining the Company.

Dr Peter Harf (64, German) #
Joined the Board as a Non-Executive Director in 1999 and is the Deputy Chairman. He served as Chairman of the Remuneration Committee until June 2004. He is Chairman of Coty Inc. and Anheuser Busch InBev and was until May 2007 a Director of the Brunswick Corporation. He is Chief Executive Officer of Joh. A. Benckiser SE.

Kenneth Hydon (66, British)* #
Was appointed a Non-Executive Director in December 2003 and Chairman of the Audit Committee in November 2006. He is a Fellow of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers. He was the Senior Independent Director between February 2005 and November 2006. He retired as Financial Director of Vodafone Group plc in July 2005 and is currently a Non-Executive Director of Tesco plc, Pearson plc and the Royal Berkshire NHS Foundation Trust.

André Lacroix (51, French) *
Was appointed a Non-Executive Director in October 2008. He is Group Chief Executive of Inchcape plc and Chairman of Good Restaurants AG. He was previously Chairman and Chief Executive Officer of Euro Disney, and has also held positions at Burger King (Diageo), Colgate, PepsiCo and Ernst & Young LLP.

Graham Mackay (61, British/South African) ‡
Was appointed a Non-Executive Director in February 2005 and the Senior Independent Director in November 2006. He is the current Chief Executive of SABMiller plc, one of the world's largest brewers with brewing interests or major distribution agreements in over sixty countries across six continents. He joined the then South African Breweries Limited in 1978 and has held a number of senior positions within that group. He joined the Board of Philip Morris International Inc in October 2008.

Judith Sprieser (57, American) ‡#
Was appointed a Non-Executive Director in August 2003 and has been Chair of the Remuneration Committee since June 2004. She was previously Chief Executive Officer of Transora, Inc., an e-commerce software and service company and Executive Vice President (formerly Chief Financial Officer) of Sara Lee Corporation. She is a Director of Allstate Insurance Company, InterContinental Exchange, Inc., Royal Ahold NV, Adecco SA and Experian plc.

Warren Tucker (48, British)*
Was appointed a Non-Executive Director in February 2010. He has been Chief Financial Officer of Cobham plc since he joined in 2003. He is a chartered accountant and previously held senior finance positions at Cable & Wireless plc and British Airways plc.

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

EXECUTIVE COMMITTEE

Bart Becht (54, Dutch)
Chief Executive Officer.

Freddy Caspers (49, German)
Executive Vice President, Developing Markets. Joined in September 1997 as EVP for Eastern Europe. Previously at PepsiCo and Johnson & Johnson in various roles in Europe, US, Eastern Europe and Turkey. Freddy is responsible for Asia Pacific, Latin America and Africa & Middle East.

Salvatore Caizzone (45, Italian)
Executive Vice President, Europe.
Joined in 1996 serving several roles in Italy, Russia & Baltics. He was Senior Vice President (SVP) Africa & Middle East region for eight years before he was appointed EVP, Europe with effect from 1 May 2010.

Colin Day (55, British)
Chief Financial Officer. Colin stepped down from his role on 8 February 2011.

Liz Doherty (53, British)
Chief Financial Officer. Joined Reckitt Benckiser in January 2011 and was appointed to the Board as Chief Financial Officer on 8 February 2011.

Amedeo Fasano (49, Italian)
Executive Vice President, Supply.
Amedeo Fasano joined in 1997 as Supply Director Italy. After the merger with Reckitt & Colman he was appointed Manufacturing Director for Central, South Western and Southern Europe Regions. In 2002 he became Regional Supply Director North America (NA) and in 2003 SVP Supply NA and ANZ (Australia and New Zealand). In 2007 he took over the role of SVP Supply, Developing Markets. In March 2009 Amedeo was appointed as EVP Supply. Amedeo previously worked for Pirelli Tyres in multiple supply assignments.

Rob de Groot (44, Dutch)
Executive Vice President, North America & Australia. Joined in 1988. After international roles in marketing and sales became General Manager The Netherlands, then SVP, Regional Director, Eastern Europe and appointed Global Category Officer, Surface and Dish in 2005. Appointed EVP North America & Australia in 2008.

Gareth Hill (44, South African)
Senior Vice President, Information Services. Joined in October 2006. Previously Information Systems Director at Arcadia Group Ltd. Prior to Arcadia, Gareth was at IBM UK Ltd, Rex Trueform Clothing Ltd in South Africa and Arthur Andersen. He is a qualified chartered accountant.

Rakesh Kapoor (52, Indian)
Executive Vice President, Category Development. Joined in 1987 serving in various regional and central marketing roles. In 2001 became SVP, Regional Director, Northern Europe and was appointed EVP Category Development in 2006. Rakesh is responsible for global category management, R&D, media, market research and strategic alliances.

Simon Nash (49, British)
Senior Vice President, Human Resources.
Joined in July 2009 from Novartis Consumer Health, where he was Global Head of Human Resources, based in Switzerland. Simon started his international career with Procter & Gamble in detergent manufacturing, before moving into HR with Mars Confectionery in Slough. 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.

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2010 to the members of the Company.

Principal activities and future developments

The principal activities continue to be the manufacture and sale of household and health care products. During the year, the Group announced the acquisitions of SSL International plc (SSL) and Paras Pharmaceuticals Ltd (Paras). Information on these acquisitions is set out in the Business Review on page 4.

Audited results for the period are set out on pages 30 to 71.

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

The review of the Group's business

The performance of the business is described in the Chairman's Statement on page 1, the Chief Executive's Statement on pages 2 to 3 and the Business Review. Within the Business Review, principal risk factors are given under 'Relationships and Principal Risks' on pages 6 and 7, details of the key performance indicators (KPIs) are given on page 11 and information on the likely future developments of the Group under 'Prospects' is on pages 10 and 11. Information regarding environmental matters, the Company's employees and social and community issues are given on pages 7 and 8. Information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company are given on page 6.

The Group's financial risk management objectives and policies are set out on page 10 of the Business Review and in note 24 on pages 58 to 62.

The information referred to above is incorporated by reference into, and shall be deemed to form part of, this report and, together with the other information referred to in this report, fulfils the requirements of the business review provisions of s.417 of the Companies Act 2006 ('the 2006 Act'). 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 2010, the Directors resolved to pay an interim dividend of 50p per ordinary share (2009: 43p). The dividend was paid on 30 September 2010. The Directors are recommending a final dividend for the year of 65p per share (2009: 57p), which, together with the interim dividend, makes a total for the year of 115p per share (2009: 100p). The final dividend, if approved by the shareholders, will be paid on 26 May 2011 to ordinary shareholders on the register at the close of business on 25 February 2011.

Research and development

The Group continues to carry out research and development in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2010 amounted to £125m (2009: £126m).

Acquisitions and disposals

The Group announced on 21 July 2010 that it had agreed terms for a recommended cash offer to be made by its wholly owned subsidiary, Reckitt Benckiser plc, to acquire the entire issued and to be issued share capital of SSL. Under the terms of the offer, SSL shareholders received an aggregate of 1,171 pence per SSL share held (including SSL's final dividend for the year ended 31 March 2010). On 29 October 2010, the offer was declared wholly unconditional and the Group subsequently commenced the compulsory acquisition process after receiving valid acceptances in respect of more than 90% of the SSL shares to which the offer related. The acquisition was completed during the financial year.

On 13 December 2010, the Group announced that it has agreed to buy Paras for INR 32.6 billion (Indian rupees) (approximately £460 million) from the current shareholders and further confirmed that the transaction would be financed from existing facilities. The Group expects to complete the Paras acquisition during the first half of 2011. There have been no material disposals during the year.

Employees

During 2010, the Group employed an average of 27,200 (2009: 24,900) people worldwide, of whom 2,700 (2009: 2,500) were employed in the UK. The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

It is essential to the continued improvement in efficiency and productivity throughout the Group that each employee understands the 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 involvement.

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. All employees 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 across the world give employees the opportunity to acquire shares in the Company by means of regular savings.

Directors

The following persons served as Directors of the Company during the year:

Adrian Bellamy
Bart Becht
Richard Cousins
Colin Day
Peter Harf
Kenneth Hydon
André Lacroix
Graham Mackay
Judith Sprieser
Warren Tucker (appointed 24 February 2010)

Full biographical details of the current directors are set out on page 12.

Colin Day, who served on the Board as Chief Financial Officer (CFO) for over ten years, resigned as a Director of the Company on 8 February 2011. Liz Doherty joined the Company as CFO designate in January 2011 and formally joined the Board as CFO and Executive Director on 8 February 2011.

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

Details of Directors' options to subscribe for shares in the Company are included in Table 3 on page 27 in the audited part of the Directors' Remuneration Report.

Directors' insurance and indemnities

On 28 July 2009, the Company executed a deed poll of indemnity for the benefit of each individual who is at any time on or after 28 July 2009 an officer of the Company and/or any company within the Reckitt Benckiser Group of companies in respect of costs of defending claims against them and third party liabilities.

In addition, the Directors have the benefit of the indemnity provision contained in the Company's Articles of Association (Articles). Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Directors' interests

No Director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares. Details of Directors' remuneration, service agreements and interests in shares of the Company are set out in the Directors' Remuneration Report on pages 22 to 28.

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

In line with the requirements of the 2006 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. Much of the information required is provided here, and with regard to employees and internal control in this report on page 13 and in the Corporate Governance report on pages 19 and 20, with an overall summary and other information provided in the Business Review on pages 7 and 8.

The Board regularly considers and takes account of the significance of ESG 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 ESG matters at least annually. This includes providing oversight to ensure that the Group has in place effective policies, systems and procedures for managing ESG matters and mitigating significant ESG risks. 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 ESG matters, reputational risks and risks relating to employees.

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

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

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

The potentially material ESG and reputational risks identified by the Board include:

- Industry sector and product safety / regulatory risks. The household products and health & personal care sectors have a number of potential product and ingredient risks relating to ongoing developments in ingredient regulation and concerns over the potential long-term effects of household chemicals and OTC (over-the-counter) drug ingredients on human health and the environment. The Group has comprehensive management processes in place – at Group, Area, Regional and National levels – to ensure that its products are both suitable and safe for their intended use in addition to meeting applicable regulatory requirements. Additionally, regulatory compliance and product safety issues are proactively addressed by both national and regional industry associations of which the Group is an active member, including those in Europe and North America/Australia.

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

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

  Under REACh, as part of a phased programme over several years, industry is required to register most substances that are manufactured, imported or used in Europe. The first of these phases, pre-registration, started on 1 June 2008. For the majority of substances (ie ingredients) used in the Group's products, the responsibility for registration will lie with its suppliers who manufacture or import the ingredients used. The Group is fully compliant with the provisions of REACh that have been implemented to date and the Group continues to work closely with its suppliers to ensure that the ingredients used in its products are registered and that its full compliance with REACh is maintained. The Group has in place an internal REACh Task Force to ensure that all of its products and their ingredients remain compliant with REACh as it is implemented over the next several years.

- Supply chain risks: Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers. The Group's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for the Group and its suppliers. Management processes and controls in place include Group, Area and Regional monitoring and auditing of compliance with the GMS (and other) requirements including the external audit of third party product manufacturers.

- Product quality risks: Failures in product quality controls could potentially lead to damage to the reputation of, and trust in, the Group's brands. The Group has comprehensive quality management control arrangements in place, including a global quality organisation that oversees and monitors product quality worldwide and has an independent reporting line to the Executive Committee.

The corporate responsibility section on the Group's website (www.rb.com/Our-responsibility) and its annual Sustainability Reports (available at www.rb.com) provide further information on its policies, systems and procedures for managing ESG 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 Board believes that it receives adequate information and training on ESG matters and their potential risks and opportunities to the business of the Group.

Sustainability and corporate responsibility

Information on the Group's management of sustainability and corporate responsibility issues is provided, in other sections of this report, in the Corporate Governance report (for example on employees and internal control respectively), in the Business Review and, in the Group's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

Policy on the payment of creditors

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

Charitable donations
The Group has continued its strategy of focusing on the Group's nominated global charity, Save the Children. During the year, donations in the UK amounted to £774,000 (2009: £568,000) of which £610,000 (2009: £472,000) was donated to Save the Children.

Takeovers 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 Annual General Meeting (AGM) following their appointment. Under the Combined Code and the Articles, all Directors are required to offer themselves for re-election every three years.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's 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 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 can be found in the Corporate Governance report on pages 17 to 20 which is incorporated by reference into this Report of the Directors.

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

Share capital
As at 31 December 2010, the Company's issued share capital consisted of 725,853,970 ordinary shares of 10p and no shares were 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 21 to the accounts.

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 Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

No person holds securities in the Company 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 2010 to allot shares up to a nominal amount of £24,038,000. That authority will apply until the conclusion of this year's AGM. At this year's AGM on 5 May 2011, 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. In line with guidance issued by the Association of British Insurers, shareholders will also be asked to grant an authority to allot shares in connection with a rights issue in favour of shareholders up to an aggregate nominal amount representing approximately two thirds of the issued ordinary share capital of the Company as at the latest practicable date prior to publication of the Notice of AGM. The authorities sought would, if granted, expire at the earlier of 30 June 2012 or at the conclusion of the AGM of the Company held in 2012.

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 2010 AGM. As at 4 March 2011, the Directors had not used this authority and a buy back programme has not been pursued. This resolution remains valid until the conclusion of this year's AGM on 5 May 2011. The buy back programme continues to be subject to regular review and accordingly a resolution seeking to renew the authority to make market purchases will be put to shareholders at this year's AGM so that the Directors retain the flexibility to reinstate the programme should they so decide. This authority will be limited to a maximum of 72,600,000 ordinary shares and set the minimum and maximum prices which may be paid. The Company's present intention is 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 fourth AGM of the Company, to be held on Thursday, 5 May 2011 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 (the 'Directive') which came into force in August 2009, the Company obtained shareholder approval at the 2010 AGM to the calling of 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 14 at the AGM.

Amendment to share plans
As referred to in the Directors' Remuneration Report on page 22, the Board will seek shareholder approval for a resolution to be proposed at the AGM to amend the equity dilution limits within the rules of the Company's employee share plans. The resolution will also seek to extend the expiry date for grants made under the Company's Senior Executive Share Ownership Policy Plan. Further details appear in the Chairman's letter within the Notice of AGM.

Substantial shareholdings

As at 4 March 2011, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

	% of total voting rights	No of ordinary shares	Nature of holding
JAB Holdings B.V.	15.30	111,105,415	Indirect
Legal and General Group plc and/or its subsidiaries	3.81	27,656,268	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	3.82	27,710,981	Indirect

By order of the Board

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

Company registration number: 6270876

11 March 2011

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 4 March 2011 had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	4 March 2011	31 December 2010	31 December 2009
Adrian Bellamy	19,874	19,874	18,780
Bart Becht	1,410,162	1,410,162	3,610,422
Bart Becht – non-beneficial	2,993,821	2,993,821	1,343,821
Richard Cousins (appointed 1 October 2009)	398	398	84
Colin Day (resigned 8 February 2011)	203,868	203,868	424,129
Liz Doherty (appointed 8 February 2011)	–	n/a	n/a
Peter Harf	743,107	743,107	742,770
Kenneth Hydon	4,965	4,965	4,731
André Lacroix	1,722	1,722	1,488
Graham Mackay	1,784	1,784	1,550
Judith Sprieser	3,195	3,195	2,957
Warren Tucker (appointed 24 February 2010)	504	504	n/a

Notes

1 No person who was a Director (or a Director's connected person) on 31 December 2010 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.

STATEMENT OF COMPLIANCE

The Combined Code

The Company has prepared this report with reference to the Combined Code on Corporate Governance issued by the Financial Reporting Council (FRC) as revised in June 2008 (the Code). The Company recognises the importance of high standards of corporate governance. As a company listed on the London Stock Exchange, the Company is required to "comply or explain" its application of the principles set out in Section 1 of the Code.

The Company understands and supports the main principles set out in the Code. The ways in which the Company applies these principles and the few provisions with which the Company does not consider that it is appropriate to comply, are set out in the relevant sections of this report together with the Report of the Directors on pages 13 to 16, and the Directors' Remuneration Report on pages 22 to 28.

Except as specifically set out in relevant sections of this Corporate Governance report, the Board considers that the Company was compliant with the provisions, and applied the main principles of Section 1 of the Code throughout the year ended 31 December 2010 and as at the date of this Annual Report.

The UK Corporate Governance Code

Following the Walker Review and the FRC's review of the Code, the new 'UK Corporate Governance Code' (the UK Code) was published in 2010 and replaces the Code for accounting periods beginning on or after 29 June 2010. The UK Code identifies a number of changes designed to reinforce Board quality, the focus on risk and to improve accountability to shareholders.

Although the UK Code is not applicable to the Company until the financial year ending December 2011, the Board is considering the changes appropriate to its own corporate governance arrangements to ensure that it remains able to comply with (or explain clearly any divergences from) the UK Code. The Board has noted the new recommendation that all directors of FTSE 350 companies be put up for re-election annually but is also conscious of the fact that this recommendation does not currently enjoy universal support from investor bodies. Half of the Board will be up for election or re-election at the AGM on 5 May 2011 and the Company will continue to monitor the situation to ensure its compliance with best practice.

