Reckitt Benckiser

Powering ahead

Annual Report and Financial Statements 2009

2009 was a year to be especially proud of at RB.

In our tenth anniversary year as Reckitt Benckiser we faced the decade's toughest global economic conditions, but still delivered excellent growth. This proved again that our strategy of focusing on Powerbrands with consumer relevant innovation and strong marketing investment is the right one.

The entrepreneurial spirit and deep commitment from RB people to drive better and better solutions for consumers continues to deliver outstanding* returns for shareholders. We believe this strong entrepreneurial spirit and deep commitment has and will continue to help us power the business ahead.

Bart Becht Chief Executive

£7,753m
our net revenue

£1,891m
adjusted operating profit

100.0p**
dividend per share

* At 649% our ten year TSR ranks number four in the FTSE 100

** Includes final 2009 dividend of 57p recommended by the Board

Contents

Chairman's Statement

Strong performance

In one of the global economy's most challenging years, I am pleased to report that your Company delivered an outstanding performance. Continuing a record of strong growth in such circumstances is a testament to the quality of the Company's strategy and execution, its culture, its employees and their leadership, headed up by our CEO Bart Becht.

The headlines for the year were sales growth of 8% (at constant exchange), net income growth of 13% (at constant exchange) and cash flow from operations of £1,803m. We also achieved impressive market share growth with most of our Powerbrands.

2009 was the tenth year since the merger that created Reckitt Benckiser. It was a decade of performance, the hallmark of which was the delivery of exceptional shareholder value. The ten year total shareholder return is one of the highest in the FTSE, standing at 649%.

Cash

In 2009 the strong net revenue growth of the business has been leveraged into even higher increases in profit and cash flow. This has allowed the Company to pay down virtually all of the debt created by the Adams acquisition, leaving the company in strong financial health. It also enables your Board to propose a final dividend of 57.0p per share. This brings the dividend for the year to 100.0p per share, an increase of 25% over 2008.

Board of Directors

Since the AGM in 2009 we appointed Richard Cousins as a Non-Executive Director and member of the Remuneration Committee, effective 1 October 2009. He is group Chief Executive of Compass Group PLC, the world's largest catering company. He was previously Chief Executive Officer of BPB plc and is a former Non-Executive Director of P&O plc and HBOS plc. We also appointed Warren Tucker as a Non-Executive Director and member of the Audit Committee effective 24 February 2010. He is Chief Financial Officer of Cobham plc, an international company engaged in the development, delivery and support of advanced aerospace and defence systems for land, sea and air. Richard and Warren bring useful perspective and experience to the Board and we welcome them. There has been one Board departure. David Tyler resigned effective 30 September 2009, in recognition of the amount of time he would need to devote to his new role as chairman of J Sainsbury plc. Our thanks go to him for his significant contribution to the Board during his tenure.

In 2009 the Board conducted its regular reviews of the performance and results of the business. It holds specific reviews with management on strategy, brands, geographic area and functional performance together with detailed reviews of its human resources and corporate responsibility. In addition, the Board completed its annual reviews of corporate governance including Board performance, corporate responsibility, and reputational and business risk.

Annual General Meeting resolutions

The resolutions, which will be voted upon at our AGM on 6 May 2010 are fully explained in the Notice of Meeting. They will include some amendments to the Articles of Association following the full implementation of the Companies Act (CA) 2006 on 1 October 2009. Once again we encourage all our shareholders to attend our AGM.

Thanks

On behalf of the Board I would like to thank Bart Becht and his executive team for their continued excellent leadership of the business and thank employees globally for their achievement in delivering such an excellent performance in the tenth year of Reckitt Benckiser.

It will be of interest to shareholders to know that this year RB won The Economist Magazine's coveted Innovation Award 2009, for an outstanding product innovation record. In addition, our CEO was ranked by INSEAD in research published in the Harvard Business Review, as the world's 16th best performing CEO over the long term. Both of these awards are great testament to the quality of the Company. Details of both of these awards and others the Company has been given can be found on the Company's website, www.rb.com.

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

The strategy the Company continues to pursue is, in your Board's view, fundamentally sound and the management team has our utmost confidence in its ability to lead the Company to continued success.

Adrian Bellamy Chairman

2009 was a year to be especially proud of at RB. In our tenth anniversary year as Reckitt Benckiser we faced the decade's toughest global economic conditions, but still delivered excellent growth. This proved again that our strategy of focusing on Powerbrands with consumer relevant innovation and strong marketing investment is the right one.

The entrepreneurial spirit and deep commitment from RB people to drive better and better solutions for consumers continues to deliver outstanding returns for shareholders. We believe this strong entrepreneurial spirit and deep commitment has and will continue to help us power the business ahead.

The year in review

It will come as no surprise to anyone witnessing the events of the past year, that 2009 was one of the more challenging years. As we entered the tenth year of Reckitt Benckiser, many western economies were plunged into deep recession.

Yet we have continued to excel. By sticking with our proven strategy last year became a year to be proud of.

Despite slowing economic growth, we grew net revenues by 8% (at constant exchange).

Our 17 Powerbrands drove this growth through sustained product innovation and marketing support, and increased 7% in net revenues. As a result they now represent 70% of Company net revenues, including brands in transition.

Our operating margins increased 100 basis points to 24.4%.

Operating profit rose by 12% (at constant exchange) to £1.9 billion and net income increased by 13% to £1.4 billion.

We've proven that by keeping it simple and never being distracted from our strategy, we can deliver even when times are hard. We remain confident that our culture, talented people and our drive to make the world easier for our millions of consumers, will continue to serve us well as we begin a new decade for RB.

A decade of Reckitt Benckiser

We are not a company that spends much time studying the past. We are too busy looking to the future, searching for the trends and the opportunities to build our future success. However in our tenth year it is worth taking stock of the notable successes since we were created in 1999.

These achievements have allowed us to more than double our revenues to over £7 billion over the period and our operating profits have almost quadrupled. Our ranking in the FTSE 100 has risen from 88 in 1999 to 21 at the end of 2009. Over the period, investors have enjoyed an average total shareholder return of 24% a year – the fourth highest in the FTSE 100.

While these metrics are of crucial interest to our investors, we place equal importance on our impact on consumers. We will only succeed as a company if we succeed in making products that improve our consumers' lives. Over the past ten years we have done this by rapidly responding to a changing consumer environment and by pro-actively developing better consumer solutions.

The examples of Finish in dishwashing and Lysol and Dettol in germ protection, shown on these pages, are just two of many. You can see more at www.rb.com. I would encourage you to take a look.

Finish Quantum

In dishwashing we have led the sector with Finish, creating all-in-one tablets, driving lower washing temperatures and ultimately creating the Diamond standard in cleaning dishes with our Quantum product, where superior shine performance and no-wrapper technology have made it a firm favourite with consumers.

And now we are launching QuantuMatic – an automatic dispenser of dishwasher detergent delivering Quantum shine performance while also eliminating the need to put detergent into the machine every wash.

Lysol and Dettol

Staying healthy starts with keeping hands clean and germ free. The easier we make it to wash hands, the more we help families to keep healthy.

Our Lysol and Dettol brands are introducing an entirely new way to do just that. No more messy, dirty, germy soap bars or pump dispensers. We've made it automatic, so that hand washing can be too. The new Lysol No-Touch Hand Soap System is motion activated, dispensing automatically exactly the right amount of moisturising, fragranced soap. It kills 99.9% of bacteria to stop the spread of germs between people. In a more convenience driven world this innovation extends Lysol and Dettol's role in protecting people's health.

A simple, powerful 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.

Sustainability and responsibility

There are of course other ways to make a difference. Through our work with Save the Children we saved 120,000 children's lives last year, taking us close to a quarter of a million lives saved since we started this partnership. Of course it can never be enough and now we are aiming to take this to a million lives saved by 2020.

The global recession has not dulled consumers' desire to lead lower-carbon lifestyles. We have been at the vanguard of movements to reduce the environmental impact of consumer products, not just in their manufacture, packaging and distribution, but also when used in the home, and then disposed of; in other words throughout the product's lifecycle.

RB's Our Home Our Planet programme communicates to consumers what we are doing and what they can do to reduce the carbon impact of our products by 20% by 2020. Last year we reduced our product carbon emissions by the equivalent of taking 450,000 cars off the road – achieving 25% of our 2020 target in the first year.

Our efforts have been judged to be world class. The Dow Jones Sustainability World Index (DJSI World) includes us in the global top 10%.

People, culture, strategy

The success that we have enjoyed stems from our consistent focus on three things; our people, our culture and our strategy.

Our people are not just strong professionals, they are invariably also high performers who thrive in a culture that fosters their entrepreneurial spirit. We purposely keep our structure flat and lean, so entrepreneurship can flourish and people can make real decisions, fast and without being second-guessed. Alongside this we encourage constructive conflict, as this enables the best ideas to emerge as people argue openly and passionately for what they are striving to achieve. We also move people around our Company to ensure fresh perspectives are brought to new or old problems – often the best way to unlock innovative thinking. Overall this delivers operational agility and rapid delivery, a central part of our culture which unleashes performance time after time.