BOARD ORGANISATION AND EFFECTIVENESS

The role of and matters reserved for the Board

The Board leads and controls the Group's business and its powers are set out in the Company's Articles of Association (Articles), which are available on the Company's website. The Company has adopted a Board structure which is similar to that of its key international competitor companies, the majority of which are based in the USA. The Board approves strategy, carries out an advisory and supervisory role and accepts ultimate responsibility for the conduct of the Company's business. The Chief Executive Officer (CEO), together with the other members of his Executive Committee, provides the day-to-day management of the Company.

The Board has a formal schedule of matters specifically referred to it for decision including:

- 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 significant changes to borrowing facilities or foreign currency transactions; and
- Risk management policies.

This schedule is reviewed annually and was last reviewed and updated in November 2010 as part of the performance evaluations conducted for the 2010 financial year. The agendas for Board meetings are initially developed by the Chief Executive and the Company Secretary and are finalised by the Chairman.

The Chairman and the Chief Executive

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. He is also responsible for ensuring that all members of the Board develop an understanding of the views of major shareholders and that there is an open dialogue with shareholders. The CEO is responsible for all executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board.

Directors' appointment, independence and re-election

The Board comprises eight Non-Executive Directors including Adrian Bellamy, the Chairman, and two Executive Directors, Bart Becht, the CEO, and Colin Day, the Chief Financial Officer (CFO) until 8 February 2011 and Liz Doherty, CFO from 8 February 2011. Information regarding the Directors of the Company who were serving on 31 December 2010 and those serving at the date of this report is set out on page 12. Additional biographical details of all Directors are available from the Company's website.

The Board has identified Graham Mackay as the Senior Independent Director in accordance with the Code. The majority of Non-Executive Directors (excluding the Chairman) are independent as recommended by the Code. The Chairman, Adrian Bellamy, was independent on appointment. Peter Harf, the Deputy Chairman, is a shareholder nominated Director and therefore was not independent on appointment.

Warren Tucker was appointed as an independent Non-Executive Director on 24 February 2010 and elected as a Director at the Company's AGM on 6 May 2010.

Mr Day is a Non-Executive Director of WPP Group plc and from October 2010 of AMEC plc. This is non-compliant with the provisions of the Code which require that no full time Executive Director should hold more than one non-executive directorship in a FTSE 100 company. Both WPP Group plc and AMEC plc are FTSE 100 companies. The Board was satisfied that Colin Day was able to, and did, devote sufficient time to the business of the Company notwithstanding the fact that he held two non-executive directorships during part of 2010.

The Company announced on 22 October 2010 that Colin Day was leaving the Company and he resigned as a Director and the CFO of the Company on 8 February 2011. On 23 November 2010, the Company announced the appointment of Liz Doherty as the new CFO. Liz Doherty joined the Company in January 2011 for a handover period with Colin Day. Liz Doherty was formally appointed as a Director and CFO on 8 February 2011 and she will offer herself for election at this year's AGM.

Adrian Bellamy and Peter Harf have each served on the Board for more than nine years and are therefore obliged to offer themselves for re-election on an annual basis in accordance with the Code. The other Directors required to offer themselves for re-election at this year's AGM are Bart Becht and Graham Mackay who both retire by rotation in accordance with the provisions of the Articles and, being eligible, offer themselves for re-election. The Chairman and each Non-Executive Director have provided assurance that they remain fully committed to their respective roles and can dedicate the necessary amount of time to attend to the Company's business. In addition, the performance evaluation undertaken by the Board was rigorous and transparent to ensure that each of the Directors submitting themselves for re-election at this year's AGM remain able to properly undertake their duties.

Directors' conflicts of interest

The Company has procedures in place to deal with conflicts of interest. The Nomination Committee under its terms of reference 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.

Board meetings and information

In 2010, there were five regular Board meetings and seven additional meetings held either by telephone conference or by written resolution. There were three Audit Committee meetings, three Remuneration Committee meetings (plus three additional meetings dealt with by written resolution) and three Nomination Committee meetings. Written resolutions are required to be signed by all Directors on the Board or Members on the Committee. Attendance by individual Directors at scheduled Board and Committee meetings is given in the table overleaf.

Number of meetings attended during 2010

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		5		3	3
Bart Becht		5			3
Richard Cousins		5		3	
Colin Day	(a)	5			
Peter Harf		5			3
Kenneth Hydon		5	3		3
André Lacroix		5	3		
Graham Mackay		5		3	
Judith Sprieser		5		3	3
Warren Tucker	(b)	2	2		

Notes

(a) Colin Day resigned as a director of the Company on 8 February 2011. Liz Doherty joined the Company in January 2011 as CFO designate and was formally appointed to the Board on 8 February 2011 and she has attended the one Board meeting held so far in 2011.

(b) Warren Tucker joined the Board on 24 February 2010 and attended all Audit Committee meetings and two of the four Board meetings held in 2010 following his appointment.

Board meetings are structured to allow open discussion. The Board meets a minimum of five times a year and constitutes additional meetings as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. The Chairman holds a session with other Non-Executive Directors at the conclusion of each formal Board meeting without the Executive Directors present.

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

All members of the Board receive timely reports on items arising at meetings of the Board to enable them to give due consideration to such items in advance of the meetings. Those Directors who were unable to attend a particular meeting during the year had the opportunity to review and raise any issues on the relevant briefing papers. Additionally, each member of the Board has immediate access to a dedicated online team room and can access relevant Company information including all Board and Committee papers.

Induction and training

Non-Executive Directors receive appropriate briefings on the Company and its operations around the world on appointment to the Board. Whenever the opportunity presents itself, they are encouraged to visit the Company's offices and factories for briefings on the local business operations. The Board endeavours to hold one meeting each year at one of the Company's operating units.

Full, formal and tailored induction processes are put in place for appointments to the Board, with built-in flexibility to allow the new Directors to have input to their induction process so that areas of particular interest to each Director can be accommodated. As well as planned development and briefings, Directors are also expected to take responsibility for identifying their own individual needs and to take the necessary steps to ensure that they are adequately informed about the Group 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.

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

Performance evaluation

During the year, the Board carried out a formal and rigorous evaluation of its performance, that of its committees and those of individual Directors to assess such performance with a view to improving the effectiveness of the Board and its committees and the Group's overall performance.

Following a review of the results of an internally generated questionnaire, Board members engaged in a structured debate to evaluate the Board's performance. The evaluation and discussion focused on key themes and a small number of actions were identified. The performance review of the Board undertaken in 2010 concluded that the Chairman and other Non-Executive Directors devote sufficient time to the Company. The Board maintains an ongoing review of its procedures and its effectiveness and those of its committees throughout the year.

Graham Mackay, the Senior Independent Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues with input from the Executive Directors. The Nomination Committee has primary responsibility for reviewing the performance of individual Directors and, in addition to this review process, the Chairman carried out an evaluation of the performance of individual Directors by separate interviews with each Director. The performance of the CEO and of other members of the Executive Committee is also regularly reviewed by the Remuneration Committee. The Board considers that it was best placed to carry out the performance evaluations for the 2010 financial year, without the need to employ the services of an outside consultancy, and that it was an appropriate and cost-effective procedure. The Board is aware of the new requirement in the UK Code for performance evaluations to be externally facilitated once every three years and it will keep this requirement under review with a view to either complying or explaining its non-compliance at the appropriate time.

EXECUTIVE MANAGEMENT

The Executive Directors, together with certain other Group functional heads and Area Executive Vice Presidents meet monthly as the Executive Committee under the chairmanship of the CEO. The members of the Executive Committee are appointed to the Committee by the CEO. Biographical details of the members of the Executive Committee are set out on page 12.

The Executive Committee manages the day-to-day operations of the Company. Individual Executive Committee members hold global responsibility for specific operating functions including category development, supply, sales, finance and legal, information services and human resources. The three Area Executive Vice Presidents covering Europe, North America/Australia and Developing Markets are also members of the Committee. There is no EVP for Pharmaceuticals as management reports directly to the CEO and CFO.

COMMITTEES OF THE BOARD

The Company has established three Committees of the Board (Audit, Remuneration, Nomination), the terms of reference of which are available on the Company's website and on request to the Company Secretary.

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors: Kenneth Hydon, Chairman since 16 November 2006, André Lacroix and Warren Tucker. Kenneth Hydon, FCMA, FCCA, FCT, was CFO of Vodafone Group plc until July 2005 and Warren Tucker is CFO of Cobham plc. Therefore, they both have recent and relevant financial experience. The Committee:

- monitors the adequacy and effectiveness of the system of internal control;
- reviews compliance procedures and the Group'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; and
- reviews and monitors the external auditors' independence and services supplied and the objectivity and the effectiveness of the audit process.

PricewaterhouseCoopers LLP and its predecessor firms have been the Group's auditors since the merger of Reckitt & Colman plc and Benckiser NV in 1999, and the Company's auditors since its formation in 2007. 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. It is a requirement that the audit partner responsible for the Group audit is rotated every five years and the current lead audit partner has been in place since 2008. There are no contractual obligations restricting the Company's choice of external auditors.

The Committee met three times in 2010. For a period following the resignation of David Tyler in September 2009, the constitution of the Committee was non-compliant with the Code as it had only two Independent Non-Executive Directors as members. It became compliant again upon the appointment of Warren Tucker as a Committee member in February 2010. The Committee received regular technical updates from the external auditors to keep abreast of changes in financial reporting and governance matters. In addition to its routine agenda, the Committee received additional presentations from senior management covering the Information Services, Internal Audit, Group Tax and Group Treasury functions. The Committee took advantage of a Board meeting held overseas to meet with, and receive a presentation from, the local finance director to better understand how Group policies are embedded in local operations. The CFO and other senior management attend Audit Committee meetings by invitation. The Group's external auditors and the Group's Vice President, Internal Audit, attend meetings and have regular private meetings with and direct access to the Committee.

Remuneration Committee

The Remuneration Committee, chaired by Judith Sprieser, meets regularly to review remuneration policy for the Directors and senior executives and also has responsibility for making decisions on the Chairman's remuneration. The Committee comprises four members, of whom three, Judith Sprieser, Graham Mackay and Richard Cousins, are considered independent under the Code. Adrian Bellamy was independent on appointment but has served on the Board for more than nine years. The Board considers that Mr Bellamy should remain a member of the Remuneration Committee in light of his considerable experience and much valued contribution to the workings of the Committee. It is acceptable for the Chairman to sit on the Remuneration Committee under the Code.

Members of the Remuneration Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration. Additional information on the Committee and its activities is set out in the Directors' Remuneration Report on pages 22 to 28.

Nomination Committee

The Nomination Committee comprises the Chairman, who also chairs the Committee, the CEO, the Deputy Chairman and the Chairs of both the Audit and Remuneration Committees. The Board believes that this membership is appropriate to the Group despite it not being in compliance with the Code requirement that a majority of the members be independent. Adrian Bellamy was independent on appointment but has served on the Board for more than nine years. Peter Harf has served on the Board for more than nine years and, as a shareholder nominated director, was not independent on appointment. Bart Becht is not considered independent because he is the CEO.

The Nomination Committee provides a formal and transparent procedure for the appointment of new Directors to the Board. The Committee:

- keeps the composition of the Board and succession to it under review;
- makes recommendations to the Board on the appointment of additional Directors having regard to the balance and structure of the Board and the required blend of skills and experience;
- makes recommendations to the Board concerning the re-appointment of any Non-Executive Director at the conclusion of his or her specified term and the re-election of any Director by shareholders under the retirement provisions of the Articles. No Director is involved in determining his or her own re-appointment or re-election; and
- has primary responsibility for considering Directors' conflicts of interest. The Committee considers the Directors' other directorships and appointments at least annually as part of the overall corporate governance evaluation process and more frequently as circumstances may require. The Committee will recommend to the Board whether a conflict or potential conflict should be approved.

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

- the review of individual Directors' performance;
- the consideration of potential non-executive directors and the appointment of Warren Tucker as a Non-Executive Director; and
- the consideration of Colin Day's successor as CFO leading to the appointment of Liz Doherty.

In respect of the appointment of Warren Tucker to the Board during the year, the recruitment process included the development of a candidate profile and the engagement of an external search consultant specialising in the recruitment of high calibre non-executive directors. Reports on potential appointees were provided to the Committee which, after careful consideration, made a recommendation to the Board.

In respect of the appointment of Liz Doherty as CFO designate with effect from January 2011 and her appointment to the Board with effect from 8 February 2011, a detailed role profile was agreed by the Committee before an external search consultant was engaged to prepare a shortlist of potentially suitable candidates. Only after a rigorous interview process was the appointment recommended to the Board.

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters. All Directors have access to the advice and services of the Company Secretary and her appointment and removal is one of the matters reserved to the Board.

INTERNAL CONTROL

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

Throughout the year the Group has had in place an ongoing process for evaluating the system of internal control and identifying and managing risk, including in relation to the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out on page 34 under Accounting Policies.

With regard to financial reporting and the preparation of consolidated accounts, the Group Finance function has in place a series of 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 Group Finance function maintains an up-to-date Group Accounting Procedures Manual and sets formal requirements with business unit finance functions which specify the standard reports and approvals required by the Group.

Management is required to apply judgement in evaluating the risks the Group 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 the Group'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.

The Group'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 continues to approve 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 the Group's vision, strategy, operating constitutions, values and business objectives across the Group.
- Organisational structure – the Group operates four Area management organisations covering Europe, North America/Australia, Developing Markets and Pharmaceuticals, and centralised functions covering category development, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control systems and processes are embedded in the responsibilities of line executives.
- Budgeting – there is an annual planning process whereby detailed operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and are reviewed by the Board on an annual basis.
- Management reporting – there is a comprehensive system of management reporting. The financial performance of operating units and the Group as a whole is monitored against budget on a monthly basis and is updated by periodic forecasts. Area and functional executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities.
- Risk management – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented. A summary of the most significant risks faced by the Group is included in the Business Review on pages 6 and 7.
- Operating unit controls – each operating unit maintains a system of internal control, 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 the Group are entered into after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects.
- Monitoring – the effectiveness of the system of internal control is monitored regularly through a combination of management review, self-assessment and internal and external audit. The results of external and internal audit reviews are reported to and considered by the Audit Committee, and actions are taken to address significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of the system of internal control on behalf of the Board.

The Board confirms that reviews of the appropriateness and effectiveness of the system of internal control throughout the financial year 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. In particular major risks have been identified and ongoing monitoring procedures are in place.

Due to the short time period between the completion of the acquisition of SSL on 29 October 2010 and the end of the financial year, actions are still in progress to align systems and internal policies and procedures, including risk management procedures, with those of the Group. Management will work towards ensuring full alignment with the Group's systems, internal policies and procedures during the year ending 31 December 2011.

The Company is compliant with DTR 7.2.6 and the information is included on page 15.

AUDITORS AND AUDITOR INDEPENDENCE

Following a recommendation by the Audit Committee and in accordance with s.489 of the 2006 Act, a resolution proposing the reappointment of PricewaterhouseCoopers LLP as the Group's auditors will be put to the shareholders at the AGM. The Group does not indemnify its external auditors.

The Group has a formal policy in place to safeguard auditor independence. The Audit Committee and the CFO keep the independence and objectivity of the external auditors under review. The Committee reviews the nature and level of non-audit services undertaken by the external auditors each year to satisfy itself that there is no effect on their independence. The Board recognises that in certain circumstances the nature of the advice required may make it more timely and cost-effective to appoint the external auditors who already have a good understanding of the Group.

The external auditors report to the Audit Committee on the actions they take to comply with professional and regulatory requirements and with best practice designed to ensure their independence from the Group, including periodic rotation of the lead audit engagement partner. Details of non-audit services are set out in note 4 on page 41.

RELATIONS WITH SHAREHOLDERS

The Board is committed to effective communication between the Company and its shareholders. The Executive Directors, with the Director of Investor Relations, meet regularly with institutional shareholders and financial analysts, in Europe and North America, to discuss matters relating to the Company's business strategy and current performance. 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 Executive Directors following twice-yearly roadshows in Europe and North America. The investor relations programme includes:

- formal presentations of full year and interim results and quarterly trading statements;
- regular meetings between institutional investors and senior management to ensure that the investor community receives a balanced and complete view of the Group's performance, the issues faced by the Group and any issues of concern to the investors;
- responding to enquiries from institutional shareholders through the Company's investor relations team and from retail shareholders through the Company Secretary's team; and
- a section dedicated to shareholders on the Company's website.

The Chairman is available to discuss governance and strategy with major shareholders should such a dialogue be requested. During the year the Chairman met with shareholders and reported upon these meetings to the Directors. The Company believes that it is important that it makes key executives available, along with the Senior Independent Director, if required, to discuss matters of concern with its shareholders. The Company's AGM is used as the main opportunity for the Directors to communicate with private investors. The AGM is attended by the Company's Directors and all shareholders present are given the opportunity to question the Chairman and the Board as well as the chairmen of the Board committees.