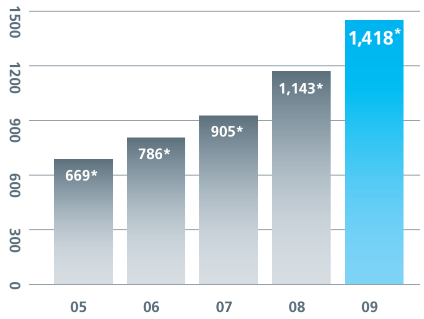
The next ten years

We are always mindful of the maxim, "Past performance is not a reliable guide to future performance." That is why we refuse to rest on our laurels; we know that consumers are always looking for new products that fit their needs and offer real value. It takes great focus to maintain the right to be consumers' trusted partner in the home.

That's why we look at the past decade not to congratulate ourselves, but as inspiration for what we can achieve in the next ten years.

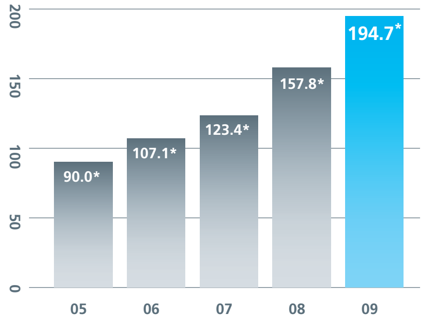
Bart Becht Chief Executive

Adjusted net income £m



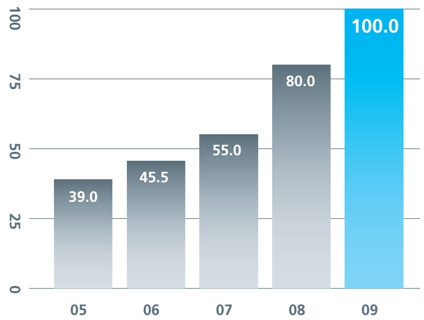
*adjusted to exclude the impact of exceptional items

Diluted earnings per share pence



*adjusted to exclude the impact of exceptional items

Dividend per share pence



Group financial highlights

	2009 £m	2008 £m	change %
Net revenues	7,753	6,563	+18
Operating profit	1,891	1,505	+26
Net income for the year	1,418	1,120	+27
Diluted earnings per share	194.7p	154.7p	+26
Adjusted operating profit*	1,891	1,535	+23
Adjusted net income for the year*	1,418	1,143	+24
Adjusted diluted earnings per share*	194.7p	157.8p	+23
Declared dividend per share	100.0p	80.0p	+25

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

2009 business highlights.
Net revenue grew by 8% (constant) to £7,753m. Adjusted operating profit up 12% (constant) to £1,891m. Total dividends paid of £648m, up 47% versus 2008.

Colin Day Chief Financial Officer

This review for the financial year ended 31 December 2009 conforms to the Business Review required under the Companies Act 2006. It should be read in conjunction with the rest of this annual report, the Company's latest Sustainability Report and the Company's website (www.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 2009, around three-quarters of net revenue was generated by brands that are either market leader or ranked second in their markets. The Company's principal product categories are listed below.

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

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

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

THE COMPANY'S BRAND PORTFOLIO AND MARKET POSITION

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

These leading positions include:

Fabric Care

- No.1 worldwide in Fabric Treatment (products to remove stains from clothes, carpets and upholstery) with Vanish around the globe and Resolve/Spray 'n Wash in North America.
- No.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 Company also has a number of local market positions in Laundry Detergents and Fabric Softeners (for example, in Spain, Italy, certain East European markets and Korea). The Company also has a small private label business, the majority of which provides Laundry Detergent to major multi-national retailers in Europe.

Surface Care

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

Dishwashing

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

Home Care

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

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

Health & Personal Care

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

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

Other

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

- **Food.** The Company owns a largely North American Food business, the principal brands of which are French's Mustard (the No.1 mustard) and Frank's Red Hot Sauce (the No.1 hot/Tabasco/wing sauce in North America).
- **Pharmaceuticals.** (formerly known as BBG or the Buprenorphine Business Group) is responsible for the development of the Company's Subutex and Suboxone prescription drug business. Both products are based on buprenorphine for treatment of opiate dependence. Suboxone is a more advanced product compared to Subutex, as it has substantially better protection against abuse by the opioid-dependent population. Suboxone is sold by Reckitt Benckiser directly in the US, a significant proportion of the Pharmaceuticals business, and Australia. 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 states of the European Union, Norway and Iceland, with exclusivity until 2016. During 2009, Subutex was principally marketed in Europe by Merck & Co., Inc. (previously Schering Plough Corporation, Kenilworth, New Jersey) to whom it was licensed. As with all prescription drugs, the protection of this business has a finite term unless replaced with new treatments or forms. While the Group continues to search for ways to offset the impact of the loss of exclusivity in the US, up to 80% of the revenue and profit of that business might be lost in the year following the launch of generic competitors, with the possibility of further erosion thereafter.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

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

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

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

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

Technological change and product improvement can therefore be a key determinant of the Company's success. Reckitt Benckiser's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Company maintains a large category development organisation, including market and consumer research, R&D and marketing/sales best practice, to fuel this pipeline and share category success factors and learning. The Company invested £126m in R&D in 2009. While the Company believes R&D to be a key contributor to innovative new products, it does not believe it to be the dominant performance indicator for innovation success. The Company's success is demonstrated by the fact that around one third of its net revenue comes from products launched over the last three years.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

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

Reckitt Benckiser has operating companies in over 60 countries and has sales in around 180 countries worldwide. At present, over 70% of the Company's net revenue derives from Europe, North America and Australia/New Zealand, (excluding Pharmaceuticals) with the remainder coming mostly from semi-established or developing economies. The Company is expanding its operations in these semi-established economies, which may bring increased risks from greater economic volatility, additional governmental burden and regulation, political instability and local labour conditions. However, this is not the case with all developing markets, many of which offer higher economic growth potential.

The Company structures its business through a matrix of a centralised Category Development organisation, Global Sales organisation, Supply organisation and support functions (Finance, Human Resources and Information Services), combined with three Area organisations, Europe, North America & Australia, and Developing Markets, plus Reckitt Benckiser Pharmaceuticals. The central Category Development function, where appropriate supported by Global Sales, is responsible for Powerbrand strategies, brand equity programmes and best practices and new product development (including R&D and consumer and market research), for implementation by the Area 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 Company's 41 production facilities worldwide. Approximately 90% of manufacturing and supply is through these 41 sites around the world, with facilities located in Europe (15 facilities), North America (5 facilities), Australia and New Zealand (1 facility) and the remaining facilities spread across Asia (12), Latin America (4), and Africa Middle East (4). These include a small number of facilities in higher risk labour and social environments in Asia and Latin America.

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

The Company has a comprehensive set of policies and procedures designed to enforce and protect its reputation and govern its business methods and practices. These cover, inter alia, a comprehensive Code of Business Conduct, an Environmental Policy, a Global Manufacturing Standard, Product Safety Policy including compliance with all regulatory requirements, and product quality. Internal controls on environmental, social, governance (ESG) matters and reputational risk are further outlined in pages 15 and 16 of this report.

RESOURCES

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

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

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

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

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

The Company trains and develops its management pipeline through formal training programmes focusing on three areas: leadership skills, functional skills and general skills, and through a deliberate policy of training on the job. The Company has 14 formal training modules for middle management and Top 400 managers. During 2009, the Company ran 64 courses on these modules, training over 1,100 people. Management is international, and is trained through rotation in international postings both in countries and in the Company's central functions. Succession planning is a critical management discipline and is reviewed at least annually at the full Board and the Executive Committee.

The Company closely monitors and tracks its Top 400 international managers (T400), the core management team of the business. This is a diverse group, consisting of 49 nationalities; and over 60% of the T400 is working in a country that is not their original domicile, consistent with the Company's policy to develop a multi-national management team. Turnover within this T400 group in 2009 was 15.7%, which the Company considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2009 saw 95 promotions, 76 moves and 22 external recruits. The Company ended the year with an historically low level of vacancies within the T400 of 11, or around 2.5% of the measured group.

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

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

RELATIONSHIPS AND PRINCIPAL RISKS

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

The Company's customer base is 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 Company's service levels. In addition, many retailers compete with the Company's products with their own private label offerings. The Company maintains its relationship with its principal retail customers through the efforts of its dedicated sales force, including key account directors, and its global sales organisation specifically set up to manage its interface with the growth of international retailers.