GOING CONCERN

The going concern statement required by the Listing Rules and the Code is set out in the Statement of Directors' responsibilities on page 21.

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 elected to prepare 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.

Each of the Directors, whose names and functions are listed on page 12 confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, 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 Business Review on pages 4 to 6. 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 Business Review on pages 6 to 11 and in note 24.

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 Combined Code.

Disclosure of information to auditors

The Directors, having made appropriate enquiries, state that:

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

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

By order of the Board

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

Company registration number: 6270876

11 March 2011

Remuneration Committee Chairman's Statement

As Chairman of the Remuneration Committee, I would like to take this opportunity to share the key principles that underpin our remuneration framework, as well as some specific insights into the Committee's decision making during the year.

The Committee recognises that RB has a number of important, distinct characteristics that drive the Company's success. In particular, the global nature of our business and our relentless focus on performance provide a clear context for the Remuneration Committee's discussions regarding executive remuneration.

Global nature of the business

- RB is a truly global business with operations in over 60 countries and sales in over 180 countries; 90% of our business is done outside the UK.
- RB has spent the past ten years building a culture of global mobility which has helped create a diverse management team. There are six nationalities amongst the nine members of the Executive Committee, and nearly 40 nationalities within the Top 400 Executive group, many of whom are not currently based in their original home country.
- The emphasis on global mobility helps ensure the Company's Powerbrand and functional strategies are consistently and properly implemented. The accumulated expertise also helps identify market opportunities that can differentiate our performance from the competition.
- RB competes for management skills and talent in a global marketplace. Consequently, pay and performance are benchmarked against a peer group of global consumer goods companies reflecting the global nature of RB.

Focus on performance

- RB applies effective remuneration tools to relentlessly drive above industry average performance, and has an impressive track record of delivering on this.
- To reinforce the performance-led culture, we seek to position aggregate elements of fixed pay at or below median market levels.
- At the same time, we provide significant opportunities for performance-contingent variable reward (almost 90% of the total package), and we seek to provide an overall opportunity that exceeds that of our competitors – but only when our financial performance, and the value we deliver to shareholders, exceeds that of our competitors.
- We want every individual in our Senior Executive group to think as an owner and to act in the interests of shareholders. Our long-established personal shareholding requirements support this objective: senior individuals are required to hold shares at a level that is meaningful in terms of their own net worth. For the CEO and other Executive Directors, the shareholding requirements are significantly above the market norm (rising to over 20 x base salary).

This philosophy and practical approach has guided the Committee's deliberations during the year, in particular:

- The targets set for annual bonus targets are genuinely challenging: requiring year on year improvement for threshold payouts; and higher levels of payout are only received when RB outperforms its competitors.
- The targets for our long-term incentives are set by reference to industry benchmark performance, with full vesting only achieved if we significantly outperform the industry benchmark.

We are confident that our approach continues to deliver superior performance. We have a track record for delivering above industry levels of performance on a number of financial metrics. This financial performance translates directly into substantial returns for shareholders.

We acknowledge that management have been well remunerated over recent years, and this is entirely consistent with the high levels of performance that have been achieved. The majority of the value delivered to incentive participants is a direct result of superior share price performance: when RB listed in December 1999, our share price was around £6, and stands at over £35 at the 2010 year end. This growth significantly exceeds that of the FTSE 100 index over the same period, benefits shareholders as a whole, and is driven by strong underlying corporate financial performance.

Finally, I would like to note that although we have shareholder approval to finance our incentive plans with new issue shares in excess of the ABI's recommended "10% in ten year" limit, we have, in practice, operated our share plans within the ABI limits. We are therefore putting a resolution to the AGM to reduce the limits previously approved by shareholders, and to formally align our practice with UK norms.

We recognise that executive remuneration continues to be an important topic for investors, which is why, as Chairman of the Remuneration Committee, I speak directly with a number of our key shareholders through the year, and we meet face to face with many on at least an annual basis.

Overall, RB's approach to remuneration is a fundamental part of our performance-driven culture, and we believe delivers benefits to all our shareholders.

Remuneration Committee

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

The Committee meets as necessary and in 2010 there were six meetings including three held by written resolution. The Committee comprised four members in 2010, of whom one, Mr Bellamy, is not considered independent since he has served on the Board for more than ten years. In accordance with the Combined Code as revised in June 2008, the Chairman is permitted to sit on the Remuneration Committee if he was independent upon appointment as Chairman, which was the case with Mr Bellamy.

Judith Sprieser has served as Chairman of the Committee since June 2004. She joined the Committee in November 2003. Graham Mackay has served on the Committee since February 2005, Adrian Bellamy since 1999, and Richard Cousins since October 2009.

As well as reviewing Executive Directors' base salaries and benefits, the Committee determines the short-term and long-term incentive arrangements that will apply. It aims to set challenging and demanding performance targets and to ensure that annual cash bonus and long-term incentive awards fully reflect the Company's performance. In carrying out its duties, the Committee takes into account the pay and employment conditions of the wider employees in the group. For example, base salary increases for Executive Directors are no more than received by the wider workforce. The Committee's terms of reference are available on the Company's website.

Policy on remuneration

The Committee's overriding objective is to ensure that Reckitt Benckiser's remuneration policy encourages, reinforces and rewards the delivery of shareholder value. This approach has been a key ingredient in Reckitt Benckiser's success. The graphs below show that the Company has outperformed both the UK FTSE 100 and the US remuneration peer group in terms of Total Shareholder Return (TSR) over the last five years. £100 invested on 31 December 2005 in Reckitt Benckiser would have resulted in a shareholding worth £208 on 31 December 2010, compared to £126 and £151 if invested in the FTSE 100 and peer group respectively.

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

The second principle is to align the interests of Executive Directors and Senior Executives with those of shareholders through a variable performance based compensation policy with a significant proportion of the total package delivered in Company shares, (and the Company's share ownership policy).

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

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

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

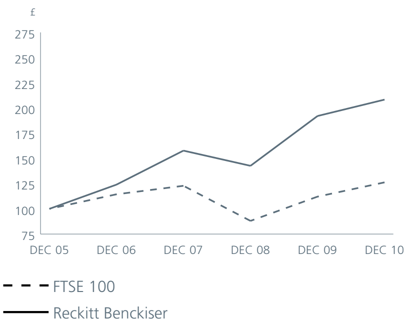
Base salaries

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

The approach to reviewing the base salaries of Executive Directors is the same as that for other employees. Base pay increases for Executive Directors from 1 January 2010 were 2% in line with typical base pay increases for executives in Reckitt Benckiser. The base pay increase for Executive Directors from 1 January 2011 will be 2% again in line with typical base pay increases for the broader senior executive population.

Historical TSR performance

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

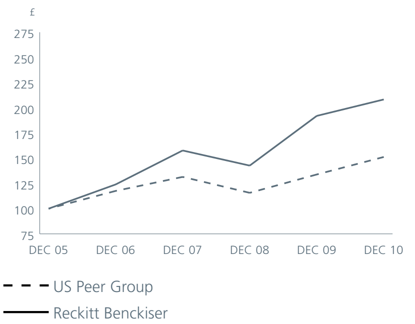


Notes

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

Historical TSR performance

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



Notes

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

Annual cash bonus

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

The Company has reported strong financial performance in 2010, which is consistent with the longer-term trend for the business. The Committee is comfortable that this represents good performance when judged against the industry and the targets that were established at the start of the financial year, and is consistent with the decision to make annual bonus awards at 271% of base salary for the CEO and 203% of base salary for the CFO for 2010.

For 2011, as in 2010 the Executive Directors will participate in the annual cash bonus scheme under which they may receive 100% (CEO) and 75% (CFO) of base salary for achieving target performance. For the achievement of outstanding performance, which the Board sets at a level approximately double the industry median, the bonus potential is 357% (CEO) and 268% (CFO) of base salary.

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

Long-term incentives

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

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

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

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

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

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

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

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

The vesting schedule for the options and performance shares rewards superior performance. For 2011, the Committee has set the same targets and levels of awards as in the previous year, having regard to: the industry context in which the Company operates; sensible expectations of what will constitute performance at the top of the peer group; and factors specific to the Company.

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

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

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

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

Share ownership policy

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

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

Individual/Group	Share ownership requirement
CEO (1)	600,000
CFO/EVPs (6)	200,000
Other senior executives (28)	30 – 50,000

The total number of ordinary shares held by Mr Becht at 31 December 2010 was 4,403,983, of which 1,410,162 are beneficial and 2,993,821 are non-beneficial. The total number of ordinary shares held by Mr Day at 31 December 2010 was 203,868.

As these shareholding requirements (which equate to around seven times base salary up to over 20 times in the case of the CEO) are significantly more stringent than market practice, executives, including those newly-recruited or promoted into senior executive positions, are allowed eight years to reach these targets.

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

Long-term incentive awards and options that were outstanding at the end of the year are disclosed in Table 3 on page 27.

Pensions

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

Mr Becht's Company pension contribution was 30% of pensionable pay during 2010. Mr Day's Company pension contribution was 25% of pensionable pay in 2010.

In 2010 only Mr Becht continues to be affected by the new Annual Allowance brought about by the UK tax changes effective from April 2006. In 2006 the Committee decided the most cost-effective approach was to maintain his current pension commitment, and to make pension contributions in excess of the lifetime allowance into a funded and unapproved defined contribution pension arrangement.

Service agreements
Service contracts for future Executive Directors will be rolling and terminable on six months' notice. Termination payments may include payment in lieu of notice, and contracts will provide liquidated damages of six months' base salary plus twelve months' bonus calculated as the average of the annual bonus paid (if any) in the two years up to the termination. Any bonus earned will be included in the termination payment on the basis that a high proportion of pay is related to performance and that in the event of termination for poor performance it is unlikely that any bonus will have been paid. The service contracts for current Executive Directors are detailed on Table 4 of the Directors' Remuneration Report.

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

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

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

The fee structures for 2010 and 2011 are set out in Table 1 below. Fee levels are reviewed every two years, with external advice taken on best practice and competitive levels, taking into account the responsibilities and time commitment of each Non-Executive Director. The scheduled review during 2010 concluded the only change required for 2011 was to increase the fee for Chairmanship of the Audit Committee and Remuneration Committee from £15,000 to £20,000 with effect from 1 January 2011.

External appointments
Mr Day is a Non-Executive Director of WPP Group plc and on 14 October 2010 joined the Board of AMEC plc. Mr Day resigned from the Board of Cadbury plc on 10 March 2010. Mr Day's gross annual fees for his appointment with WPP Group plc were £65,416 for his services in 2010. His gross annual fee with Cadbury plc was £26,667 for 2010 and his fee with AMEC plc was £11,173 for 2010. The Company allowed Mr Day to retain the fees paid for these external appointments.

The process of the Committee
The Committee has formally appointed Deloitte LLP as its external and independent adviser and, during the year, they have provided advice to the Board on executive compensation levels, structure and design. Deloitte also provided the Group with international transfer tax compliance and global mobility services and ad-hoc advice on employment/share schemes matters during 2010. These services are provided under separate engagement terms and the Committee is satisfied that the provision of these services does not impair Deloitte's ability to advise the Committee independently.

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

The Committee has the discretion to consider corporate performance on environmental, social and governance (ESG) issues when setting remuneration of executive directors; and has oversight that the incentive structure for senior management does not raise ESG risks by inadvertently motivating irresponsible behaviour. Throughout 2010, the Company complied with the relevant sections of the Combined Code.

The Directors' Remuneration Report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and meets the relevant requirements of the Financial Services Authority's Listing Rules.

Approved by the Board on 11 March 2011 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

The following information in tables 1 to 4 on pages 25 to 28 comprises the auditable disclosures of the Directors' remuneration report.

Table 1 – Chairman and Non-Executive Director fee structure for 2010

	Chairman £	Deputy Chairman £	Chairmen of Remuneration Committee and Audit Committee £	Senior Independent Director £	Other Non- Executive Directors £
Basic fee payable in cash	283,000	65,500	61,500	61,500	61,500
Basic fee payable in shares	62,000	14,500	13,500	13,500	13,500
Committee membership fee	–	10,000	–	10,000	10,000
Committee chairmanship fee	–	–	15,000	–	–
Senior Independent Director fee	–	–	–	7,000	–
Total	**345,000**	**90,000**	**90,000**	**92,000**	**85,000**

Chairman and Non-Executive Director fee structure for 2011

	Chairman £	Deputy Chairman £	Chairmen of Remuneration Committee and Audit Committee £	Senior Independent Director £	Other Non- Executive Directors £
Basic fee payable in cash	283,000	65,500	61,500	61,500	61,500
Basic fee payable in shares	62,000	14,500	13,500	13,500	13,500
Committee membership fee	–	10,000	–	10,000	10,000
Committee chairmanship fee	–	–	20,000	–	–
Senior Independent Director fee	–	–	–	7,000	–
Total	**345,000**	**90,000**	**95,000**	**92,000**	**85,000**

Table 2 – Remuneration disclosures

	Notes	Base salary and fees £000	Bonus £000	Benefits in kind £000	Other payments £000	Pension contri-butions £000	2010 Total £000	2009 Total £000
Chairman								
Adrian Bellamy	1	**345**					**345**	345
Executive Directors								
Bart Becht	2	**1,006**	**2,727**	**61**	**69**	**315**	**4,178**	4,889
Colin Day	2	**441**	**895**	**6**	**16**	**115**	**1,473**	1,715
Non-Executive Directors								
Richard Cousins (appointed 1 October 2009)	3	**85**					**85**	21
Peter Harf	3	**90**					**90**	90
Kenneth Hydon	3	**90**					**90**	90
André Lacroix	3	**85**					**85**	85
Graham Mackay	3	**92**					**92**	92
Judith Sprieser	3	**90**					**90**	90
Warren Tucker (appointed 24 February 2010)	3	**70**					**70**	n/a
David Tyler (resigned 30 September 2009)	3	**n/a**					**n/a**	67
Total		**2,394**	**3,622**	**67**	**85**	**430**	**6,598**	**7,484**

Notes

1. Mr Bellamy's fees as Chairman for 2010 were £345,000. These fees include £62,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by Mr Bellamy while in office.
2. The remuneration reported under "Other payments" in respect of Mr Becht relates to Company car allowance and other international transfer related benefits, and in respect of Mr Day relates to Company car allowance only.
3. Non-Executive Director fees include £13,500 (gross) and £14,500 (gross) in the case of Dr Harf, the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by the Director while in office.
4. The total emoluments of the Directors of Reckitt Benckiser Group plc as defined by s 412 the Companies Act were £6,168,000 (2009: £7,082,000).
5. The aggregate gross gains made by the Directors on the exercise of share options and vesting of restricted shares during the year were £18,811,782 (2009: £94,226,539). The gains are calculated based on the market price at the date of exercise for share options and vesting of restricted shares, although the shares may have been retained and no gain realised.
6. The total emoluments of Mr Becht (excluding pension contributions) were £3,863,000 (2009: £4,593,000), who is the highest paid director. Total emoluments of Mr Day (excluding pension contributions) were £1,358,000 (2009: £1,609,000).

The 2010 remuneration package for Executive Directors comprised base salary, annual cash incentive bonus, long-term incentives in the form of share options and performance shares, pension contributions (or a non-pensionable cash supplement in lieu of pension), fully expensed company car (or cash equivalent) and health insurance, and school fees and preparation of tax returns in the case of the Chief Executive Officer.

Pensions

During 2010 Mr Becht and Mr Day were both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a standard company contribution rate of 30% of pensionable pay for Mr Becht (2009: 30%), and 25% for Mr Day (2009: 25%).

Table 3 – Directors' options and restricted share awards

Table 3 sets out each Director's options over or rights to ordinary shares of the Company under the Company's various long-term incentive plans. The middle market price of the ordinary shares at the year end was £35.25 and the range during the year was £30.37 to £36.55.

Long-term incentives	Notes	Grant date	At 01.01.10	Granted during the year	Exercised/ vested during the year	At 31.12.10	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Bart Becht										
Options	1	8.12.06	800,000			800,000	22.57			Mar 10–Dec 16
	1	11.12.07	600,000			600,000	29.44			May 11–Dec 17
	1	8.12.08	600,000			600,000	27.29			May 12–Dec 18
	1	7.12.09	600,000			600,000	31.65			May 13–Dec 19
	1	1.12.10		600,000		600,000	34.64			May 14–Dec 20
Performance-based restricted shares	1	8.12.06	400,000		400,000	–		23.00	35.04	March 2010
	1	11.12.07	300,000			300,000		29.72		May 2011
	1	8.12.08	300,000			300,000		27.80		May 2012
	1	7.12.09	300,000			300,000		31.80		May 2013
	1	1.12.10		300,000		300,000		34.08		May 2014
Colin Day										
Options	1	8.12.06	160,000		160,000	–	22.57		35.04	Mar 10–Dec 16
	1	11.12.07	120,000			120,000	29.44			May 11–Dec 17
	1	8.12.08	120,000			120,000	27.29			May 12–Dec 18
	1	7.12.09	120,000			120,000	31.65			May 13–Dec 19
Performance-based restricted shares	1	8.12.06	80,000		80,000	–		23.00	35.04	March 2010
	1	11.12.07	60,000			60,000		29.72		May 2011
	1	8.12.08	60,000			60,000		27.80		May 2012
	1	7.12.09	60,000			60,000		31.80		May 2013

Sharesave Scheme	Grant date	At 01.01.10	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.10	Option price (£)	Market price at exercise	Exercise period
Bart Becht	4.9.06	1,011				1,011	16.90		Feb 14–July 14
Colin Day	4.9.06	553		553		–	16.90	31.87	Feb 10–July 10

Notes

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

	Proportion of grant vesting (%)			
	40	60	80	100
CAAG for long-term incentives granted in December 06-10	6	7	8	9

2. The grant made in December 2006 vested in full in March 2010. The Company exceeded its target compound average actual growth (CAAG) in earnings per share over a three year period (2007-2009) of 9%.

Table 4 – Service contracts for Executive Directors

	Date of original service contract	Dates of amendment	Unexpired term	Notice period	Compensation for early termination
Bart Becht	3 December 1999	19 November 2003 and 28 July 2009	n/a	6 months	0.5 x base salary, 1 x average bonus in previous two years
Colin Day	21 July 2000	9 December 2003 and 28 July 2009	n/a	6 months	0.5 x base salary 1 x average bonus in previous two years

Table 5 – Shares placed under option in all schemes in the last ten years, less lapsed (not auditable)

In 2010, members of the Executive Committee (8) received around 36%, senior executives (next 29) around 17% and other executives (next 445) around 47% of the total awards made under the long-term incentive plans. The total grants have resulted in 0.83% (based on the current issued share capital) being used for discretionary long-term incentive plans in 2010 and 8% over a rolling ten-year period from 2001 to 2010. See table below.

	Total (millions)
Discretionary plans	
Reckitt Benckiser Executive Plans	57.4
Share Ownership Policy Plan	0.4
Employee	
Sharesave UK	1.3
Sharesave US	1.7
Sharesave Overseas	2.8
Share Participation Scheme	0.1
Total	**63.7**

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

We have audited the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2010 which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 21, 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 International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- Have been properly prepared in accordance with 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made;
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Statement of Directors' responsibilities, set out on page 21, in relation to going concern; and
- The part of the Corporate Governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2011

Group income statement

For the year ended 31 December	Notes	2010 £m	2009 £m
Net revenues	2	**8,453**	7,753
Cost of sales	3	**(3,332)**	(3,089)
Gross profit		**5,121**	4,664
Net operating expenses	3	**(2,991)**	(2,773)
Operating profit	2	**2,130**	1,891
Operating profit before exceptional items		**2,231**	1,891
Exceptional items	3	**(101)**	–
Operating profit		**2,130**	1,891
Finance income		**21**	17
Finance expense*		**(15)**	(16)
Net finance income	6	**6**	1
Profit on ordinary activities before taxation		**2,136**	1,892
Tax on profit on ordinary activities	7	**(566)**	(474)
Net income		**1,570**	1,418
Attributable to non-controlling interests		**2**	–
Attributable to ordinary equity shareholders of the parent		**1,568**	1,418
Net income		**1,570**	1,418
Earnings per ordinary share			
On net income, basic	8	**216.5p**	198.9p
On net income, diluted	8	**213.8p**	194.7p

*2010 includes a £3m exceptional charge of financial costs associated with the acquisition of SSL. There were no exceptional finance charges in 2009.

Group statement of comprehensive income

For the year ended 31 December	Notes	2010 £m	2009 £m
Net income		**1,570**	1,418
Other comprehensive income			
Net exchange adjustments on foreign currency translation, net of tax	7	**103**	(191)
Actuarial gains and losses, net of tax	7	**4**	(68)
Available for sale reserve, net of tax	7	**–**	8
Losses on cash flow hedges, net of tax	7	**(2)**	(15)
Other comprehensive income for the year, net of tax		**105**	(266)
Total comprehensive income for the year		**1,675**	1,152
Attributable to non-controlling interests		**3**	–
Attributable to ordinary equity shareholders of the parent		**1,672**	1,152
		1,675	1,152

Group balance sheet

As at 31 December	Notes	2010 £m	2009 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	10	**9,778**	6,090
Property, plant and equipment	11	**740**	639
Deferred tax assets	20	**141**	121
Available for sale financial assets	14	**12**	16
Other receivables		**29**	25
		10,700	6,891
Current assets			
Inventories	12	**646**	486
Trade and other receivables	13	**1,363**	928
Derivative financial instruments	24	**34**	1
Available for sale financial assets	14	**11**	4
Cash and cash equivalents	15	**588**	351
		2,642	1,770
Total assets		**13,342**	8,661
LIABILITIES			
Current liabilities			
Borrowings	16	**(2,641)**	(132)
Provisions for liabilities and charges	17	**(164)**	(88)
Trade and other payables	18	**(2,616)**	(2,286)
Tax liabilities		**(295)**	(385)
		(5,716)	(2,891)
Non-current liabilities			
Borrowings	16	**(3)**	(4)
Deferred tax liabilities	20	**(1,735)**	(1,145)
Retirement benefit obligations	5	**(479)**	(393)
Provisions for liabilities and charges	17	**(93)**	(36)
Tax liabilities		**(178)**	(158)
Other non-current liabilities	19	**(8)**	(20)
		(2,496)	(1,756)
Total liabilities		**(8,212)**	(4,647)
Net assets		**5,130**	4,014
EQUITY			
Capital and reserves			
Share capital	21	**73**	72
Share premium		**59**	–
Merger reserve	22	**(14,229)**	(14,229)
Hedging reserve	22	**(4)**	(2)
Available for sale reserve	22	**–**	–
Foreign currency translation reserve	22	**331**	229
Retained earnings	22	**18,828**	17,942
		5,058	4,012
Non-controlling interests	23	**72**	2
Total equity		**5,130**	4,014

Approved by the Board and signed on its behalf on 11 March 2011 by:

Adrian Bellamy
Director

Bart Becht
Director

Group statement of changes in equity

For the year ended 31 December	Share capital	Share premium	Merger reserve	Hedging reserve	Available for sale reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity shareholders	Non-controlling interests	Total
Balance at 1 January 2009	**72**	**–**	**(14,229)**	**13**	**(8)**	**420**	**17,024**	**3,292**	**2**	**3,294**
Comprehensive income										
Net income							1,418	1,418		1,418
Other comprehensive income										
Available for sale assets, net of tax					8			8		8
Actuarial losses, net of tax							(68)	(68)		(68)
Losses on cash flow hedges, net of tax				(15)				(15)		(15)
Net exchange adjustments on foreign currency translation, net of tax						(191)		(191)		(191)
Total other comprehensive income	**–**	**–**	**–**	**(15)**	**8**	**(191)**	**(68)**	**(266)**	**–**	**(266)**
Total comprehensive income	**–**	**–**	**–**	**(15)**	**8**	**(191)**	**1,350**	**1,152**	**–**	**1,152**
Transactions with owners										
Share based payments							59	59		59
Deferred tax on share awards							(3)	(3)		(3)
Current tax on share awards							29	29		29
Treasury shares re-issued							131	131		131
Dividends							(648)	(648)		(648)
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**(432)**	**(432)**	**–**	**(432)**
Balance at 31 December 2009	**72**	**–**	**(14,229)**	**(2)**	**–**	**229**	**17,942**	**4,012**	**2**	**4,014**
Comprehensive income										
Net income							1,568	1,568	2	1,570
Other comprehensive income										
Actuarial gains, net of tax							4	4		4
Losses on cash flow hedges, net of tax				(2)				(2)		(2)
Net exchange adjustments on foreign currency translation, net of tax						102		102	1	103
Total other comprehensive income	**–**	**–**	**–**	**(2)**	**–**	**102**	**4**	**104**	**1**	**105**
Total comprehensive income	**–**	**–**	**–**	**(2)**	**–**	**102**	**1,572**	**1,672**	**3**	**1,675**
Transactions with owners										
Proceeds from share issue	1	59						60		60
Share based payments							62	62		62
Deferred tax on share awards							(7)	(7)		(7)
Current tax on share awards							12	12		12
Treasury shares re-issued							20	20		20
Dividends							(773)	(773)		(773)
Non-controlling interest arising on business combination									67	67
Total transactions with owners	**1**	**59**	**–**	**–**	**–**	**–**	**(686)**	**(626)**	**67**	**(559)**
Balance at 31 December 2010	**73**	**59**	**(14,229)**	**(4)**	**–**	**331**	**18,828**	**5,058**	**72**	**5,130**

Group cash flow statement

For the year ended 31 December	2010 £m	2009 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Operating profit	**2,130**	1,891
Depreciation of property, plant and equipment, amortisation and impairment of intangible assets	**144**	139
Fair value gains	**(3)**	(15)
Profit on sale of property, plant and equipment and intangible assets	**(32)**	–
Other non-cash movements	**4**	2
(Increase)/decrease in inventories	**(50)**	39
Increase in trade and other receivables	**(243)**	(12)
Increase in payables and provisions	**203**	220
Share award expense	**62**	59
Cash generated from operations	**2,215**	2,323
Interest paid	**(11)**	(23)
Interest received	**19**	19
Tax paid	**(679)**	(371)
Net cash generated from operating activities	**1,544**	1,948
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(170)**	(156)
Purchase of intangible assets	**(197)**	(2)
Disposal of property, plant and equipment	**12**	11
Disposal of intangible assets	**30**	–
Acquisition of businesses, net of cash acquired	**(2,466)**	–
(Purchase)/maturity of short-term investments	**(7)**	1
Maturity of long-term investments	**8**	18
Net cash used in investing activities	**(2,790)**	(128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**80**	131
Proceeds from borrowings	**2,966**	–
Repayments of borrowings	**(802)**	(1,359)
Dividends paid to the Company's shareholders	**(773)**	(648)
Net cash generated/(used) in financing activities	**1,471**	(1,876)
Net increase/ (decrease) in cash and cash equivalents	**225**	(56)
Cash and cash equivalents at beginning of year	**334**	398
Exchange gains/(losses)	**9**	(8)
Cash and cash equivalents at end of year	**568**	334
Cash and cash equivalents comprise		
Cash and cash equivalents	**588**	351
Overdrafts	**(20)**	(17)
	568	334
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS		
Net cash generated from operating activities	**1,544**	1,948
Net purchases of property, plant and equipment	**(158)**	(145)
Net cash flow from operations	**1,386**	1,803

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

1 ACCOUNTING POLICIES

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

Basis of preparation

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 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 at fair value through the Group income statement. A summary of the Group's more important accounting policies is set out below.

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

The following standards, amendments and interpretations became effective for accounting periods beginning on or after 1 January 2010:

- IFRS 3 (revised), "Business combinations", and consequential amendments to IAS 27 (revised), "Consolidated and separate financial statements" are effective prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. The revised standard was applied to the acquisition of the controlling interest in SSL International plc as set out in note 28.
- IAS 27 (revised) "Consolidated and separate financial statements"requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses.

The following standards, amendments and interpretations became effective for the first time for the financial year beginning 1 January 2010 but either have no material impact or are not relevant to the Group:

- IFRS 1 (revised) – "First time adoption".
- Amendments to IFRS 1 for additional exemptions.
- IFRS 2 (amendment), "Share based payments – Group cash-settled share based payments transactions".
- IAS 39 (amendment), "Financial instruments: recognition and measurement" on"Eligible hedged items".
- IFRIC 12, "Service concession arrangements".
- IFRIC 17, "Distributions of non-cash assets to owners".
- IFRIC 18, "Transfers of assets from customers".

There are also a number of changes to standards as a result of the annual improvements April 2009 project, mainly effective for the financial year beginning 1 January 2010. These had no material impact on the Group.

The following new standards, amendments to standards and interpretations have been issued, but are effective from 1 January 2011 onwards and have not been early adopted and are not expected to have a material impact to the Group:

- IFRS 1 (amendment) "First time adoption on financial instrument disclosures", effective from 1 July 2010.
- IFRS 7 (amendment) "Financial instrument disclosures: transfer of financial assets", effective from 1 July 2011.
- IFRS 9, "Financial Instruments", effective from 1 January 2013.
- IAS 24 (revised), "Related party disclosures", effective from 1 January 2011.
- IAS 32 (amendment), "Financial Instruments: Presentation on classification of rights issues", effective from 1 February 2010.
- IFRIC 14 (amendment), "Prepayments of a minimum funding requirement", effective from 1 January 2011.
- IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective from 1 July 2010.
- IAS 12, "Deferred tax: recovery of underlying assets", effective from 1 July 2012.

There are also a number of changes to standards as a result of the annual improvements 2010 project, mainly effective for the financial year beginning 1 January 2011. These are not expected to have a material impact on the Group.

Basis of consolidation

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The results and net assets of the Group's subsidiary in Zimbabwe have been excluded from the consolidated Group results. This is on the basis that the Group does not consider the Zimbabwean business to be a subsidiary due to the loss of power to govern the financial and operating policies of the Zimbabwean business due to the restrictions on remitting funds out of the country. Results for 2009 and 2010, and its balance sheets as at 31 December 2009 and 31 December 2010, were insignificant.

Operating segments

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

Foreign currency translation

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

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

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

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

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

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

	2010 full year	2009 full year
Average rates:		
£/Euro	**1.1663**	1.1233
£/US dollar	**1.5458**	1.5670
Closing rates:		
£/Euro	**1.1664**	1.1275
£/US dollar	**1.5612**	1.6170

1 ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

Freehold buildings: not more than 50 years;

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

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

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

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

Business combinations

The 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.

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 units to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Separately acquired brands are shown at historical cost. Brands acquired as part of a business combination are recognised at fair value at the 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 (particularly media) investment. Within Reckitt Benckiser, a brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. Indefinite life brands are allocated to the cash generating units to which they relate and are tested annually for impairment.

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

Payments made in respect of product registration, 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 over a period of five years or less.

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.

The Group also presents an alternative, adjusted basis, 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 to sell and its value in use.

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

Inventories

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

1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Income tax
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised 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 income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

1 ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging activity

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

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

1 Derivatives classified as cash flow hedges: the effective portion of changes in the fair value is recognised in 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 will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in 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 classified as net investment hedges: the effective portion of any changes in fair value is recognised in other comprehensive income. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

Net revenues

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

Leases

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

Capital transactions

When the Group repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are either held in treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from retained earnings to the capital redemption reserve.

Accounting estimates and judgements

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

- Estimates of future business performance and cash generation supporting the net book value of intangible assets at the balance sheet date (note 10);
- The determination of the carrying value of property, plant and equipment and related depreciation, and the estimation of useful economic life of these assets (note 11);
- The continuing enduring nature of the Group's brands supporting the assumed indefinite useful lives of these assets (note 10);
- Long-term rates of return, inflation rates and discount rates have been assumed in calculating the pension and other employee post-retirement benefits. If the real rates are significantly different over time to those assumed, the amounts recognised in the income statement and in the balance sheet will be impacted (note 5);
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (note 20);
- Assumptions are made in relation to share awards, both in the Black-Scholes model used to calculate the charge and in terms of the recoverability of the deferred tax asset related to the share award reserve (note 5);
- The actual tax paid on profits is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined (note 7);
- 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 (note 28).

2 OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Committee considers the business principally from a geographical perspective, but with the Pharmaceuticals business (RBP) being managed separately given the significantly different nature of the business and the different risks and rewards associated with it. The geographical segments, being Europe, NAA and Developing Markets, derive their revenue primarily from the manufacture and sale of branded products in Household Cleaning and Health & Personal Care, whilst RBP derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence. A separate segment is disclosed in the current year for the acquired business SSL International plc (SSL). In 2011 the SSL business will be reviewed by the Executive Committee as part of the existing geographical segments.

The Executive Committee assesses the performance of the operating segments based on net revenue and adjusted operating profit. This measurement basis excludes the effects of exceptional items. Finance income and expense are not allocated to segments, as they are managed on a central Group basis.

Inter-segment revenues are charged according to internally agreed pricing terms that are designed to be equivalent to an arm's length basis, and have been consistently applied throughout 2009 and 2010.