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

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

Market risks

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

Operational risks

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

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

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

Risks from the perspective of Environmental, Social and Governance (ESG) matter and reputation are discussed in the Report of the Directors on pages 12 to 18. These should be read in conjunction with the Company's annual Sustainability Reports (available on the Company's website) which address a number of potentially reputation-affecting ESG matters such as employee health & safety at work and how the Company is addressing such matters, and which are independently assured.

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

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

The Company has a full set of policies, programmes and control arrangements, building on its central Code of Business Conduct, that address the full range of ESG matters and reputational risks. The Code itself was in 2009 the subject of a comprehensive internal training and awareness programme, and is covered by an annual review and certification process carried out by Internal Audit and the Legal Department. The Board holds a formal review of ESG matters at least annually.

Financial risks

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

Environmental matters, employees and social & community issues

In line with the requirements of the Companies Act 2006, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Company relating to environmental matters (including the impact of the Company's business on the environment), its employees, and social & community issues. A summary of this information is provided here, with further information provided in other sections of the Business Review and in the Report of the Directors on page 15.

Overall, Environmental, Social and Governance matters and reputational risk are addressed in the Report of the Directors on pages 12 to 18, and with regard to Employees and Internal Control on pages 12 and 14. These should be read in conjunction with the Company's latest Sustainability Report (available on the Company'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 Company is addressing those issues, and which is independently assured.

In summary environmental, employee and social & community issues identified by the Company are: product / ingredient regulation and specifically REACh (the European framework for the Registration, Evaluation, Authorisation and Restriction of Chemicals), which is discussed in the Report of the Directors on page 15; product quality / safety and specifically the Company's arrangements for managing product quality such as to prevent large scale sub-standard quality events and its arrangements to ensure that its products are both suitable and safe for their intended use, which are discussed in the Report of the Directors on pages 15 and 16; in terms of the environment, the carbon footprint of its products, which is described below; and, in terms of the impact of the Company's business on the environment, the greenhouse gas (GHG) emissions originating from its direct operations and specifically energy use at its global manufacturing operations. Due to the Company's industry sectors and product categories the greenhouse gas emissions originating from energy use at its direct operations is of medium-to-low impact in comparison to those of other similarly-sized companies, as assessed for example in recent reports of the independent Carbon Disclosure Project (CDP, www.cdproject.net); specifically, the GHG emissions from the Company's global manufacturing operations is circa. 300,000 tonnes CO_2-equivalents per annum. Additionally, the Company has been proactive in managing the energy use of its direct operations so as to continually reduce its associated GHG emissions since 2000; specifically, the Company reduced the GHG emissions from its global manufacturing facilities energy use between 2000 and 2008 by 35% per unit of production and by 20% in absolute terms.

The Company 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 Company's own direct manufacturing and other operations; transportation of both raw materials and finished products; the retail sale of its products; consumers use of its products; and, the disposal / recycling of those products and their packaging. The Company publicly launched this initiative in November 2007, comprising its Carbon20 programme and the target to reduce its global products' carbon footprint across their complete lifecycle by 20% per unit dose by 2020 versus a 2007 baseline (www.Carbon20.info).

In 2008, the first year of the Company's Carbon20 programme, 1.5 million tonnes of CO_2 were avoided by a 5.75% reduction per unit dose in the carbon impact of the Company's global products' lifecycle; this is similar to taking around 450,000 cars off the road. This 5.75% reduction in carbon emissions per unit dose means the Company achieved 25% of its Carbon20 target for 2020 in the first year of the programme.

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

As noted above regarding ESG matters and reputational risks: the Company has a full set of policies, programmes and control arrangements, building on its central Code of Business Conduct, that address the full range of ESG matters and reputational risks. The Code itself was in 2009 the subject of a comprehensive internal training and awareness programme, and is covered by an annual review and certification process carried out by Internal Audit and the Legal Department. The Board holds a formal review of ESG matters at least annually.

PERFORMANCE OF THE BUSINESS IN 2009

Net revenue increased +18% to £7,753m, with growth of +8% at constant exchange.

Gross margin improved by +90bp to 60.2%, largely as a result of easing input costs and benefits from cost optimisation programmes, partially offset by a negative transaction impact from foreign exchange. Total marketing investment was higher, and pure media spend rose +6% (-3% constant) to a level of 11.1% of net revenue. There was significant growth in Other Consumer Marketing, funded by savings from more favourable media rates. Operating profit as reported was £1,891m, +26% higher than last year (+14% constant): on an adjusted basis, operating profit was ahead +23% (+12% constant). The adjusted operating margin increased by +100bp to 24.4% due to gross margin expansion and operating cost efficiencies, partially offset by a re-organisation charge taken in Q4.

Net finance income was £1m (2008: net finance expense of £31m), reflecting strong free cash flow generation and progress made on net debt repayment during the year. The tax rate was 25%.

Net income was £1,418m, an increase of +27% (+15% constant) versus 2008: on an adjusted basis, net income was up +24% (+13% constant). Diluted earnings per share of 194.7 pence was ahead +26% on a reported basis; on an adjusted diluted basis, the growth was +23%.

OPERATING SEGMENT ANALYSIS AT CONSTANT EXCHANGE

Europe – 45% of net revenue

2009 total net revenue increased +1% to £3,511m, with growth largely in Dishwashing, Home Care and Health & Personal Care. In Dishwashing, the continued success of Quantum contributed to growth, while Home Care was supported by such initiatives as Airwick Freshmatic, Freshmatic Mini and <i>motion. In Health & Personal Care, Nurofen, Strepsils and Gaviscon all performed strongly, boosted by increased marketing investment.

For the full year, the adjusted operating margin was -100bp below last year at 22.9%, owing to a re-organisation charge taken in Q4; this resulted in a -3% decline in adjusted operating profit to £804m. Excluding the charge, the operating margin increased +10bp to 24.0%.

North America & Australia – 28% of net revenue

2009 total net revenue increased +7% to £2,160m, with growth coming mainly in Surface Care, Home Care and Health & Personal Care. Increased consumption of Lysol spray and disinfectant wipes boosted growth in Surface Care, while Airwick Freshmatic and <i>motion contributed to the result in Home Care. In Health & Personal Care, growth was driven by Mucinex.

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

For the full year, adjusted operating profit increased +12% to £500m: the adjusted operating margin was +60bp higher at 23.1%.

Developing Markets – 19% of net revenue

2009 net revenue was ahead +16% to £1,494m, with strong growth across all regions and driven particularly by Fabric Care, Surface Care and Health & Personal Care. In Fabric Care, increased marketing investment and new initiatives helped generate a strong performance for Vanish. In Surface Care, Harpic, and Veja in Brazil, were the key growth drivers. In Health & Personal Care, additional marketing investment helped drive an excellent result for the Dettol personal care range, with Veet and Gaviscon also both contributing strongly.

For the full year, adjusted operating profit increased by +21% to £216m. This resulted in a +80bp improvement in the adjusted operating margin to 14.5%.

Pharmaceuticals – 8% of net revenue
2009 net revenue for the Group's Subutex and Suboxone prescription drug business grew +50% to £588m. These buprenorphine-based products are used to treat opiate dependence. This very strong growth was predominantly driven by a continued increase in penetration of Suboxone in the US.

For the full year, the adjusted operating margin improved by +650bp to 63.1%. Adjusted operating profit was £371m, an increase of +63%.

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. Within the Pharmaceuticals division, the US Suboxone business generated net revenue of £502m and adjusted operating profit of £345m. While the Group continues to search for ways to offset the impact of the loss of exclusivity in the US, up to 80% of the revenue and profit of that business might be lost in the year following the launch of generic competitors, with the possibility of further erosion thereafter.

CATEGORY REVIEW AT CONSTANT EXCHANGE RATES

Fabric Care. Net revenue was unchanged versus the prior year, at £1,578m. Vanish increased, driven by a strong performance in Developing Markets; Woolite also contributed, supported by such initiatives as Triple Protection. However, growth in the Powerbrands was offset by weakness in Laundry Detergents and Fabric Conditioners.

Surface Care. Net revenue increased +5% to £1,290m, driven by strong growth for the Dettol and Lysol ranges, and Veja in Brazil. Harpic Lavatory Care also performed well, supported by such new initiatives as Harpic liquid with Max Coverage.

Dishwashing. Net revenue increased +2% to £843m. The performance was led by the continued success of Finish Quantum behind increased investment, partially offset by weakness in Dishwashing Additives.

Home Care. Net revenue increased +4% to £1,036m. This growth was largely driven by Air Care, with Air Wick Freshmatic, Freshmatic Mini and <i>motion contributing.

Health & Personal Care. Net revenue increased +14% to £2,078m. In Healthcare, Nurofen, Strepsils, Gaviscon and Mucinex all contributed to a strong performance, while the Dettol personal wash range continued to deliver excellent growth.

Total Household and Health & Personal Care. Net revenue was ahead by +6% to £6,890m.

Pharmaceuticals. 2009 net revenue for the Group's Subutex and Suboxone prescription drug business grew +50% to £588m, predominantly driven by a continued increase in penetration of Suboxone in the US. Adjusted operating profit was ahead +63% to £371m, equating to a +650bp improvement in the operating margin to 63.1%.

Food. Net revenue grew +5% to £275m with good performance across the consumer portfolio, in particular further growth for French's Yellow Mustard, French's Fried Onions and Frank's Red Hot Sauce. Adjusted operating profit increased +3% to £73m.

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 30 to 33.

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

Net finance income. Net finance income was £1m, a £32m improvement compared to 2008 (net finance expense of £31m), reflecting strong free cash flow generation.

Tax. The underlying tax rate was 25% (2008: 24%).

Net working capital (inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) improved by £160m to minus £1,257m, mostly due to further improvement in payables.

Cash flow. Cash generated from operating activities was £2,323m (2008: £1,640m) and net cash flow from operations was £1,803m (2008: £1,177m). Net interest paid was £4m (2008: £27m) and tax payments increased by £91m to £371m (2008: £280m). Capital expenditure was lower than the prior year at £158m (2008: £216m).

Net cash at the end of the year was £220m (December 2008: net debt of £1,096m), an improvement of £1,316m. This reflected net cash flow from operations of £1,803m, offset by the payment of two dividends totaling £648m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it, only £25m of which expires within one year.

Balance sheet. At the end of 2009, the Group had shareholders' funds of £4,014m (2008: £3,294m), an increase of +22%. Net cash was £220m (2008: net debt of £1,096m) and total capital employed in the business was £3,794m (2008: £4,390m).

This finances non-current assets of £6,891m (2008: £7,228m), of which £639m (2008: £637m) is property, plant & equipment, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets and other receivables. The Group has net working capital of minus £1,257m (2008: minus £1,097m), current provisions of £88m (2008: £73m) and long-term liabilities other than borrowings of £1,752m (2008: £1,668m).

The Group's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 35.3% on both a reported and an adjusted basis (2008: reported basis 34.0%, adjusted basis 34.7%).

Dividends. The Board of Directors recommends a final dividend of 57.0 pence (2008: 48.0 pence), an increase of +19%, to give a full year dividend of 100.0 pence (2008: 80.0 pence), an overall increase of +25%. The dividend, if approved by shareholders at the AGM on 6 May 2010, will be paid on 27 May to shareholders on the register at the record date of 26 February. The ex-dividend date is 24 February and the last date for election for the share alternative to the dividend is 6 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. It is too early to determine the likely outcome of these matters and the Directors have made no provisions for such potential liabilities.

The Group has recently received a Statement of Objections from the Office of Fair Trading in the United Kingdom regarding alleged anti-competitive activity involving the Gaviscon brand. In the event that the Office of Fair Trading finds against the Group it may impose a fine of up to the statutory maximum of ten percent of Group worldwide turnover. The Board considers it appropriate to disclose a contingent liability in this regard. The Statement of Objections is under review and the Group will present an appropriate response to the Office of Fair Trading in due course. The Directors at this stage believe that there are substantive questions of law brought forward by the Statement of Objections, questions that have not been settled in prior competition law cases and which require thorough analysis and debate.

2009 results excluding RB Pharmaceuticals
In light of the increasing significance of the RB Pharmaceuticals business, the Company provides the following information relating to the performance of the business in 2009 excluding RB Pharmaceuticals (on an adjusted basis):

	RB ex Pharmaceuticals		RB Pharmaceuticals		Total RB	
	£m	% constant	£m	% constant	£m	% constant
Net revenue	7,165	+6%	588	+50%	7,753	+8%
Adjusted Operating Profit	1,520	+4%	371	+63%	1,891	+12%
Adjusted Operating Margin	21.2%		63.1%		24.4%	

Financial risk management

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

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

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

Foreign exchange risk

(a) Translation risk

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

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

(b) Transaction risk

It is the Group's policy to monitor and, only where appropriate, hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services, and from the 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 matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

Market price risk

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

Interest rate risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group managed its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group managed 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 investments, are considered sufficient to meet the Group's projected cash requirements. Only £25m of the Group's borrowing facilities expires within one year.

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

Capital management

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

In maintaining an appropriate capital structure and providing returns for shareholders, in 2009 the Company adopted a programme of returning cash 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 year end the Company had net cash of £220m (2008: net debt of £1,096m). Due to the low level of net debt in its recent history, the Company does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Details of numerical disclosures relating to the Group's financial risk management are included in note 24 to the Accounts on pages 54 to 58.

COMPANY PROSPECTS

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

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

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

Based on the current market outlook, the Group is confident of achieving good growth in 2010. Due to the uncertain timing of generic competition to Suboxone in the US, it is not considered appropriate to communicate targets for the total Group. For the business excluding Pharmaceuticals, the targets in 2010 are for net revenue growth of 5% (continuing operations, base: £7,144m) and for operating profit growth of 10% (continuing operations, base: £1,512m), both at constant exchange.

Cautionary note concerning forward looking statements

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

KEY PERFORMANCE INDICATORS

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

KPI	2009	2008	Comments
Net revenue growth % like-for-like growth of net revenue at constant exchange	+8%	+10%	Measures the increase in sales of the Company
Powerbrands % of net revenue from top 17 brands	70%	70%	Measures the growth and importance of the Company's flagship brands
Gross margin % Gross profit as % of net revenue	60.2%	59.3%	Measures the resources available for reinvestment or profit growth
Media investment Media investment as % of net revenue	11.1%	12.4%	Measures the rate of reinvestment in the Company's brands
Operating margin %* Operating profit as % of net revenue	24.4%	23.4%	Measures the profitability of the Company
EPS (fully diluted)* % change in EPS (fully diluted)*	194.7p +23%	157.8p +28%	Measures the increase in profit per share of the Company
Net cash flow £m See page 29	£1,803 +53%	£1,177 +37%	Measures how the Company converts its profits into cash
Net working capital ratio (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) As % of net revenue	-£1,257 -16.2%	-£1,097 -16.7%	Measures the ability of the Company to finance its expansion and release cash from working capital
Management turnover	16%	9%	% of T400 management that has left the Company
% of net revenue in No.1 or No.2 brand positions	73%	73%	Measures the health of the Company's brand market positions

* Adjusted to exclude the impact of exceptional items

THE BOARD OF DIRECTORS

Bart Becht (53, Dutch) #
Joined the Board in 1999 on his appointment as Chief Executive Officer of the Company. He was appointed Chief Executive of Benckiser Detergents, subsequently Benckiser N.V., in 1995 and Chairman of Benckiser's Management Board from May 1999. He holds no external directorships.

Adrian Bellamy (68, British) ‡ #
Was appointed a Non-Executive Director of the Company in 1999 and became Non-Executive Chairman in May 2003. He is a Director of The Gap Inc and Williams-Sonoma, Inc. He was an Executive Chairman and a director of The Body Shop International plc until March 2008 and was formerly chairman and a director of Gucci Group NV and a director of The Robert Mondavi Corporation.

Richard Cousins (50, 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 (54, British)
Joined Reckitt Benckiser in September 2000 from Aegis Group plc where he was Group Finance Director from 1995. He was formerly a Non-Executive Director of Vero plc, the Bell Group plc, easyJet plc and Imperial Tobacco plc. He is a Non-Executive Director of WPP Group plc and Cadbury plc.

Dr Peter Harf (63, 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 (65, British)* #
Was appointed a Non-Executive Director in December 2003 and Chairman of the Audit Committee in November 2006. He is a Fellow of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers. He was the Senior Independent Non-Executive Director between February 2005 and November 2006. He retired as Financial Director of Vodafone Group plc in July 2005 and is currently a Non-Executive Director of Tesco plc, Pearson plc and the Royal Berkshire NHS Foundation Trust.

Graham Mackay (60, British/South African) ‡
Was appointed a Non-Executive Director in February 2005 and the Senior Non-Executive Director in November 2006. He is the current Chief Executive of SABMiller plc. He joined the then South African Breweries Limited in 1978 and has held a number of senior positions within that group. He joined the Board of Philip Morris International Inc in October 2008.

André Lacroix (50, French) *
Was appointed a Non-Executive Director in October 2008. He is Group Chief Executive of Inchcape plc and Chairman of Good Restaurants AG. He was previously Chairman and Chief Executive Officer of Euro Disney, and has also held positions at Burger King (Diageo), Colgate, PepsiCo and Ernst & Young LLP.

Judith Sprieser (56, American) ‡#
Was appointed a Non-Executive Director in August 2003 and has been Chair of the Remuneration Committee since June 2004. She was previously Chief Executive Officer of Transora, Inc., an e-commerce software and service company and Executive Vice President (formerly Chief Financial Officer) of Sara Lee Corporation. She is a Director of Allstate Insurance Company, USG Corporation, InterContinental Exchange, Inc., Royal Ahold NV and Adecco SA.