Reportable segments

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2010 is as follows:

2010	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RBP £m**	**SSL £m**	**Elimination £m**	**Total £m**
Total gross segment net revenues	**3,548**	**2,314**	**1,931**	**737**	**90**	**(167)**	**8,453**
Inter-segment revenues	**(119)**	**(1)**	**(47)**	**–**	**–**	**167**	**–**
Net revenues	**3,429**	**2,313**	**1,884**	**737**	**90**	**–**	**8,453**
Depreciation and amortisation	**72**	**31**	**23**	**15**	**3**	**–**	**144**
Operating profit – adjusted*	**823**	**599**	**275**	**531**	**3**	**–**	**2,231**
Exceptional items	**–**	**–**	**–**	**–**	**(101)**	**–**	**(101)**
Operating profit/(loss)	**823**	**599**	**275**	**531**	**(98)**	**–**	**2,130**
Net finance income							**6**
Profit before tax							**2,136**

2009	Europe £m	NAA £m	Developing Markets £m	RBP £m	SSL £m	Elimination £m	Total £m
Total gross segment net revenues	3,622	2,160	1,499	588	–	(116)	7,753
Inter-segment revenues	(111)	–	(5)	–	–	116	–
Net revenues	3,511	2,160	1,494	588	–	–	7,753
Depreciation and amortisation	74	29	16	7	–	–	126
Operating profit – adjusted*	804	500	216	371	–	–	1,891
Exceptional items	–	–	–	–	–	–	–
Operating profit	804	500	216	371	–	–	1,891
Net finance income							1
Profit before tax							1,892

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

Items of income and expense which are not part of the results and financial position of the reported segments, and therefore reported to the CODM outside of the individual segment financial information, are shown as reconciling items between the segmental information and the Group totals presented in the consolidated financial statements. These items principally include corporate items that are not allocated to specific segments. For the year ended 31 December 2010, these items include a profit on disposal of intangibles and an expense relating to legal matters. The net impact of these items is £nil (2009: £nil).

The Executive Committee review 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:

2010	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RBP £m**	**SSL £m**	**Total £m**
Inventories	**252**	**125**	**163**	**72**	**104**	**716**
Trade and other receivables	**539**	**212**	**316**	**110**	**204**	**1,381**
Total segment assets	**791**	**337**	**479**	**182**	**308**	**2,097**
Trade and other payables	**(1,107)**	**(511)**	**(552)**	**(129)**	**(187)**	**(2,486)**

2009	Europe £m	NAA £m	Developing Markets £m	RBP £m	SSL £m	Total £m
Inventories	243	129	122	47	–	541
Trade and other receivables	477	171	244	57	–	949
Total segment assets	720	300	366	104	–	1,490
Trade and other payables	(1,074)	(478)	(425)	(142)	–	(2,119)

2 OPERATING SEGMENTS (CONTINUED)

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

	2010 £m	2009 £m
Inventories for reportable segments	**716**	541
Unallocated:		
Elimination of profit on inter-company inventory	**(70)**	(55)
Total inventories per the balance sheet	**646**	486
Trade and other receivables for reportable segments	**1,381**	949
Unallocated:		
Corporate items	**(18)**	(21)
Total trade and other receivables per the balance sheet	**1,363**	928
Total inventories and trade and other receivables per the balance sheet	**2,009**	1,414
Other unallocated assets	**11,333**	7,247
Total assets per the balance sheet	**13,342**	8,661
Trade and other payables for reportable segments	**(2,486)**	(2,119)
Unallocated:		
Corporate items	**(130)**	(167)
Total trade and other payables per the balance sheet	**(2,616)**	(2,286)
Other unallocated liabilities	**(5,596)**	(2,361)
Total liabilities per the balance sheet	**(8,212)**	(4,647)

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

Analysis of product groups

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

Revenue from the acquired group SSL has been disclosed separately in the current year but will be reported in the existing product groups in 2011.

	Net revenues	
	2010 £m	2009 £m
Fabric Care	**1,576**	1,578
Surface Care	**1,391**	1,290
Dishwashing	**875**	843
Home Care	**1,152**	1,036
Health & Personal Care	**2,265**	2,078
Core Business	**7,259**	6,825
Other Household	**63**	65
Household Health & Personal Care	**7,322**	6,890
Pharmaceuticals	**737**	588
Food	**304**	275
Total excluding SSL	**8,363**	7,753
SSL	**90**	–
Total	**8,453**	7,753

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

2 OPERATING SEGMENTS (CONTINUED)

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

2010	**UK £m**	**US £m**	**All other countries £m**	**Total £m**
Net revenues	**621**	**2,344**	**5,488**	**8,453**
Goodwill and other intangible assets	**1,523**	**3,242**	**5,013**	**9,778**
Property, plant and equipment	**160**	**133**	**447**	**740**
Other receivables	**–**	**–**	**3**	**3**

The other receivables of £3m are included, along with the post-employment benefit asset of £26m, within the other receivables of £29m in the balance sheet.

2009	UK £m	US £m	All other countries £m	Total £m
Net Revenues	625	2,150	4,978	7,753
Goodwill and other intangible assets	1,079	2,816	2,195	6,090
Property, plant and equipment	137	125	377	639
Other receivables	–	–	4	4

The other receivables of £4m are included, along with the post-employment benefit asset of £22m, within the other receivables of £25m in the balance sheet.

The net revenue from external customers reported on a geographical basis above is measured in a manner consistent with that in the reportable 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 revenues, and the top ten customers only accounting for between a quarter and a third of total net revenues.

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2010 £m	2009 £m
Cost of sales	**(3,332)**	(3,089)
Distribution costs	**(2,260)**	(2,119)
Administrative expenses:		
Research and development	**(125)**	(126)
Other	**(543)**	(546)
Total administrative expenses	**(668)**	(672)
Other net operating income	**38**	18
Exceptional items	**(101)**	–
Net operating expenses	**(2,991)**	(2,773)

All results relate to continuing operations.

Included within cost of sales is a fair value loss of £8m (2009: £3m loss) transferred from the hedging reserve. Included within administrative expenses are non-exceptional re-organisation costs of £8m (2009: £50m). Total foreign exchange losses of £5m (2009: gains of less than £1m) have been recognised through the income statement. These amounts exclude financial instruments fair valued through the income statement and amounts recognised directly in the foreign currency translation reserve.

Depreciation charges by income statement line	**2010 £m**	2009 £m
Within:		
Cost of sales	**104**	97
Distribution costs	**6**	6
Administrative expenses:		
Research and development	**5**	4
Other	**12**	11
Total administrative expenses	**17**	15
Total depreciation charge (note 11)	**127**	118

Amortisation and impairment charge by income statement line

Amortisation charges (note 10) of £17m in 2010 (2009: £8m) and impairment charges of £nil (2009: £13m) are included within Administrative expenses: Other in the income statement.

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

Exceptional items	2010 £m	2009 £m
Restructuring	**79**	–
Acquisition related costs	**22**	–
Total exceptional items	**101**	–

The Group incurred restructuring charges of £79m as a result of the acquisition and integration of SSL, consisting primarily of redundancy costs which have been included within net operating expenses. No restructuring charges were recognised as exceptional items in 2009. Exceptional finance costs are shown in note 6.

Pension costs by income statement line	2010 £m	2009 £m
Within:		
Cost of sales	**10**	10
Distribution costs	**10**	9
Administrative expenses:		
Research and development	**3**	3
Other	**33**	30
Total administrative expenses	**36**	33
Total net pensions costs (note 5d)	**56**	52

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

4 AUDITORS' REMUNERATION

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

	2010 £m	2009 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**1.3**	1.1
Fees payable to the Group's auditor and network firms for other services:		
The audit of accounts of the Company's subsidiaries pursuant to legislation	**3.2**	3.0
Other services provided pursuant to such legislation	**–**	0.2
Services relating to taxation	**1.4**	0.9
Services relating to information technology	**–**	0.1
All other services	**0.1**	0.1
	6.0	5.4

In addition, the Group's auditor and its associates have provided services in relation to the audit of accounts of associated pension schemes of the Group at a cost of £0.2m (2009: £0.2m).

5 EMPLOYEES

(a) Staff costs	2010 £m	2009 £m
The total employment costs, including Directors, were:		
Wages and salaries	**815**	749
Social security costs	**145**	141
Net pension costs	**56**	52
Share based payments	**62**	59
	1,078	1,001

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 22 to 28, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2010 £m	2009 £m
Salaries and short-term employee benefits	**12**	14
Post-employment benefits	**1**	1
Share based payments	**21**	23
	34	38

There were no other long-term benefits (2009: £nil) or termination benefits (2009: £nil) paid to key management in 2010.

5 EMPLOYEES (CONTINUED)

(b) Staff numbers

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

	2010 000s	2009 000s
Europe*	**12.3**	11.7
North America and Australia	**3.7**	3.6
Developing Markets	**10.8**	9.2
RBP	**0.4**	0.4
	27.2	24.9

*Included in Europe are 2,700 (2009: 2,500) UK employees.

(c) Share based remuneration

All outstanding share awards as at 31 December 2010 and 31 December 2009 are included in the tables below which analyse the charge for 2010 and 2009. The Group has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

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

Table 2: Share awards expense 2010

			Movement in number of options						
Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2010 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2010 number	Total fair value of grant as at 31 Dec 2010 £m	Charge for 2010 £m
Share options									
2002	17 December 2001	1.95	45,743	–	–	(22,900)	22,843	–	–
2003	22 November 2002	2.05	317,130	–	–	(167,319)	149,811	0.3	–
2004	08 December 2003	2.46	583,118	–	–	(299,118)	284,000	0.7	–
2005	06 December 2004	2.99	809,631	–	–	(366,181)	443,450	1.3	–
2006	05 December 2005	3.33	1,396,486	–	(2,000)	(729,515)	664,971	2.2	–
2007	08 December 2006	4.23	3,595,059	2,000	(7,769)	(1,845,560)	1,743,730	7.4	–
2008	11 December 2007	5.99	3,511,053	2,000	(129,608)	(169,760)	3,213,685	19.2	6.2
2009	08 December 2008	4.69	3,324,897	–	(161,227)	(34,325)	3,129,345	14.7	4.7
2010	07 December 2009	4.70	4,020,400	–	(596,238)	–	3,424,162	16.1	5.4
2011	01 December 2010	4.49	–	4,030,100	–	–	4,030,100	18.1	–
Restricted shares									
2007	08 December 2006	21.02	1,677,441	1,001	(4,501)	(1,673,941)	–	–	–
2008	11 December 2007	27.56	1,606,028	1,000	(60,239)	(97,612)	1,449,177	39.9	13.1
2009	08 December 2008	24.31	1,526,521	–	(77,633)	(21,538)	1,427,350	34.7	11.3
2010	07 December 2009	27.23	1,992,700	–	(402,966)	–	1,589,734	43.4	14.4
2011	01 December 2010	28.22	–	2,000,050	–	–	2,000,050	56.4	–
Other share awards									
UK SAYE	Various	Various	684,155	134,141	(54,874)	(111,743)	651,679	n/a	1.2
US SAYE	Various	Various	831,186	146,510	(101,239)	(223,352)	653,105	n/a	1.6
Overseas SAYE	Various	Various	1,242,823	3,483	(147,330)	(40,736)	1,058,240	n/a	3.1
SOPP	Various	Various	130,000	20,000	(10,000)	(10,000)	130,000	n/a	0.9
Total									61.9
Weighted average exercise price			£25.66	£34.63	£30.44	£19.91	£28.75		

5 EMPLOYEES (CONTINUED)

(c) Share based remuneration (continued)

Table 3: Share awards expense 2009

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2009 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2009 number	Total fair value of grant as at 31 Dec 2009 £m	Charge for 2009 £m
			Movement in number of options						
Share options									
2002	17 December 2001	1.95	816,821	–	–	(771,078)	45,743	0.1	–
2003	22 November 2002	2.05	1,489,394	–	–	(1,172,264)	317,130	0.7	–
2004	08 December 2003	2.46	1,814,800	–	–	(1,231,682)	583,118	1.4	–
2005	06 December 2004	2.99	2,596,472	–	–	(1,786,841)	809,631	2.4	–
2006	05 December 2005	3.33	3,945,000	2,000	–	(2,550,514)	1,396,486	4.7	–
2007	08 December 2006	4.23	3,912,013	–	(254,216)	(62,738)	3,595,059	15.2	4.4
2008	11 December 2007	5.99	3,876,308	–	(362,203)	(3,052)	3,511,053	21.0	6.3
2009	08 December 2008	4.69	4,026,400	–	(701,503)	–	3,324,897	15.6	5.2
2010	07 December 2009	4.70	–	4,020,400	–	–	4,020,400	18.9	–
Restricted shares									
2006	05 December 2005	16.38	1,758,945	650	(2,050)	(1,757,545)	–	–	–
2007	08 December 2006	21.02	1,848,480	–	(126,002)	(45,037)	1,677,441	35.3	10.3
2008	11 December 2007	27.56	1,790,906	–	(179,097)	(5,781)	1,606,028	44.3	13.2
2009	08 December 2008	24.31	1,988,200	–	(461,679)	–	1,526,521	37.1	12.4
2010	07 December 2009	27.23	–	1,992,700	–	–	1,992,700	54.3	–
Other share awards									
UK SAYE	Various	Various	708,909	141,370	(41,906)	(124,218)	684,155	n/a	1.1
US SAYE	Various	Various	831,813	237,901	(65,201)	(173,327)	831,186	n/a	1.7
Overseas SAYE	Various	Various	2,407,889	–	(233,628)	(931,438)	1,242,823	n/a	3.5
SOPP	Various	Various	110,000	70,000	–	(50,000)	130,000	n/a	1.0
Total									59.1
Weighted average exercise price			£20.93	£31.64	£26.97	£14.71	£25.66		

For options outstanding at year end the weighted average remaining contractual life is 6.14 years (2009: 6.15 years). Options outstanding at 31 December 2010 that could have been exercised at that date were 3,308,805 (2009: 3,152,108).

Notes

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

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

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

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

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation.

The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2009 or 2010 for the purposes of the valuation.

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

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

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

National Insurance contributions are payable in respect of certain share based payments transactions and are treated as cash-settled transactions. At 31 December 2010, the carrying amount of National Insurance contributions payable was £17m (2009: £26m) of which £12m (2009: £13m) was in respect of vested grants.

Any additional terms of these shares are shown in the Directors' Remuneration Report on pages 22 to 28.

The weighted average share price for the year was £33.75 (2009: £28.37).

5 EMPLOYEES (CONTINUED)

(d) Pension and other post-retirement commitments

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally funded. The Group's most significant defined benefit pension schemes (UK) is funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US Retiree Health Care Scheme), where salaried participants become eligible for retiree health care benefits after they reach a combined "age and years of service rendered" figure of 70, although the age must be a minimum of 55. As at 31 December 2010 there were 2,597 (2009: 2,616) eligible retirees and 1,552 (2009: 1,758) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2010 £m	2009 £m
Defined contribution schemes	**27**	24
Defined benefit schemes (net charge)	**29**	28
Total pension costs recognised in the income statement (note 3)	**56**	52

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2010 and updated at 31 December 2010. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2010 and updated at 31 December 2010. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the two major schemes as at 31 December 2010 were:

	2010		2009	
	UK %	**US (medical) %**	UK %	US (medical) %
Rate of increase in pensionable salaries	**4.6**	**–**	4.6	–
Rate of increase in deferred pensions during deferment	**3.6**	**–**	3.6	–
Rate of increase in pension payments – pensioners	**3.6**	**–**	3.6	–
Rate of increase in pension payments – non-pensioners	**3.6**	**–**	3.6	–
Discount rate	**5.4**	**5.5**	5.7	6.0
Inflation assumption	**3.6**	**–**	3.6	–
Annual medical cost inflation	**–**	**5.0-9.0**	–	5.0-9.0
Long-term expected rate of return on:				
Equities	**8.1**	**–**	8.1	–
Bonds	**4.7**	–	5.1	–
Other	**6.5**	–	6.3	–

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

	2010 years	2009 years
Male	**28.0**	26.2
Female	**29.8**	28.8

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

	2010 years	2009 years
Male	**30.4**	28.4
Female	**32.3**	30.8

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 23.9 years (2009: 22.6 years) for males and 25.7 years (2009: 24.8 years) for females.

Impact of medical cost trend rates

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

	+1% £m	-1% £m
Effect on service cost and interest cost	2	(1)
Effect on post-retirement benefit obligation	16	(13)

5 EMPLOYEES (CONTINUED)

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

	2010				2009			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Total equities	**440**	**–**	**109**	**549**	340	–	98	438
Total bonds	**366**	**–**	**66**	**432**	240	–	68	308
Total other assets	**52**	**–**	**21**	**73**	48	–	7	55
Fair value of plan assets	**858**	**–**	**196**	**1,054**	628	–	173	801
Present value of scheme liabilities	**(1,051)**	**(121)**	**(335)**	**(1,507)**	(764)	(108)	(300)	(1,172)
Net liability recognised in the balance sheet	**(193)**	**(121)**	**(139)**	**(453)**	(136)	(108)	(127)	(371)

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

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

	2010 £m	2009 £m
Non-current asset:		
Funded scheme surplus	**26**	22
Non-current liability:		
Funded scheme deficit	**(258)**	(193)
Unfunded scheme liability	**(221)**	(200)
Retirement benefit obligation	**(479)**	(393)
Net pension liability	**(453)**	(371)

The funded scheme surplus of £26m (2009: £22m) is included within other receivables in non-current assets of £29m (2009: £25m).

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

The amounts recognised in the income statement are as follows:

	2010				2009			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	(medical) £m	US Other £m	Total £m
Current service cost	**(8)**	**(3)**	**(9)**	**(20)**	(5)	(3)	(10)	(18)
Past service cost	**–**	**–**	**–**	**–**	–	–	1	1
Expected return on pension scheme assets	**44**	**–**	**14**	**58**	35	–	12	47
Interest on pension scheme liabilities	**(45)**	**(6)**	**(16)**	**(67)**	(36)	(7)	(15)	(58)
Total charge to the income statement	**(9)**	**(9)**	**(11)**	**(29)**	(6)	(10)	(12)	(28)

The amounts recognised in other comprehensive income for the Group are as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Actual return less expected return on pension scheme assets	**31**	70	(191)	4	29
Experience gains and losses on scheme liabilities	**1**	9	3	(16)	(1)
Changes in assumptions underlying present value of scheme liabilities	**(37)**	(181)	103	37	15
Actuarial (loss)/gain recognised	**(5)**	(102)	(85)	25	43

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

	2010				2009			
Movement of net liability during the year	**UK £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Deficit at 1 January	**(136)**	**(108)**	**(127)**	**(371)**	(20)	(130)	(151)	(301)
Acquisitions	**(75)**	**–**	**(11)**	**(86)**	–	–	–	–
Current service cost	**(8)**	**(3)**	**(9)**	**(20)**	(5)	(3)	(10)	(18)
Contributions	**15**	**5**	**18**	**38**	5	6	22	33
Past service cost	**–**	**–**	**–**	**–**	–	–	1	1
Other finance income/(costs)	**(1)**	**(6)**	**(2)**	**(9)**	(1)	(7)	(3)	(11)
Actuarial (loss)/gain	**12**	**(6)**	**(11)**	**(5)**	(115)	13	–	(102)
Exchange adjustments	**–**	**(3)**	**3**	**–**	–	13	14	27
Deficit at 31 December	**(193)**	**(121)**	**(139)**	**(453)**	(136)	(108)	(127)	(371)

The actual return on plan assets was a gain of £77m (2009: £102m gain) for the UK scheme and a gain of £nil (2009: £20m gain) for the US scheme. Included within contributions above are employee contributions of £1m (2009: £1m).

5 EMPLOYEES (CONTINUED)

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

	2010				2009			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Present value of liabilities at 1 January	**764**	**108**	**300**	**1,172**	573	130	308	1,011
Acquisitions	**250**	**–**	**22**	**272**		–	–	– –
Current service cost	**8**	**3**	**9**	**20**	5	3	10	18
Past service cost	**–**	**–**	**–**	**–**	–	–	(1)	(1)
Interest cost	**45**	**6**	**16**	**67**	36	7	15	58
Benefits paid	**(37)**	**(5)**	**(18)**	**(60)**	(32)	(6)	(19)	(57)
Actuarial losses/(gains)	**21**	**6**	**9**	**36**	182	(13)	3	172
Exchange adjustments	**–**	**3**	**(3)**	**–**	–	(13)	(16)	(29)
Present value of liabilities at 31 December	**1,051**	**121**	**335**	**1,507**	764	108	300	1,172

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

	2010			2009		
	UK £m	**Other £m**	**Total £m**	UK £m	Other £m	Total £m
Fair value of plan assets at 1 January	**628**	**173**	**801**	553	157	710
Acquisitions	**175**	**11**	**186**	–	–	–
Expected rate of return	**44**	**14**	**58**	35	12	47
Contributions	**15**	**23**	**38**	5	28	33
Benefits paid	**(37)**	**(23)**	**(60)**	(32)	(25)	(57)
Actuarial gains/(losses)	**33**	**(2)**	**31**	67	3	70
Exchange adjustments	**–**	**–**	**–**	–	(2)	(2)
Fair value of plan assets at 31 December	**858**	**196**	**1,054**	628	173	801

Cumulative actuarial gains and losses recognised in other comprehensive income:

	2010 £m	2009 £m
At 1 January	**(209)**	(107)
Net actuarial loss recognised in the year (note 7)	**(5)**	(102)
At 31 December	**(214)**	(209)

History of experience gains and losses:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience adjustments arising on scheme assets:					
Amount	**31**	70	(191)	4	29
Percentage of scheme assets	**2.9%**	8.7%	(26.9%)	0.5%	3.4%
Experience adjustments arising on scheme liabilities:					
Amount	**(36)**	(172)	106	21	14
Percentage of scheme liabilities	**2.4%**	14.7%	(10.5%)	(2.0%)	(1.3%)
Present value of scheme liabilities	**(1,507)**	(1,172)	(1,011)	(1,032)	(1,058)
Fair value of scheme assets	**1,054**	801	710	873	850
Net pension liability	**(453)**	(371)	(301)	(159)	(208)

Expected employer contributions to be paid to funded defined benefit schemes in 2011 are £46m for the UK and £21m for other schemes.

6 NET FINANCE INCOME

Finance income	2010 £m	2009 £m
Interest income on cash and cash equivalents	**21**	17
Total finance income	**21**	17
Finance expense		
Interest payable on bank borrowings	**(5)**	–
Amortisation of issue costs of bank loans	**(5)**	(2)
Interest payable on other loans	**(2)**	(14)
Other interest expense	**(3)**	–
Total finance expense	**(15)**	(16)
Net finance income	**6**	1

Interest payable and similar charges relating to borrowings repayable after more than five years was £nil (2009: £nil). Included within amortisation of issue costs of bank loans is an exceptional finance cost of £3m (2009: £nil).

7 INCOME TAX EXPENSE

	2010 £m	2009 £m
Current tax	**653**	493
Prior year adjustments	**(60)**	(39)
Total current tax	**593**	454
Origination and reversal of temporary differences	**(14)**	20
Impact of change in tax rate	**(13)**	–
Total deferred tax (note 20)	**(27)**	20
Total tax	**566**	474

UK income tax of £151m (2009: £103m) is included within current tax and is calculated at 28% (2009: 28%) of the estimated assessable profit/loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2010 £m	2009 £m
Profit before tax	**2,136**	1,892
Tax at the UK corporation tax rate of 28% (2009: 28%)	**598**	530
Effects of:		
Tax at rates other than the UK corporation tax rate	**(9)**	(55)
Adjustments to amounts carried in respect of unresolved tax matters	**16**	21
Utilised tax losses	**(9)**	(25)
Withholdings and local taxes	**26**	27
Adjustment in respect of prior periods	**(65)**	(29)
Effect of change in UK corporation tax rate	**(13)**	-
Exceptional items	**18**	-
Other permanent differences	**4**	5
Total tax charge	**566**	474

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 from 28% to 27% from 1 April 2011, the total tax charge this year 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 £13m reduction in the tax charge in the income statement and a £1m increase in the tax charge in other comprehensive income. Proposed future reductions in the UK tax rate to 24% will be reflected when the relevant legislation is substantively enacted.

7 INCOME TAX EXPENSE (CONTINUED)

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2010 Before tax £m	2010 Tax credit/ (charge) £m	2010 After tax £m	2009 Before tax £m	2009 Tax credit/ (charge) £m	2009 After tax £m
Net exchange adjustments on foreign currency translation	**103**	**-**	**103**	(193)	2	(191)
Actuarial gains / (losses) (note 5)	**(5)**	**9**	**4**	(102)	34	(68)
Available for sale reserve	**-**	**-**	**-**	8	–	8
Losses on cash flow hedges	**(2)**	**-**	**(2)**	(15)	–	(15)
Other comprehensive income	**96**	**9**	**105**	(302)	36	(266)

	2010	2009
Current tax	**–**	2
Deferred tax (note 20)	**9**	34
	9	36

The income tax credited/(charged) directly to the statement of changes in equity during the year is as follows:

	2010 £m	2009 £m
Current tax:		
Share schemes	**12**	29
Deferred tax:		
Share schemes	**(7)**	(3)
	5	26

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (2010: £1,568m (2009: £1,418m)) by the weighted average number of ordinary shares in issue during the period (2010: 724,192,584 (2009: 712,995,914)).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: Executive Options and Employee Sharesave schemes. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2010, there were 4.0m (2009: 7.5m) of Executive Options not included within the dilution because the exercise price for the options was greater than the average share price for the year.

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

	2010 Net income £m	2010 Average number of shares	2010 Earnings per share pence	2009 Net income £m	2009 Average number of shares	2009 Earnings per share pence
Profit attributable to shareholders	**1,568**	**724,192,584**	**216.5**	1,418	712,995,914	198.9
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**8,264,803**			14,342,618	
Dilution for Employee Sharesave scheme options outstanding		**839,710**			834,338	
On a diluted basis	**1,568**	**733,297,097**	**213.8**	1,418	728,172,870	194.7

Adjusted basis

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

	2010 Net income £m	2010 Average number of shares	2010 Earnings per share pence	2009 Net income £m	2009 Average number of shares	2009 Earnings per share pence
Profit attributable to shareholders*	**1,661**	**724,192,584**	**229.4**	1,418	712,995,914	198.9
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**8,264,803**			14,342,618	
Dilution for Employee Sharesave scheme options outstanding		**839,710**			834,338	
On a diluted basis	**1,661**	**733,297,097**	**226.5**	1,418	728,172,870	194.7

*adjusted to exclude exceptional items.

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

9 DIVIDENDS

	2010 £m	2009 £m
Dividends on equity ordinary shares:		
2009 Final paid: 57.0p (2008: Final 48.0p) per share	**411**	341
2010 Interim paid: 50.0p (2009: Interim 43.0p) per share	**362**	307
Total dividends for the year	**773**	648

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 65.0p per share which will absorb an estimated £472m of shareholders' funds. It will be paid on 26 May 2011 to shareholders who are on the register on 25 February 2011. The expected tax impact of this dividend for the Company is £nil (2009: £nil).

10 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2010	**4,432**	**1,685**	**22**	**125**	**6,264**
Additions	**114**	**–**	**–**	**83**	**197**
Arising on business combinations	**2,284**	**1,073**	**9**	**–**	**3,366**
Disposals	**–**	**–**	**(1)**	**–**	**(1)**
Exchange adjustments	**104**	**38**	**1**	**1**	**144**
At 31 December 2010	**6,934**	**2,796**	**31**	**209**	**9,970**
Accumulated impairment and amortisation					
At 1 January 2010	**70**	**31**	**22**	**51**	**174**
Amortisation and impairment charge	**1**	**–**	**–**	**16**	**17**
Disposals	**–**	**–**	**(1)**	**–**	**(1)**
Exchange adjustments	**4**	**(1)**	**–**	**(1)**	**2**
At 31 December 2010	**75**	**30**	**21**	**66**	**192**
Net book amount at 31 December 2010	**6,859**	**2,766**	**10**	**143**	**9,778**

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2009	4,716	1,744	26	127	6,613
Additions	1	–	–	1	2
Arising on business combinations	–	8	–	–	8
Disposals	–	–	(2)	–	(2)
Exchange adjustments	(285)	(67)	(2)	(3)	(357)
At 31 December 2009	4,432	1,685	22	125	6,264
Accumulated impairment and amortisation					
At 1 January 2009	57	32	25	45	159
Amortisation and impairment charge	14	–	–	7	21
Disposals	–	–	(2)	–	(2)
Exchange adjustments	(1)	(1)	(1)	(1)	(4)
At 31 December 2009	70	31	22	51	174
Net book amount at 31 December 2009	4,362	1,654	–	74	6,090

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

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

Additions in 2010 includes £114m in relation to the purchase of certain health and personal care brands from Combe Incorporated and £83m in relation to the buy back of the remaining sales, marketing and distribution rights to Suboxone, Subutex and Temgesic in Europe and Rest of World from Merck.

10 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

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

Net book amount	2010 £m	2009 £m
Indefinite life assets:		
Brands	**6,829**	4,355
Goodwill	**2,766**	1,654
Other	**36**	36
Total indefinite life assets	**9,631**	6,045
Finite life assets:		
Brands	**30**	7
Software	**10**	–
Other	**107**	38
Total finite life assets	**147**	45
Total net book amount of intangible assets	**9,778**	6,090

The annual impairment review for goodwill and other intangible assets is based on an assessment of each asset's value in use. Value in use is calculated from cash flow projections based on historical operating results, short-term budgets, medium-term business plans (five years) and longer-term extrapolation. The long-term extrapolations assume a growth rate of no more than the long-term inflation assumption for the relevant markets (range of 1%–3% (2009: 1%–4%)). A pre-tax discount rate of 11% (2009: 10%) has been used in discounting the projected cash flows. A higher rate is used where appropriate to reflect specific risks associated with the relevant product group range of 11%–14% (2009: 10%–18%). Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands.

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

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

Product group	Key brands	2010 £m	2009 £m
Fabric Care	Calgon, Vanish, Woolite	**635**	627
Surface Care	Dettol, Lysol	**692**	670
Dishwashing	Calgonit, Finish	**187**	193
Home Care	Air Wick	**210**	213
Health & Personal Care	Veet, Nurofen, Strepsils, Clearasil, Mucinex	**4,512**	4,280
Food	French's	**32**	33
SSL	Durex, Scholl (Footcare)	**3,357**	–
Brands total		**9,625**	6,016

At such a time that the SSL brands are integrated into the RB business it is anticipated that they will form part of the Health & Personal Care product group.

The impairment charge for the year ended 31 December 2010 is £nil (2009: £13m). Amortisation for the year ended 31 December 2010 is £17m (2009: £8m). Of the Group's total value of goodwill of £2,766m (2009: £1,654m), £1,671m (2009: £1,619m) relates to the Health & Personal Care product group and £1,073m (2009: £nil) to the SSL product group. No other product group contains a significant goodwill balance.

During 2010 £nil (2009: £nil) of development expenditure has been assessed as meeting the requirements of IAS 38.

No borrowing costs have been capitalised as an intangible asset in 2010 (2009: £nil).

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2010	**416**	**1,150**	**1,566**
Additions	**48**	**122**	**170**
Acquisitions	**22**	**33**	**55**
Disposals	**(5)**	**(55)**	**(60)**
Reclassifications	**22**	**(22)**	**–**
Exchange adjustments	**11**	**(8)**	**3**
At 31 December 2010	**514**	**1,220**	**1,734**

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2010	**158**	**769**	**927**
Charge for the year	**19**	**108**	**127**
Disposals	**(3)**	**(47)**	**(50)**
Exchange adjustments	**3**	**(13)**	**(10)**
At 31 December 2010	**177**	**817**	**994**
Net book amount at 31 December 2010	**337**	**403**	**740**

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2009	416	1,142	1,558
Additions	18	138	156
Disposals	(9)	(61)	(70)
Reclassifications	6	(6)	–
Exchange adjustments	(15)	(63)	(78)
At 31 December 2009	416	1,150	1,566

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2009	160	761	921
Charge for the year	18	100	118
Disposals	(5)	(54)	(59)
Exchange adjustments	(15)	(38)	(53)
At 31 December 2009	158	769	927
Net book amount at 31 December 2009	258	381	639

Included in plant and equipment are assets held under finance leases with a net book amount of £3m (2009: £6m). The depreciation charge for assets held under finance leases was £2m (2009: £2m).

Minimum lease payments for plant and equipment held under finance leases are £1m (2009: £4m) within one year and £1m (2009: £2m) in two to five years. There are nil lease payments falling due after more than five years (2009: £nil).

No revaluations have taken place in 2010 or in 2009.

The net book amount of assets under construction is £48m (2009: £42m). Assets under construction are included within plant and equipment.

The reclassification from plant and equipment to land and buildings of £22m (2009: £6m) shows the transfer of completed assets.

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

No borrowing costs have been capitalised as plant, property and equipment in 2010 (2009: £nil).

Capital expenditure which was contracted but not capitalised at 31 December 2010 was £15m (2009: £16m).

12 INVENTORIES

	2010 £m	2009 £m
Raw materials and consumables	**153**	115
Work in progress	**25**	18
Finished goods and goods held for resale	**468**	353
Total inventories	**646**	486

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £3,151m (2009: £2,922m).

The Group inventory provision at 31 December 2010 was £78m (2009: £42m).

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

13 TRADE AND OTHER RECEIVABLES – CURRENT

Amounts falling due within one year	2010 £m	2009 £m
Trade receivables	**1,243**	834
Less: Provision for impairment of receivables	**(41)**	(22)
Trade receivables – net	**1,202**	812
Derivative financial instruments	**3**	3
Other receivables	**107**	81
Prepayments and accrued income	**51**	32
	1,363	928

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

As of 31 December 2010, trade receivables of £86m (2009: £56m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2010 £m	2009 £m
Up to 3 months	**86**	56

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

	2010 £m	2009 £m
Sterling	**113**	36
Euro	**437**	322
US dollar	**225**	190
Other currencies	**588**	380
	1,363	928

As at 31 December 2010, trade receivables of £67m (2009: £23m) were considered to be impaired. The amount of provision on 31 December 2010 was £41m (2009: £22m). 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:

	2010 £m	2009 £m
Up to 3 months	**35**	15
Over 3 months	**32**	8
	67	23

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

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

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

14 AVAILABLE FOR SALE FINANCIAL ASSETS

Current

These investments do not meet the requirements to be classified as cash equivalents due to having maturities of greater than three months. They are, however, highly liquid assets, consisting solely of short-term deposits. All of these deposits are held with financial institutions with a BBB rating or above. The effective interest rate on these short-term deposits is 7.36% (2009: 4.48%) and they have an average maturity of 164 days (2009: 204 days) from inception.