Warren Tucker (47, 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 and Wireless plc and British Airways plc.

EXECUTIVE COMMITTEE

Bart Becht (53, Dutch)
Chief Executive Officer. Joined in 1988 and was General Manager in Canada, UK, France and Italy before becoming Chief Executive of Benckiser Detergents, then Benckiser N.V. Appointed Chief Executive Officer of Reckitt Benckiser in 1999. Bart is Chairman of the Executive Committee.

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

Colin Day (54, British)
Chief Financial Officer. Joined in September 2000 from Aegis Group plc where he was Group Finance Director. Previously with Kodak, British Gas, De La Rue Group plc and ABB Group. Colin is responsible for financial controls and reporting, treasury, tax, corporate development, legal affairs and internal audit.

Amedeo Fasano (48, Italian)
Executive Vice President, Supply.
Amedeo Fasano joined the Company 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 and in 2003 SVP Supply NA and ANZ (Australia and New Zealand). In 2007 Amedeo took over the role as SVP Supply, Developing Markets. In March 2009 Amedeo was appointed as EVP Supply. Amedeo has responsibility for the global supply chain including procurement, manufacturing, warehousing and logistics. Also responsible for management of Squeeze and X-trim gross margin enhancement programmes. Amedeo previously worked for Pirelli Tyres in multiple Supply assignments.

Rob de Groot (43, 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 (43, 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 (51, 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 (48, British)
Senior Vice President, Human Resources.
Simon Nash joined RB in July 2009 from Novartis Consumer Health, where he was Global Head of Human Resources, based in Switzerland. He was with Novartis for nearly ten years and initially led organisation and leadership development for the group before taking on the HR leadership role for the consumer health division. Simon started his international career with P&G 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.

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

The Directors submit their third Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2009.

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

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

Audited results for the period are set out on pages 26 and 27. 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 on pages 4 to 10. Within the Business Review, which appears on pages 4 to 10, 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 10 and information on the likely future developments of the Company under 'Company Prospects' on page 9. Information regarding environmental matters, the Company's employees and social and community issues are given on page 7. 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 Company's financial risk management objectives and policies are set out on pages 6 to 7 of the Business Review and note 24 on pages 54 to 58.

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

In July 2009, the Directors resolved to pay an interim dividend of 43p per ordinary share (2008: 32p). The dividend was paid on 28 September 2009. The Directors are recommending a final dividend for the year of 57p per share (2008: 48p), which, together with the interim dividend, makes a total for the year of 100p per share (2008: 80p). The final dividend, if approved by the shareholders, will be paid on 27 May 2010 to ordinary shareholders on the register at the close of business on 26 February 2010.

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

Research and development

The Group continues to carry out research and development in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2009 amounted to £126m (2008: £109m).

Acquisitions and disposals

There have been no material acquisitions or disposals during the year.

Employees

During 2009, the Group employed an average of 24,900 (2008: 24,300) people worldwide, of whom 2,500 (2008: 2,400) were employed in the UK. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

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 Company newsletters.

Company incentive schemes reinforce financial and economic factors affecting the performance of the business. All employees have 3-5 performance objectives which are directly linked to their job and its role in the overall performance of the Group. In addition, presentations 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.

Share capital

As at 31 December 2009, the Company's issued share capital consisted of 719,926,670 Ordinary shares of 10p and 2,441,842 Ordinary shares held in treasury. Details of changes to the ordinary shares issued, shares held in Treasury, and of options and awards granted during the year are set out in note 21 to the accounts.

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

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

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

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

The Directors were granted authority at the last Annual General Meeting (AGM) held in 2009 to allot shares up to a nominal amount of £23,662,000. That authority will apply until the conclusion of this year's AGM. At this year's AGM, on 6 May 2010, 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 (excluding treasury shares) 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 2011 or at the conclusion of the AGM of the Company held in 2011.

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.

In accordance with the Company's decision made in 2009, a buy back programme was not pursued during the year. 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 share buy back programme should they so decide. This authority will be limited to a maximum of 72,000,000 ordinary shares and sets the minimum and maximum prices which may be paid.

Directors

Information regarding the Directors of the Company who were serving on 31 December 2009, and those serving at the date of this report is set out on page 11. Further biographical details of all Directors are available from the Company's website.

During the year there were the following changes to the Board of Directors. David Tyler resigned on 30 September. Richard Cousins and Warren Tucker were appointed as independent Non-Executive Directors on 1 October 2009 and 24 February 2010 respectively. As these were appointments made subsequent to the date of the 2009 AGM, they will offer themselves for election at this year's AGM.

Adrian Bellamy and Peter Harf have served on the Board for more than nine years and under the June 2008 Combined Code on Corporate Governance (the "Code"), are therefore obliged to offer themselves for re-election on an annual basis. In addition, Directors required to offer themselves for re-election in accordance with the Articles of Association at this year's AGM are Colin Day, Kenneth Hydon and Judith Sprieser, who being eligible, offer themselves for re-election.

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

Details of Directors' options to subscribe for shares in the Company are included in Table 2 on page 23 in the audited part of the Directors' Remuneration Report.

Details of the Directors' service agreements are given on page 24.

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 existing Articles and such provision will also be included in the Company's new Articles (the 'new Articles'). Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Corporate governance statement

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

The governance principles applying to UK companies listed on the London Stock Exchange are contained in the Code, as adopted by the Financial Reporting Council most recently revised in June 2008. Copies of the Code may be obtained from www.frc.org.uk/corporate. The Company understands and supports the main principles set out in the Code. The ways in which the Company applies these principles, as contained in section 1 of the Code and the few provisions with which the Company does not consider that it is appropriate to comply, are set out in the following sections: Committees of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Internal Control, Group policy in respect of non-audit services provided by external auditors, Environmental Social and Governance (ESG) matters and reputational risk and relations with shareholders.

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

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

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

Mr Day is a Non-Executive Director of WPP Group plc and Cadbury plc. This is non-compliant with Code Provision A.4.5 which requires that no full time Executive Director should hold more than one non-executive directorship in a FTSE 100 company. Both WPP Group plc and Cadbury plc are FTSE 100 companies. This exception was made, subject to certain specific conditions, when Mr Day accepted the appointment to the board of Cadbury plc in 2009, and continues to apply because the Board believes that experience as the Chairman of the Cadbury plc audit committee is useful in Mr Day's role as CFO of Reckitt Benckiser.

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

The Board meets a minimum of five times a year and will meet further as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. In 2009, there were five regular meetings. A statement of the Directors' attendance at these Board meetings, and at meetings of Board Committees on which they served during the year, is shown in Table 2 at the end of this report. In compliance with Code provision A.1.3. the Chairman holds a session with other Non-Executive Directors at the conclusion of each formal Board meeting without the Executive Directors present. During the year the Board has carried out a formal evaluation of its performance and that of its Committees and individual Directors in accordance with Code provision A.6.1. The performance review of the Board undertaken in 2009 concluded that the Chairman and other Non-Executive Directors devote sufficient time to the Company.

The Board carried out a structured debate to evaluate its own performance in 2009. Graham Mackay, as the Senior Independent Non-Executive Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues with input from both Executive Directors. The Nomination Committee has primary responsibility for reviewing the performance of individual Directors and in addition to this review process, the Chairman carried out an evaluation of the performance of individual Directors by face-to-face, one-on-one interviews. The Board is of the view that it is best placed to carry out such evaluations, without the need to employ the services of an outside consultancy, and that this is an appropriate and cost-effective procedure. The performance of the CEO, and of other members of the Executive Committee, is regularly reviewed by the Remuneration Committee of the Board.

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

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

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

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

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

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

The Executive Committee manages the day-to-day operations of the Company. Individual Executive Committee members hold global responsibility for specific operating functions including category development, supply, finance, human resources and information services. The three Area Executive Vice

Presidents covering Europe, North America/Australia and Developing Markets are also members of the Committee. At present, the CEO is fulfilling the role of Area EVP for Europe. There is no EVP for Pharmaceuticals as management reports directly to the CEO and CFO.

The Company has procedures in place to deal with conflicts of interest as disclosed within the section on the role of the Nomination Committee below and these procedures have operated effectively.

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 upon request.

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 Financial Director of Vodafone Group plc until July 2005 and Warren Tucker is Chief Financial Officer of Cobham plc. They both therefore have recent and relevant financial experience.

The Committee monitors the adequacy and effectiveness of the internal controls, compliance procedures and the Group's overall risk framework (including the Group's whistleblowing arrangements). It considers reports on Internal Audit's activities, significant legal claims and regulatory issues. It reviews the interim and full year financial statements before submission to the full Board and makes recommendations to the Board regarding the auditors and their terms of appointment. It reviews and monitors the external auditors' independence and services supplied and the objectivity and the effectiveness of the audit process. PricewaterhouseCoopers LLP (and their predecessor firms) has 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 to date. It is a requirement that the audit partner responsible for the Group and subsidiary audits 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 auditor.