Non-current

These investments are auction rate securities issued by US state authorities, denominated in US dollars. with redemption dates falling beyond 2011. They are typically traded on a secondary market, however due to the current inactivity of this market there is uncertainty over whether they are likely to be redeemed within one year and therefore have been classified as non-current.

Although these investments are not directly guaranteed by the US Federal Government, the underlying assets are. None of these investments is past due or impaired.

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

	2010 £m	2009 £m
At 1 January	**16**	25
Disposals	**(5)**	(14)
Fair value gains	**–**	8
Exchange adjustments	**1**	(3)
At 31 December	**12**	16

15 CASH AND CASH EQUIVALENTS

	2010 £m	2009 £m
Cash at bank and in hand	**256**	145
Short-term bank deposits	**332**	206
Cash and cash equivalents	**588**	351

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 £77m (2009: £40m) of cash included in cash and cash equivalents is restricted for use by the Group.

16 FINANCIAL LIABILITIES – BORROWINGS

Current	**2010 £m**	2009 £m
Bank loans and overdrafts (a)	**444**	26
Commercial paper (b)	**2,195**	104
Finance lease obligations	**2**	2
	2,641	132

Non-current	**2010 £m**	2009 £m
Finance lease obligations	**3**	4
	3	4

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

(b) Commercial paper was issued in US dollars in the current year and in a number of currencies in the prior year, all are unsecured and bear interest based on relevant LIBOR equivalent.

Maturity of debt	**2010 £m**	2009 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**444**	26
Other borrowings repayable:		
Within one year:		
Commercial paper	**2,195**	104
Finance leases	**2**	2
Between two and five years:		
Finance leases (payable by instalments)	**3**	4
	2,200	110
Gross borrowings (unsecured)	**2,644**	136

16 FINANCIAL LIABILITIES – BORROWINGS (CONTINUED)

Analysis of net debt	2010 £m	2009 £m
Cash and cash equivalents	**588**	351
Overdrafts	**(20)**	(17)
Borrowings	**(2,624)**	(119)
Other	**45**	5
	(2,011)	220

Reconciliation of net debt	2010 £m	2009 £m
Net cash/(debt) at beginning of year	**220**	(1,096)
Net increase/(decrease) in cash and cash equivalents	**225**	(56)
Repayment of borrowings	**802**	1,359
Proceeds from borrowings	**(2,966)**	–
Borrowings acquired in business combination	**(311)**	–
Exchange and other movements	**19**	13
Net (debt)/cash at end of year	**(2,011)**	220

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2009	51	53	104
Charged to the income statement	29	14	43
Additional provisions on acquisition of Adams	–	7	7
Transfers	–	19	19
Utilised during the year	(26)	(18)	(44)
Exchange adjustments	(2)	(3)	(5)
At 31 December 2009	52	72	124
Charged to the income statement	86	76	162
Additional provisions on acquisition of SSL	–	30	30
Utilised during the year	(45)	(15)	(60)
Exchange adjustments	–	1	1
At 31 December 2010	**93**	**164**	**257**

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

	2010 £m	2009 £m
Current	**164**	88
Non-current	**93**	36
	257	124

Other provisions include an onerous lease provision expiring in 2016 of £6m (2009: £8m). The remainder of the balance relates to various legal, regulatory, environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

The restructuring provision relates to the acquisition and integration of the SSL business and some further restructuring of the Group. The majority is expected to be utilised in 2011 with the remainder being utilised in 2012.

18 TRADE AND OTHER PAYABLES

	2010 £m	2009 £m
Trade payables	**943**	790
Other payables	**33**	106
Other tax and social security payable	**111**	98
Derivative financial instruments	**10**	5
Accruals	**1,519**	1,287
	2,616	2,286

19 OTHER NON-CURRENT LIABILITIES

	2010 £m	2009 £m
Accruals	**2**	16
Other payables	**6**	4
	8	20

20 DEFERRED TAX

Deferred tax liabilities	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2009	19	1,335	(179)	(3)	–	1,172
Charged/(credited) to the income statement	2	13	5	3	(1)	22
(Credited) to other comprehensive income	–	–	–	–	(1)	(1)
(Credited) directly to equity	–	–	(2)	–	–	(2)
Exchange differences	(2)	(58)	13	–	1	(46)
At 31 December 2009	19	1,290	(163)	–	(1)	1,145
Charged/(credited) to the income statement	(1)	(2)	(21)	(7)	3	(28)
(Credited) to other comprehensive income	–	–	–	–	(14)	(14)
Charged directly to equity	–	–	1	–	–	1
Arising on business combination	–	601	(2)	–	–	599
Exchange differences	1	29	4	(1)	(1)	32
At 31 December 2010	**19**	**1,918**	**(181)**	**(8)**	**(13)**	**1,735**

Deferred tax assets	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2009	9	(1)	77	–	8	93
(Charged)/credited to the income statement	(8)	(18)	16	11	1	2
Credited to other comprehensive income	–	–	–	–	33	33
(Charged) directly to equity	–	–	(5)	–	–	(5)
Exchange differences	(1)	(1)	–	–	–	(2)
At 31 December 2009	–	(20)	88	11	42	121
(Charged)/credited to the income statement	5	–	2	(6)	(2)	(1)
(Charged) to other comprehensive income	–	–	–	–	(5)	(5)
(Charged) directly to equity	–	–	(6)	–	–	(6)
Arising on business combination	(9)	–	17	6	18	32
Exchange differences	–	–	1	(1)	–	–
At 31 December 2010	**(4)**	**(20)**	**102**	**10**	**53**	**141**

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

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

Certain deferred tax assets totalling £227m (2009: £16m) in respect of overseas corporation tax losses and other temporary differences have not been recognised at 31 December 2010 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.

21 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2010	722,368,512	72	2	–
Allotments	3,485,458	1	–	–
At 31 December 2010	**725,853,970**	**73**	**2**	**–**

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2009	722,368,512	72	2	–
At 31 December 2009	722,368,512	72	2	–

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

Release of treasury shares and allotment of ordinary shares
During the year 2,441,842 ordinary shares were released from treasury and 3,485,458 ordinary shares were allotted to satisfy vestings/exercises under the Group's various share schemes as follows:

Ordinary shares of 10p	Number of shares	Consideration £m
Executive Share Options – exercises	3,676,178	73
Restricted Shares Awards – vesting	1,865,291	–
Total under Executive Share Option and Restricted Share Schemes	5,541,469	73
Senior Executives Share Ownership Policy Plan – vesting	10,000	1
Savings-Related Share Option Schemes – exercises	375,831	6
Total	**5,927,300**	**80**

Market purchases of shares
During 2010, there were no repurchases of shares (2009: nil). 2,441,842 (2009: 11,179,696) treasury shares have been used to satisfy vestings/exercises during the year under the Group's various share schemes. This leaves a nil balance of treasury shares held at 31 December 2010 (2009: 2,441,842).

Options and restricted shares granted during the year
Options and restricted shares which may vest or become exercisable at various dates between 2014 and 2020 were as follows:

	Price to be paid £	Number of shares under option
Long-Term Incentive Plan 2007 (granted May 2010) – restricted shares	–	10,000
Long-Term Incentive Plan 2007 (granted September 2010) – share options	31.84	9,700
Long-Term Incentive Plan 2007 (granted September 2010) – restricted shares	–	4,850
Long-Term Incentive Plan 2007 (granted December 2010) – share options	34.64	4,020,400
Long-Term Incentive Plan 2007 (granted December 2010) – restricted shares	–	1,985,200
Total		**6,030,150**
Savings-Related Share Option Schemes		
UK Scheme	25.43	129,463
USA Scheme	25.78	146,510
Total		**275,973**

21 SHARE CAPITAL (CONTINUED)

Options and restricted shares unvested/unexercised at 31 December 2010

Options and restricted shares which have vested or may vest at various dates between 2010 and 2020 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2010**	2009
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	8.82	18.10	**1,565,075**	3,193,608
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**–**	72,200
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	**1,743,730**	3,595,059
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – restricted shares		–	**1,449,177**	1,677,441
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	34.64	**13,797,292**	10,856,350
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	**5,017,134**	5,125,249
Reckitt Benckiser Senior Executives Share Ownership Policy Plan		–	**130,000**	130,000
			23,702,408	24,649,907

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	**2010**	2009
UK Scheme	13.71	25.43	**651,679**	684,155
Overseas Scheme	21.95	21.95	**1,058,240**	1,242,823
USA Scheme	21.24	25.78	**653,105**	831,186
Total			**2,363,024**	2,758,164

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

22 RETAINED EARNINGS AND OTHER RESERVES

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £4,249m (2009: £3,026m). The reserves of subsidiary undertakings have generally been retained to finance their businesses.

Reserves

The original merger reserve arose in 1999 following the combination of Reckitt & Colman plc and Benckiser N.V. to form Reckitt Benckiser plc.

This transaction was accounted for as a merger. During the year ended 31 December 2007 there was a debit of £14,371m to the merger reserve as a result of the Group reconstruction which was treated as a merger under Section 425 of the Companies Act 1985.

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

Available for sale reserve represents fair value gains and losses on the non current available for sale financial assets.

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

23 NON-CONTROLLING INTERESTS

	2010 £m	2009 £m
At 1 January	**2**	2
Non-controlling interests arising on business combinations	**67**	–
Profit for the year	**2**	–
Exchange differences	**1**	–
As at 31 December	**72**	2

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments by category

At 31 December 2010	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	–	–	–	12	12	12
Short-term deposits	–	–	–	11	11	11
Trade and other receivables[1]	1,312	–	–	–	1,312	1,312
Derivative financial instruments – FX forward exchange contracts	–	37	–	–	37	37
Cash and cash equivalents	588	–	–	–	588	588

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[2]	–	–	2,639	2,639	2,639
Finance lease obligations[2]	–	–	5	5	5
Derivative financial instruments – FX forward exchange contracts	10	–	–	10	10
Trade and other payables[3]	–	–	2,467	2,467	2,467

At 31 December 2009	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	–	–	–	16	16	16
Short-term deposits	–	–	–	4	4	4
Trade and other receivables[1]	896	–	–	–	896	896
Derivative financial instruments – FX forward exchange contracts	–	3	1	–	4	4
Cash and cash equivalents	351	–	–	–	351	351

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[2]	–	–	130	130	130
Finance lease obligations[2]	–	–	6	6	6
Derivative financial instruments – FX forward exchange contracts	5	–	–	5	5
Trade and other payables[3]	–	–	2,156	2,156	2,156

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

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

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

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

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 (that is, as prices) or indirectly (that is, 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 (that is, unobservable inputs) (level 3).

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's assets and liabilities that are measured at fair value:

	2010 Level 2 £m	2010 Level 3 £m	2010 Total £m	2009 Level 2 £m	2009 Level 3 £m	2009 Total £m
Assets						
Assets as per the balance sheet						
Auction rate securities	–	12	12	–	16	16
Derivative financial instruments – FX forward exchange contracts	37	–	37	4	–	4
Total assets	37	12	49	4	16	20
Liabilities						
Liabilities as per the balance sheet						
Derivative financial instruments – FX forward exchange contracts	10	–	10	5	–	5
Total liabilities	10	–	10	5	–	5

Specific valuation techniques used to value financial instruments include:

1) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

2) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As the value of the level 3 instruments at 31 December 2010 is not material, no further level 3 disclosures have been made.

Financial risk management

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

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

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

1. Market risk

(a) Foreign exchange risk

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

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

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

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2010 was £3,230m payable (2009: £1,610m payable).

Hedge of net investment in foreign entity

The carrying value of US dollar denominated borrowings which the Group has designated as a hedge of net investment in its subsidiaries in the USA at 31 December 2010 was £nil (2009: £104m). A foreign exchange gain of £nil (2009: gain of £78m) on translation of the borrowings into sterling has been recognised in the foreign currency translation reserve. There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow hedge profile

As at 31 December 2010, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2009.

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

	2010 £m	2009 £m
Euro	**96**	79
Canadian dollars	**45**	39
Saudi riyal	**42**	13
Australian dollars	**42**	33
New Zealand dollars	**10**	13
US dollars	**–**	28
Other	**104**	76
	339	281

These forward foreign exchange contracts are expected to mature evenly over the period January 2011 to January 2012 (2009: January 2010 to January 2011).

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to £nil (2009: £nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2010 of £2m loss (2009: £15m loss) are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date.

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 Canadian and US dollar, if the Canadian dollar had strengthened/weakened by 5% against the US dollar, with all other variables held constant, shareholders' equity would have been £1m (2009: 5%: £2m) lower/higher. As at 31 December 2010 if all other currencies had strengthened/weakened by 5% against sterling with all other variables held constant, this would have had an insignificant effect on the income statement or shareholders' equity (2009: insignificant).

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives.

The gains and losses from fair value movements on financing derivatives recognised in finance income and expense were £nil (2009: £1m gain).

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

(c) Cash flow and fair value interest rate risk
The Group has both interest-bearing and non interest-bearing liabilities. The Group manages its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group manages its interest 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 £1m (2009: 50 bps: £2m) or decrease of £1m (2009: 50 bps: £2m), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

2. Credit risk

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

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Counterparty risk

	2010			2009		
Counterparty	**S&P rating**	**Limit £m**	**Exposure £m**	S&P rating	Limit £m	Exposure £m
Bank A	**A**	**100**	**92**	A	100	57
Bank B	**AAA**	**300**	**82**	AAA	300	50
Bank C	**A**	**100**	**81**	A	125	50
Bank D	**AA**	**200**	**80**	AA	200	41
Bank E	**A**	**125**	**74**	A	125	41
Bank F	**AA**	**200**	**68**	A	100	37
Bank G	**A**	**100**	**52**	A	125	21
Bank H	**A**	**125**	**46**	A	125	18
Bank I	**A**	**125**	**28**	AA	200	17
Bank J	**AA**	**200**	**26**	A	100	12

3. Liquidity risk

Cash flow forecasting is performed by the local business units and aggregated by the GTC. The GTC 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 the GTC. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or better.

Borrowing facilities

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. At the end of 2010, the Group had, in addition to its long-term debt of £3m (2009: £4m), committed borrowing facilities totalling £3,400m (2009: £1,675m), of which £3,400m exceeded 12 months' maturity. Of the total facilities at the year end, £400m (2009: £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:

	2010 £m	2009 £m
Undrawn committed borrowing facilities		
Expiring within one year	**–**	25
Expiring between one and two years	**1,725**	900
Expiring after more than two years	**1,275**	750
	3,000	1,675

All borrowing facilities are at floating rates of interest.

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

Headroom between net debt and available facilities at 31 December 2010 was £1,389m (2009: £1,895m).

The Group's borrowing limit at 31 December 2010 calculated in accordance with the Articles of Association was £57,861m (2009: £54,729m).

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.

At 31 December 2010	**Carrying values £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(2,195)**	**(2,195)**	**–**	**–**	**–**
Other borrowings	**(449)**	**(446)**	**(3)**	**–**	**–**
Trade payables	**(943)**	**(943)**	**–**	**–**	**–**
Other payables	**(1,524)**	**(1,516)**	**(8)**	**–**	**–**

At 31 December 2009	Carrying values £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(104)	(104)	–	–	–
Other borrowings	(32)	(28)	(3)	(1)	–
Trade payables	(790)	(790)	–	–	–
Other payables	(1,366)	(1,346)	(20)	–	–

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2010	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Forward exchange contracts				
Outflow	**(3,226)**	**(4)**	**–**	**–**
Inflow	**3,264**	**4**	**–**	**–**

At 31 December 2009	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Forward exchange contracts				
Outflow	(1,607)	(3)	–	–
Inflow	1,601	3	–	–

4. Capital risk management

The Group's objectives for managing capital are to safeguard the Group's and Company'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 2010 the Company has provided returns to shareholders in the form of dividends, current details of which are included in the Financial Review for the year.

The Group monitors net debt (total borrowings less cash and cash equivalents and financing derivative financial instruments) and at year end the Group had net debt of £2,011m (2009: net cash of £220m). The Group does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

25 OPERATING LEASE COMMITMENTS

	2010		2009	
	Land and buildings £m	**Plant and equipment £m**	Land and buildings £m	Plant and equipment £m
Total commitments under non-cancellable operating leases due:				
Within one year	**26**	**6**	28	4
Later than one and less than five years	**80**	**6**	85	2
After five years	**43**	**–**	57	–
	149	**12**	170	6

Operating lease rentals charged to the income statement in 2010 were £18m (2009: £23m) in respect of land and buildings and £7m (2009: £7m) in respect of plant and equipment.

As at 31 December 2010, total amounts expected to be received under non-cancellable sub-lease arrangements were £8m (2009: £9m).

Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2009: £1m).