The Committee met three times in 2009. For a period following the resignation of David Tyler in September, the constitution of the Committee was non-compliant with provision C.3.1 of 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 Information Services, Internal Audit, Group Tax and Group Treasury functions. The Committee took advantage of a Board meeting held overseas to meet with, and receive presentations from, the local financial management to better understand how Group policies are embedded in 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, have regular private meetings with the Committee and have direct access to the Committee.

Remuneration Committee

The Remuneration Committee, chaired by Judith Sprieser, meets regularly to review remuneration policy for Directors and senior executives. The Committee also has responsibility for making decisions on the Chairman's remuneration. The Committee comprises four members, of whom three, Judith Sprieser, Graham Mackay and Richard Cousins, are considered independent as defined by the standards of the Code. Adrian Bellamy is not considered independent as he 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 working of the Committee. Under the Code, it is acceptable for the Chairman to sit on the Remuneration Committee.

Nomination Committee

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

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

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

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

Internal control

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

Throughout the year the Group has had in place an ongoing process for 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 30 under Accounting Policies. The Group's control environment is supported by a Code of Business Conduct, which employees receive training on annually, and a range of policies on corporate responsibility. Other key elements within the internal control structure are summarised as follows:

- The Board and management – the Board continues to approve strategy and performs an advisory and supervisory role with the day-to-day management of the Company being undertaken by the Executive Committee. The CEO and other Executive Committee members have clearly communicated the Group vision, strategy, operating constitutions, values and business objectives across the Group.
- Organisational structure – the Group operates four Area management organisations; Europe, North America/Australia, Developing Markets and Pharmaceuticals, and centralised functions covering category management, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal

control are embedded in the responsibilities of line executives.

- Budgeting – there is an annual planning process whereby detailed operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and are reviewed by the Board on an annual basis.
- Management reporting – there is a comprehensive system of management reporting. The financial performance of operating units and the Group as a whole is monitored against budget on a monthly basis and is updated by periodic forecasts. Area and functional executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities.
- Risk management – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented. A summary of the most significant risks faced by the Group is included in the Business Review on pages 6 to 7.
- Operating unit controls – each operating unit maintains internal controls, which are appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of the Group are entered into after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects.
- Monitoring – the effectiveness of internal controls is monitored regularly through a combination of management review, self-assessment and internal and external audit. The results of external and internal audit reviews are reported to and considered by the Audit Committee, and actions are taken to address significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of internal control on behalf of the Board.

The Board confirms that reviews of the appropriateness and effectiveness of the system of internal control throughout the financial year 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. The Company is compliant with DTR 7.2.6 and the information is included on pages 12 and 17.

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

The external auditors report to the Audit Committee on the actions they take to comply with professional and regulatory requirements and with best practice designed to ensure their independence from the Group, including periodic rotation of the lead audit engagement partner. Details of non-audit services are set out in note 4 on page 37.

Environmental, social and governance (ESG) matters and reputational risk
In line with the requirements of the 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 Company relating to environmental matters (including the impact of the Company's business on the environment), its employees, and social & community issues. Much of the information required is provided here, and with regard to Employees and Internal Control on pages 12 and 14 of the Report of the Directors, with an overall summary and other information provided in the Business Review on pages 6 and 7.

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

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

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

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

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

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

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

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

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

Under REACh, as part of a phased programme over several years, industry is required to register most substances that are manufactured, imported or used in Europe. The first of these phases, pre-registration, started on 1 June 2008. For the majority of substances (i.e. ingredients) used in the Company's products the responsibility for registration will lie with its suppliers, who manufacture or import the ingredients used. Reckitt Benckiser is fully compliant with the provisions of REACh that needed to be implemented to date and as the first substance registration deadline of December 2010 approaches the Company 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 Company 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 Company's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for both the Company and its suppliers. Management processes and controls in place include Group, Area and Regional monitoring and auditing of compliance with the GMS (and other) requirements, including the external audit of third party product manufacturers.

- Product quality risks: Failures in product quality controls could potentially lead to damage to the reputation of, and trust in, the Company's brands. The Company has comprehensive quality management processes and procedures in place, including Group, Area, Regional and site-level quality functions that oversee and monitor product quality globally.

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

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

Sustainability and corporate responsibility

Information on the Company's management of sustainability and corporate responsibility issues is provided above; in other sections of this Report of the Directors (for examples regarding Employees and Internal Control); in the Business Review on page 7 and, in the Company's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

Relations with shareholders

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

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

Policy on the payment of creditors

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

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 Act 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 11 confirm 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 Directors' report 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 10. 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 4 to 10 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.

Audit

The Directors, having made appropriate enquiries, state that:

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

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

Charitable and political donations

Donations to charitable organisations in the UK amounted to £568,000 (2008: £704,000) of which £472,000 (2008: £439,000) was donated to Save the Children, the Company's nominated global charity. No political donations were made (2008: £nil).

AGM

The Notice convening the third AGM of the Company to be held on Thursday, 6 May 2010 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 2009 AGM to the calling of meetings, other than Annual General Meetings, on 14 days' notice. Until the coming into force of the Directive, the Company was able to call meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, we will be asking shareholders to renew their approval by considering Resolution 16 at the AGM.

Adoption of new Articles of Association

In order to reflect changes to company law in the United Kingdom made by the implementation of the remaining parts of the Act, which came into force on 1 October 2009, the Company will be seeking approval from shareholders to adopt new Articles of Association (the 'New Articles') of the Company.

The principal changes introduced in the New Articles are summarised in the Appendix on page 6 to the Notice of AGM, Other amendments, which are of a minor, technical or clarifying nature (including those which merely reflect changes made by the Act or conform the language of the New Articles with that used in the model articles for public companies set out in the Companies (Model Articles) Regulations 2008) have not been noted in the Appendix to the Notice of AGM. Special Resolution No 17 to adopt the New Articles will be proposed at the AGM.

Takeovers Directive

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

The Company's existing Articles of Association (the 'Articles') give the Board power to appoint Directors, but also require Directors to submit themselves for election at the first Annual General Meeting following their appointment. Under the 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 existing Articles is available on request from the Company Secretary.

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

The requirements and provisions as specified above in the Company's existing Articles will be reflected in the Company's new Articles of Association.

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

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

Auditors

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

Substantial shareholdings

As at 6 March 2010, 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.	15.42	111,105,415	Indirect
Legal and General Group plc and/or its subsidiaries	3.95	28,452,325	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	4.11	29,593,546	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

15 March 2010

Table 1 – Interests in the share capital of the Company
The Directors in office at the end of the year had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	6 March 2010	31 December 2009	31 December 2008
Adrian Bellamy	**18,780**	18,780	17,385
Bart Becht	**3,110,422**	3,610,422	1,774,669
Bart Becht – non-beneficial	**1,843,821**	1,343,821	1,263,821
Richard Cousins	**84**	84	–
Colin Day	**424,682**	424,129	364,624
Peter Harf	**742,770**	742,770	742,341
Kenneth Hydon	**4,731**	4,731	4,433
Graham Mackay	**1,550**	1,550	1,252
André Lacroix	**1,488**	1,488	88
Judith Sprieser	**2,957**	2,957	2,654
Warren Tucker (appointed 24 February 2010)	**290**	n/a	n/a

Notes
1 No person who was a Director (or a member of a Director's family) on 31 December 2009 had any notifiable share interests in any subsidiary.
2 The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

Table 2 – Attendance at meetings
In 2009, there were five regular Board meetings. There were three Audit Committee meetings, five Remuneration Committee meetings (including two dealt with by written resolution) and two Nomination Committee meetings. Written resolutions are required to be signed by all Directors on the Board or Members on the Committee. Attendance by individual Directors at Board meetings and at meetings of Committees on which they sit is given in the table below.

Number of meetings attended

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		5		5	2
Bart Becht		5			2
Richard Cousins	(a)	1		2	
Colin Day		5			
Peter Harf		5			2
Kenneth Hydon		5	3		2
André Lacroix		5	3		
Graham Mackay		4		5	
Judith Sprieser		5		5	2
David Tyler	(b)	4	2		

Notes
(a) Richard Cousins attended the one Board and two Remuneration Committee meetings held in 2009 following his appointment on 1 October 2009.
(b) David Tyler attended all Board and Audit Committee meetings held prior to his resignation on 30 September 2009.

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 2009 there were five meetings including two held by written resolution. The Committee comprised four members in 2009, of whom one, Mr Bellamy, is not considered independent since he has served on the Board for more than nine years. In accordance with the Code, 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. 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 2004 in Reckitt Benckiser would have resulted in a shareholding worth £239 on 31 December 2009, compared to £135 and £133 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 market place 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.

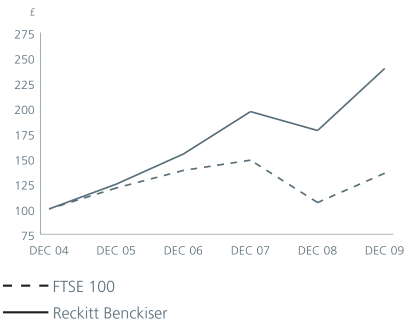
Base salaries

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 around the median of competitor market practice.

The approach to reviewing the base salaries of Executive Directors is the same as that for other employees. Base pay increases for Executive Directors from 1 January 2009 were 4% in line with typical base pay increases for Executives in Reckitt Benckiser. The base pay increase for Executive Directors from 1 January 2010 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.

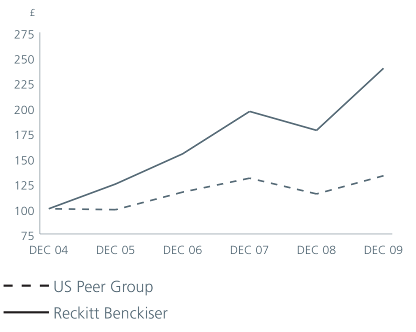


Notes

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, Procter & Gamble and Sara Lee.

Annual cash bonus

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

The Company has reported strong financial performance in 2009, which is consistent with the longer-term trend for the business. The Committee is comfortable that this represents superior 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 maximum levels for 2009.

For 2010, as in 2009 the Executive Directors will participate in the annual cash bonus scheme under which they may receive 100% (CEO) and 75% (CFO) of base salary for achieving target performance. For the achievement of outstanding performance, which the Board sets at a level approximately double the industry median, the bonus potential is 357% (CEO) and 268% (CFO) of base salary.

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

Long-term incentives

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

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

The Committee benchmarks total remuneration for Executives against the upper quartile of its peer group. This is then delivered through a combination of base salary, annual cash bonus and long-term incentives. In carrying out the benchmarking exercise, the Company's long-term incentives and those of the peer group are valued using an expected value valuation methodology (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 2010, 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	Ownership requirement
CEO (1)	600,000 shares
CFO/EVPs (5)	200,000 shares
Other senior executives (30)	30-50,000 shares

The total number of ordinary shares held by Mr Becht at 31 December 2009 is 4,954,243 of which 3,610,422 are beneficial and 1,343,821 are non-beneficial. The total number of ordinary shares held by Mr Day at 31 December 2009 is 424,129.

As these shareholding requirements (which equate to around 7 times base salary up to around 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 2.

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 2009. Mr Day's Company pension contribution was 25% of pensionable pay in 2009.

In 2009 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 3 of the Directors' Remuneration Report.

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

Remuneration policy for the Chairman and Non-Executive Directors

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

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

Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Board committee meetings.

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

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

Fee levels are reviewed every two years, with the Board taking external advice on best practice and competitive levels, taking into account the responsibilities and time commitment of each Non-Executive Director. The next scheduled review will be in 2010 with any changes to be effective from 1 January 2011.

External appointments

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

Mr Day's gross annual fees for his appointment with WPP Group plc was £65,000 for his services in 2009. His gross annual fee with Cadbury was £73,639. The Company allows 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 2009. 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 advisors 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 2009, 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 15 March 2010 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

The information on pages 22 to 24 (except where labelled) comprises the auditable disclosures of the Directors' Remuneration Report.

Remuneration disclosures

Table 1

	Notes	Base salary and fees £000	Bonus £000	Benefits in kind £000	Other payments £000	Pension contri-butions £000	2009 Total £000	2008 Total £000
Chairman								
Adrian Bellamy	1	**345**					**345**	300
Executive Directors								
Bart Becht	2	**987**	**3,523**	**64**	**19**	**296**	**4,889**	4,751
Colin Day	2	**432**	**1,156**	**21**		**106**	**1,715**	1,649
Non-Executive Directors								
Richard Cousins (appointed 1 October 2009)	3	**21**					**21**	n/a
Peter Harf	3	**90**					**90**	70
Kenneth Hydon	3	**90**					**90**	80
André Lacroix (appointed 1 October 2008)	3	**85**					**85**	18
Graham Mackay	3	**92**					**92**	70
Gerard Murphy (resigned 17 July 2008)	3	**n/a**					**n/a**	46
Judith Sprieser	3	**90**					**90**	80
David Tyler (resigned 30 September 2009)	3	**67**					**67**	70
Peter White (resigned 1 May 2008)	3	**n/a**					**n/a**	27
Total		**2,299**	**4,679**	**85**	**19**	**402**	**7,484**	**7,161**

Notes

1. Mr Bellamy's fees as Chairman for 2009 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 other international transfer related benefits (2008: £48,000)
3. Non-Executive Director fees include £13,500 (gross) and £14,500 (gross) in the case of Mr 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 £7,082,000 (2008: £6,775,000).
5. The aggregate gross gains made by the Directors on the exercise of share options and vesting of restricted shares during the year were £94,226,539 (2008: £36,298,064). The gains are calculated based on the market price at the date of exercise for share options and vesting of restricted shares, although the shares may have been retained and no gain realised.
6. The total emoluments of the highest paid Director (excluding pension contributions) were £4,593,000 (2008: £4,470,000)

The 2009 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

Mr Becht and Mr Day are both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a standard company contribution rate of 30% of pensionable pay for Mr Becht (2008: 30%), and 25% for Mr Day (2008: 25%).

Table 2 – Directors’ options and restricted share awards

Table 2 sets out each Director’s options over or rights to ordinary shares of the Company under the Company’s various long-term incentive plans. The middle market price of the ordinary shares at the year end was £33.56 and the range during the year was £24.54 to £33.56.

Long-term incentives	Notes	Grant date	At 01.01.09	Granted during the year	Exercised/ vested during the year	At 31.12.09	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Bart Becht										
Options	1	17.12.01	715,834		715,834	–	9.504		31.11-31.47	May 05-Dec 11
	1	22.11.02	1,000,000		1,000,000	–	11.186		31.06-31.92	May 06-Nov 12
	1	8.12.03	800,000		800,000	–	12.760		31.66-31.80	May 07-Dec 13
	1	6.12.04	800,000		800,000	–	15.470		31.71-31.94	May 08-Dec 14
	1	5.12.05	800,000		800,000	–	18.100		31.28-31.94	May 09-Dec 15
	1	8.12.06	800,000			800,000	22.570			March 10-Dec 16
	1	11.12.07	600,000			600,000	29.440			May 11-Dec 17
	1	8.12.08	600,000			600,000	27.290			May 12-Dec 18
	1	7.12.09		600,000		600,000	31.650			May 13-Dec 19
Performance-based restricted shares	1	22.12.99	80,000		80,000	–		5.810	30.65	May 03-Dec 09
	1	5.12.05	400,000		400,000	–		18.160	26.46	May 2009
	1	8.12.06	400,000			400,000		23.000		March 2010
	1	11.12.07	300,000			300,000		29.720		May 2011
	1	8.12.08	300,000			300,000		27.800		May 2012
	1	7.12.09		300,000		300,000		31.800		May 2013
Colin Day										
Options	1	6.12.04	160,000		160,000	–	15.470		28.01	May 08-Dec 14
	1	5.12.05	160,000		160,000	–	18.100		31.60-32.20	May 09-Dec 15
	1	8.12.06	160,000			160,000	22.570			March 10-Dec 16
	1	11.12.07	120,000			120,000	29.440			May 11-Dec 17
	1	8.12.08	120,000			120,000	27.290			May 12-Dec 18
	1	7.12.09		120,000		120,000	31.650			May 13-Dec 19
Performance-based restricted shares	1	5.12.05	80,000		80,000	–		18.160	26.46	May 2009
	1	8.12.06	80,000			80,000		23.000		March 2010
	1	11.12.07	60,000			60,000		29.720		May 2011
	1	8.12.08	60,000			60,000		27.800		May 2012
	1	7.12.09		60,000		60,000		31.800		May 2013

Sharesave Scheme	Grant date	At 01.01.09	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.09	Option price (£)	Market price at exercise	Exercise period
Bart Becht	04.09.06	1,011				1,011	16.90		Feb 14-July 14
Colin Day	04.09.06	553				553	16.90		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 99 and September 00	6	9	12	15
CAAG for long-term incentives granted in December 00	6	8	10	12
CAAG for long-term incentives granted in December 01, November 02, December 03-09	6	7	8	9

2. The grant made in December 2005 vested in full following the Company’s Annual General Meeting in May 2009. The Company exceeded its target compound average actual growth (CAAG) in earnings per share over a three year period (2006-2008) of 9%.

Table 3 – Service contracts for Executive Directors

	Date of original service contract	Date of amendment	Unexpired term	Notice period	Compensation for early termination
Bart Becht	3 December 1999	19 November 2003 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 4 – Shares placed under option in all schemes in the last ten years, less lapsed (not auditable)
In 2009, members of the Executive Committee (8) received around 38%, Senior Executives (next 27) around 17% and other Executives (next 414) around 45% of the total awards made under the long-term incentive plans. The total grants have resulted in 0.8% (based on the current issued share capital) being used for discretionary long-term incentive plans in 2009 and 7.9% over a rolling ten-year period from 2000 to 2009. See table below.