26 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2010 amounted to £21m (2009: £28m).

The Group is involved in a number of investigations by competition authorities in Europe 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. During 2010, one case has been settled with the Office of Fair Trading in relation to Gaviscon for an amount of £10.2m.

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.

On 23 February 2011 the Group received a civil claim for damages from the Department of Health and others in the United Kingdom regarding alleged anti-competitive activity involving the Gaviscon brand. The claim is under review and although it is at an early stage, the Directors do not believe that any potential impact would be material to the Group financial statements.

27 RELATED PARTY TRANSACTIONS

The Group's subsidiary in Zimbabwe (Reckitt Benckiser (Zimbabwe) (Private) Ltd) is not consolidated as noted in the accounting policies. Therefore transactions between the Group and Reckitt Benckiser (Zimbabwe) (Private) Ltd are classified as related party transactions. During 2010 Group companies sold to and purchased from Reckitt Benckiser (Zimbabwe) (Private) Ltd products and services of less than £1m (2009: less than £1m). At 31 December 2010 Group companies had receivable and payable balances with Reckitt Benckiser (Zimbabwe) (Private) Ltd of less than £1m (2009: less than £1m).

Following the acquisition of SSL the Group has transacted with the minority interest holding group of SSL-TTK Limited and TTK-LIG Limited. The Group has made sales of £2m, and has paid packing charges and other charges of £1m to the minority group. At 31 December 2010 the Group had receivable balances of £2m and payable balances of less than £1m with the minority group. No provision for receivables has been made in respect of these balances. No bad debts arose during the period relating to these transactions.

There are no other significant related party transactions in 2010 (2009: none).

Key management compensation is disclosed in note 5a.

28 BUSINESS ACQUISITIONS

Acquisition of SSL International plc (SSL)
On 29 October 2010 the Group obtained control of SSL by acquiring 100% of the issued share capital for a consideration of £2.5bn. SSL is a global manufacturer and distributor of healthcare products enabling RB to increase its presence in the Health & Personal Care sector through the acquisition. This transaction has been accounted for by the acquisition method of accounting.

From the date of acquisition to 31 December 2010 the acquisition contributed £90m to net revenues and £3m to operating profit. Had the acquisition taken place at 1 January 2010, the enlarged group would show consolidated net revenues of £9,160m and operating profit of £2,246m.

All assets and liabilities were recognised at fair value. The consideration transferred and the amount of any non-controlling interest over the net assets acquired is recognised as goodwill in the financial statements.

SSL Acquisition

	Provisional fair value £m
Intangible assets	2,293
Property, plant and equipment	55
Inventories	98
Receivables	228
Payables	(195)
Provisions	(30)
Net cash	57
Deferred tax asset	34
Retirement benefit obligations	(86)
Borrowings	(311)
Long-term liabilities	(25)
Deferred tax on intangibles	(601)
Net assets acquired	1,517
Non-controlling interests	(67)
Goodwill	1,073
Total consideration transferred	2,523
Total cash consideration	2,523
Total consideration transferred	2,523

Acquisition related costs of £22m are included in net operating expenses and disclosed as exceptional items in the income statement.

The fair value of receivables is £228m and includes trade receivables with fair value of £204m. The gross contractual amount for trade receivables due is £224m of which £20m is expected to be uncollectable.

Included within provisions are contingent liabilities of £10m which have been recognised in respect of a number of legal claims arising in the normal course of business. Further details on the provisions and contingent liabilities acquired are provided in note 17.

Deferred tax assets in relation to losses of £201m have not been recognised as the likelihood of future economic benefit is not sufficiently assured.

The non-controlling interest has been measured using proportion of net assets.

Goodwill represents strategic premium to enter and establish critical mass in new Health & Personal Care markets, value of synergy savings and assembled workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

The intangible assets acquired as part of the acquisition of SSL are analysed as follows:

	Key brands	**2010 £m**
SSL	Durex, Scholl (Footcare)	**2,293**

The fair value of identifiable net assets contains provisional amounts which will be finalised in advance of 29 October 2011, once the permitted 12-month hindsight period has elapsed post-acquisition. These balances remain provisional due to the proximity of the acquisition to the year end date. Provisional fair value adjustments cover the recognition of acquired intangible assets and their associated deferred tax, accounting policy alignment and other fair value adjustments on net working capital, property, plant and equipment and provisions and contingent liabilities.

All assets and liabilities acquired are included within the SSL reportable segment. In 2011 the SSL business will be reviewed by the Executive Committee as part of the existing geographical segments.

29 POST BALANCE SHEET EVENTS

Share capital issued since 31 December 2010
In the period 31 December 2010 to 4 March 2011 the parent company has issued 282,239 ordinary shares.

On 23 February 2011 the Group received a claim for civil damages from the Department of Health and others in the United Kingdom regarding alleged anti-competitive activity involving the Gaviscon brand. This is further detailed in note 26.

Five year summary

Income statement	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Net revenues	**8,453**	7,753	6,563	5,269	4,922
Operating profit	**2,130**	1,891	1,505	1,233	910
Operating profit before exceptional items	**2,231**	1,891	1,535	1,190	1,059
Exceptional Items	**(101)**	–	(30)	43	(149)
Operating profit	**2,130**	1,891	1,505	1,233	910
Net finance income/(expense)	**6**	1	(31)	(24)	(36)
Profit on ordinary activities before tax	**2,136**	1,892	1,474	1,209	874
Tax on profit on ordinary activities	**(566)**	(474)	(354)	(271)	(200)
Attributable to non-controlling interests	**(2)**	–	–	–	–
Net income	**1,568**	1,418	1,120	938	674
Ordinary dividends	**(773)**	(648)	(441)	(358)	(300)
Net income after deducting dividends	**795**	770	679	580	374
Balance sheet					
Non current assets	**10,700**	6,891	7,228	4,426	4,421
Net current liabilities (excluding current liability provisions)	**(2,910)**	(1,033)	(2,189)	(946)	(1,377)
Total assets less current liabilities (excluding current liability provisions)	**7,790**	5,858	5,039	3,480	3,044
Liabilities due after more than one year:					
Borrowings/other	**(189)**	(182)	(153)	(148)	(134)
Provisions for liabilities and charges**	**(2,471)**	(1,662)	(1,592)	(947)	(1,044)
Non-controlling interests	**(72)**	(2)	(2)	(2)	(3)
Total equity	**5,058**	4,012	3,292	2,383	1,863
Statistics					
Reported basis					
Operating profit to net revenues	**25.2%**	24.4%	22.9%	23.4%	18.5%
Total interest to operating profit (times covered)	**n/a**	n/a	48.5x	51.4x	25.3x
Tax rate	**26.5%**	25.0%	24.0%	22.4%	22.9%
Dividend cover†	**2.0x**	2.2x	2.5x	2.6x	2.2x
Adjusted basis*					
Operating profit to net revenues	**26.4%**	24.4%	23.4%	22.6%	21.5%
Total interest to operating profit (times covered)	**n/a**	n/a	49.5x	49.6x	29.4x
Dividend cover†	**2.1x**	2.2x	2.6x	2.5x	2.6x
Dividends per ordinary share	**107.0p**	91.0p	62.0p	50.0p	41.5p

*Adjusted basis is calculated by deducting the exceptional items from profit for the year.

†Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends paid.

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

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

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

We have audited the parent company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2010 which comprise the Parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 21, 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 International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the parent company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2010.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2011

Parent company balance sheet

As at 31 December	Notes	2010 £m	2009 £m
Fixed assets			
Investments	2	**14,589**	14,542
Current assets			
Debtors due within one year	3	**30**	39
Debtors due after more than one year	4	**10**	11
		40	50
Current liabilities			
Creditors due within one year	5	**(2,182)**	(1,336)
Net current liabilities		**(2,142)**	(1,286)
Total assets less current liabilities		**12,447**	13,256
Net assets		**12,447**	13,256
EQUITY			
Capital and reserves			
Share capital	6	**73**	72
Share premium	7	**59**	–
Profit and loss reserve	7	**12,315**	13,184
Total shareholders' funds		**12,447**	13,256

Approved by the Board and signed on its behalf on 11 March 2011 by:

Adrian Bellamy
Director

Bart Becht
Director

Notes to the parent company accounts

1. PARENT COMPANY ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention as modified by the revaluation of financial instruments and share based remuneration and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. 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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied.

Taxation

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

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 assets 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.

Employee share schemes

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

Where the Company grants rights to its equity instruments to employees of the Group, and such share based compensation is accounted for as equity-settled in the consolidated financial statements of the Group, FRS 20 "Share Based Payments" requires the subsidiaries to record an expense for such compensation, with a corresponding increase recognised in equity as a contribution from the parent.

Debtors

Debtors are initially recognised at fair value and subsequently at amortised cost using the effective interest method less provision for impairment.

Capital transactions

When the Company repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are either held in treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from retained earnings to the capital redemption reserve.

Cash flow statement

Reckitt Benckiser Group plc has presented a Group cash flow statement in its Annual Report and Accounts 2010, therefore as permitted by FRS 1, "Cash Flow Statements", the Directors have not prepared a cash flow statement for the Company.

2 INVESTMENTS CLASSIFIED AS FIXED ASSETS

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2010	14,542
Additions during the year	47
At 31 December 2010	**14,589**
Provision for impairment:	
At 1 January 2010	–
Provided for during the year	–
At 31 December 2010	**–**
Net book amounts:	
At 1 January 2010	14,542
At 31 December 2010	**14,589**

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2009	14,499
Additions during the year	43
At 31 December 2009	14,542
Provision for impairment:	
At 1 January 2009	–
Provided for during the year	–
At 31 December 2009	–
Net book amounts:	
At 1 January 2009	14,499
At 31 December 2009	14,542

Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2010, all of which are included in the consolidated financial statements, are shown below.

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

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 DUE WITHIN ONE YEAR

	2010 £m	2009 £m
Amounts owed by Group undertakings	**30**	39

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2009: interest free).

4 DEBTORS DUE AFTER MORE THAN ONE YEAR

	2010 £m	2009 £m
Deferred tax assets	**10**	11

Deferred tax assets consist of short-term timing differences.

5 CREDITORS DUE WITHIN ONE YEAR

	2010 £m	2009 £m
Amounts owed to Group undertakings	**2,176**	1,322
Other tax and social security	**6**	14
	2,182	1,336

Included in the amounts owed to Group undertakings is an amount of £2,151m (2009: £1,307m) which is unsecured, carries interest at LIBOR (2009: LIBOR) and is repayable on demand. All other amounts owed to Group undertakings are unsecured, interest free and are repayable on demand (2009: interest free).

6 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2010	722,368,512	72	2	–
Allotments	3,485,458	1	–	–
At 31 December 2010	**725,853,970**	**73**	**2**	**–**

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2009	722,368,512	72	2	–
At 31 December 2009	722,368,512	72	2	–

For details of the movement in ordinary shares during 2010 see note 21 of the Group Financial Statements on pages 56 and 57.

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

7 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 2010	72	–	13,184	13,256
Loss for the year			(178)	(178)
Dividends			(773)	(773)
Shares allotted under share schemes	1	59		60
Capital contribution in respect of share based payments			49	49
Share based payments			13	13
Treasury shares reissued			20	20
At 31 December 2010	**73**	**59**	**12,315**	**12,447**

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year:				
At 1 January 2009	72	–	13,657	13,729
Loss for the year			(16)	(16)
Dividends			(648)	(648)
Capital contribution in respect of share based payments			46	46
Share based payments			14	14
Treasury shares reissued			131	131
At 31 December 2009	**72**	**–**	**13,184**	**13,256**

Reckitt Benckiser Group plc has £12,138m (2009: £13,160m) of its profit and loss reserve available for distribution.

During 2010, there were no repurchases of shares (2009: nil). 2,441,842 (2009: 11,179,696) treasury shares have been used to satisfy vestings/exercises during the year under the Group's various share schemes. This leaves a nil balance of treasury shares held at 31 December 2010 (2009: 2,441,842).

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 65p per share which will absorb an estimated £472m of shareholders' funds. It will be paid on 26 May 2011 to shareholders who are on the register on 25 February 2011.

Other post balance sheet events are described in note 29 on page 63 of the Group financial statements.

8 SHARE BASED REMUNERATION

Reckitt Benckiser Group plc has two employees, the Group's CEO and CFO. Details of their share awards that are not fully vested are set out in the Directors' Remuneration Report, and the charge in relation to the year ended 31 December 2010 is set out below. The Company has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the awards.

The fair value of awards with options outstanding at 31 December 2010 is shown in note 5(c) of the Group accounts on pages 42 and 43.

Table 1: Share awards expense 2010

				Movement in number of options					
Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2010 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2010 number	Total fair value of grant as at 31 December 2010 £m	Charge for the period ended 2010 £m
Share options									
2007	08 December 2006	4.23	960,000	–	–	(160,000)	800,000	3.4	–
2008	11 December 2007	5.99	720,000	–	–	–	720,000	4.3	1.4
2009	08 December 2008	4.69	720,000	–	–	–	720,000	3.4	1.1
2010	07 December 2009	4.70	720,000	–	–	–	720,000	3.4	1.1
2011	01 December 2010	4.49	–	600,000	–	–	600,000	2.7	–
Restricted shares									
2007	08 December 2006	21.02	480,000	–	–	(480,000)	–	–	–
2008	11 December 2007	27.56	360,000	–	–	–	360,000	9.9	3.3
2009	08 December 2008	24.31	360,000	–	–	–	360,000	8.8	2.9
2010	07 December 2009	27.23	360,000	–	–	–	360,000	9.8	3.3
2011	01 December 2010	28.22	–	300,000	–	–	300,000	8.5	–
Other share awards									
UK SAYE	04 September 2006	6.61	1,564	–	–	(553)	1,011	n/a	–
Total									13.1
Weighted average exercise price			£27.34	£34.64		£22.57	£28.78		

8 SHARE BASED REMUNERATION (CONTINUED)

Table 2: Share awards expense 2009

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2009 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2009 number	Total fair value of grant as at 31 December 2009 £m	Charge for the period ended 2009 £m
				Movement in number of options					
Share options									
2002	17 December 2001	1.95	715,834	–	–	(715,834)	–	–	–
2003	22 November 2002	2.05	1,000,000	–	–	(1,000,000)	–	–	–
2004	08 December 2003	2.46	800,000	–	–	(800,000)	–	–	–
2005	06 December 2004	2.99	960,000	–	–	(960,000)	–	–	–
2006	05 December 2005	3.33	960,000	–	–	(960,000)	–	–	–
2007	08 December 2006	4.23	960,000	–	–	–	960,000	4.1	1.4
2008	11 December 2007	5.99	720,000	–	–	–	720,000	4.3	1.4
2009	08 December 2008	4.69	720,000	–	–	–	720,000	3.4	1.1
2010	07 December 2009	4.70	–	720,000	–	–	720,000	3.4	–
Restricted shares									
2006	05 December 2005	16.38	480,000	–	–	(480,000)	–	–	–
2007	08 December 2006	21.02	480,000	–	–	–	480,000	10.1	3.4
2008	11 December 2007	27.56	360,000	–	–	–	360,000	9.9	3.3
2009	08 December 2008	24.31	360,000	–	–	–	360,000	8.8	2.9
2010	07 December 2009	27.23	–	360,000	–	–	360,000	9.8	–
Other share awards									
UK SAYE	04 September 2006	6.61	1,564	–	–	–	1,564	n/a	–
Total									13.5
Weighted average exercise price			£17.98	£31.65		£13.62	£27.34		

Further details of the share awards relating to the two employees are set out in the Directors' Remuneration Report on pages 22 to 28 .

Notes

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

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

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

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation.

The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2010 or 2009 for the purposes of the valuation.

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

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

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

For share options outstanding at 31 December 2010 the range of exercise prices is disclosed in note 5(c) of the Group accounts. The weighted average remaining contractual life of the outstanding options is 6.14 years (2009: 6.74 years).

The weighted average share price for the year was £33.75 (2009: £28.37).

9 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m (2009: £0.05m).

10 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose related party transactions with wholly owned subsidiaries of the Reckitt Benckiser Group. There were no other related party transactions (2009: none).

11 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 26 of the Group accounts.

Shareholder information

Annual General Meeting
To be held on Thursday, 5 May 2011 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.

Final dividend for the year ended 31 December 2010
To be paid (if approved) on 26 May 2011 to shareholders on the register on 25 February 2011.

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
If you have any queries about your shareholding, please write to, or telephone, the Company's Registrar at the following address:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

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

Key dates

Announcement of quarter 1 results	20 April 2011
Annual General Meeting	5 May 2011
Payment of final ordinary dividend	26 May 2011
Announcement of interim results	25 July 2011
Payment of interim ordinary dividend	September 2011
Announcement of quarter 3 results	25 October 2011
Preliminary announcement of 2011 results	February 2012
Publication of 2011 Annual Report and Accounts	April 2012
Annual General Meeting	May 2012

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**

Far left: Annual Report Highlights 2010

Left: Sustainability Report 2010 (to be published at www.rb.com)

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