	Total (millions)
Discretionary Plans	
Reckitt Benckiser Executive Plans	56.4
Share Ownership Policy Plan	0.4
Employee	
Sharesave UK	1.4
Sharesave US	2.5
Sharesave Overseas	3.6
Share Participation Scheme	0.1
Total	**64.4**

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 2009 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 16, 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 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 2009 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; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on pages 16 and 17, in relation to going concern; and
- The part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2009 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
15 March 2010

Notes:

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

Group income statement

For the year ended 31 December	Notes	2009 £m	2008 £m
Net revenues	2	**7,753**	6,563
Cost of sales	3	**(3,089)**	(2,673)
Gross profit		**4,664**	3,890
Net operating expenses	3	**(2,773)**	(2,385)
Operating profit	2	**1,891**	1,505
Operating profit before exceptional items		**1,891**	1,535
Exceptional items	3	**-**	(30)
Operating profit		**1,891**	1,505
Finance income		**17**	31
Finance expense		**(16)**	(62)
Net finance income / (expense)	6	**1**	(31)
Profit on ordinary activities before taxation		**1,892**	1,474
Tax on profit on ordinary activities	7	**(474)**	(354)
Net income		**1,418**	1,120
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity holders of the parent		**1,418**	1,120
Net income		**1,418**	1,120
Earnings per ordinary share			
On net income, basic	8	**198.9p**	157.6p
On net income, diluted	8	**194.7p**	154.7p

Group statement of comprehensive income

For the year ended 31 December	Notes	2009 £m	2008 £m
Net income		**1,418**	1,120
Other comprehensive income			
Net exchange adjustments on foreign currency translation, net of tax	7	**(191)**	479
Actuarial gains and losses, net of tax	7	**(68)**	(74)
Available for sale reserve, net of tax	7	**8**	(8)
(Losses) / gains on cash flow hedges, net of tax	7	**(15)**	19
Other comprehensive income for the year, net of tax		**(266)**	416
Total comprehensive income for the year		**1,152**	1,536
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity shareholders of the parent		**1,152**	1,536
		1,152	1,536

Group balance sheet

As at 31 December	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	10	**6,090**	6,454
Property, plant and equipment	11	**639**	637
Deferred tax assets	20	**121**	93
Available for sale financial assets	14	**16**	25
Other receivables		**25**	19
		6,891	7,228
Current assets			
Inventories	12	**486**	556
Trade and other receivables	13	**928**	906
Derivative financial instruments	24	**1**	69
Available for sale financial assets	14	**4**	6
Cash and cash equivalents	15	**351**	417
		1,770	1,954
Total assets		**8,661**	9,182
LIABILITIES			
Current liabilities			
Borrowings	16	**(132)**	(1,571)
Provisions for liabilities and charges	17	**(88)**	(73)
Trade and other payables	18	**(2,286)**	(2,189)
Tax liabilities		**(385)**	(383)
		(2,891)	(4,216)
Non-current liabilities			
Borrowings	16	**(4)**	(4)
Deferred tax liabilities	20	**(1,145)**	(1,172)
Retirement benefit obligations	5	**(393)**	(316)
Provisions for liabilities and charges	17	**(36)**	(31)
Tax liabilities		**(158)**	(128)
Other non-current liabilities	19	**(20)**	(21)
		(1,756)	(1,672)
Total liabilities		**(4,647)**	(5,888)
Net assets		**4,014**	3,294
EQUITY			
Capital and reserves			
Share capital	21	**72**	72
Merger reserve	22	**(14,229)**	(14,229)
Hedging reserve	22	**(2)**	13
Available for sale reserve	22	**–**	(8)
Foreign currency translation reserve	22	**229**	420
Retained earnings	22	**17,942**	17,024
		4,012	3,292
Equity minority interests	23	**2**	2
Total equity		**4,014**	3,294

Approved by the Board on 15 March 2010.

Adrian Bellamy
Director

Bart Becht
Director

Group statement of changes in equity

For the year ended 31 December	Share capital	Merger reserve	Hedging reserve	Available for sale reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity shareholders	Minority interest	Total
Balance at 1 January 2008	**72**	**(14,229)**	**(6)**	**–**	**(59)**	**16,605**	**2,383**	**2**	**2,385**
Comprehensive income									
Net income						1,120	1,120		**1,120**
Other comprehensive income									
Available for sale assets, net of tax				(8)			(8)		**(8)**
Actuarial losses, net of tax						(74)	(74)		**(74)**
Gains on cash flow hedges, net of tax			19				19		**19**
Net exchange adjustments on foreign currency translation, net of tax					479		479		**479**
Total other comprehensive income	–	–	19	(8)	479	(74)	416	–	416
Total comprehensive income	**–**	**–**	**19**	**(8)**	**479**	**1,046**	**1,536**	**–**	**1,536**
Transactions with owners									
Share based payments						59	59		**59**
Deferred tax on share awards						(23)	(23)		**(23)**
Current tax on share awards						15	15		**15**
Shares re-purchased and held in Treasury						(300)	(300)		**(300)**
Treasury shares re-issued						63	63		**63**
Dividends						(441)	(441)		**(441)**
Total transactions with owners	–	–	–	–	–	(627)	(627)	–	**(627)**
Balance at 31 December 2008	**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**

Group cash flow statement

For the year ended 31 December	2009 £m	2008 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Operating profit	**1,891**	1,505
Depreciation of property, plant and equipment, amortisation and impairment of intangible assets	**139**	107
Fair value gains	**(15)**	–
Gains on sale of property, plant and equipment and intangible assets	**–**	5
Other non-cash movements	**2**	–
Decrease / (increase) in inventories	**39**	(65)
(Increase) in trade and other receivables	**(12)**	(32)
Increase in payables and provisions	**220**	61
Share award expense	**59**	59
Cash generated from operations	**2,323**	1,640
Interest paid	**(23)**	(58)
Interest received	**19**	31
Tax paid	**(371)**	(280)
Net cash generated from operating activities	**1,948**	1,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	**(158)**	(216)
Disposal of property, plant and equipment	**11**	9
Acquisition of businesses, net of cash acquired	**–**	(1,081)
Maturity of short-term investments	**1**	34
Maturity of long-term investments	**18**	-
Net cash used in investing activities	**(128)**	(1,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**131**	63
Share purchases	–	(300)
Proceeds from borrowings	–	1,146
Repayments of borrowings	**(1,359)**	(506)
Dividends paid to the Company's shareholders	**(648)**	(441)
Net cash used in financing activities	**(1,876)**	(38)
Net (decrease) / increase in cash and cash equivalents	**(56)**	41
Cash and cash equivalents at beginning of period	**398**	311
Exchange (losses) / gains	**(8)**	46
Cash and cash equivalents at end of year	**334**	398
Cash and cash equivalents comprise		
Cash and cash equivalents	**351**	417
Overdrafts	**(17)**	(19)
	334	398
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS		
Net cash generated from operating activities	**1,948**	1,333
Net purchases of property, plant and equipment	**(145)**	(156)
Net cash flow from operations	**1,803**	1,177

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 2009:

- IAS 1 (revised), "Presentation of financial statements". The financial statements have been prepared under the revised disclosure requirements, presenting two performance statements; an income statement and a statement of comprehensive income. The statement of changes in equity is now presented as a primary statement.
- IFRS 2 (amendment), "Share based payments: Vesting conditions and cancellations". The Group has considered the amendment which only impacts the Save As You Earn schemes. The impact was not material.
- IFRS 7 (amendment), "Financial Instruments: Disclosures" which sets out additional disclosure requirements set out in note 24.
- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting". The Group early adopted the standard for the year ended 31 December 2008.

The following standards, amendments and interpretations became effective for the first time for the financial year beginning 1 January 2009 but either have no material impact or are not relevant to the Group:

- IFRS 1, "First time adoption of IFRS".
- IAS 1 (amendment), "Presentation of financial statements" and IAS 32 (amendment) "Financial instruments: Presentation", amendments on puttable financial instruments and obligations arising on liquidation.
- IAS 23 (amendment), "Borrowing costs".
- IAS 27, "Consolidated and Separate Financial Statements".
- IFRIC 9, "Re-assessment of embedded derivatives" and IAS39 "Financial Instruments: Recognition and Measurement" amendment on embedded derivatives.
- IFRIC 13, "Customer loyalty programmes".
- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction".
- IFRIC 15, "Agreements for the construction of real estate".
- IFRIC 16, "Hedges of a net investment in a foreign operation".

There are also a number of changes to standards as a result of the annual improvements May 2008 project, mainly effective for the financial year beginning 1 January 2009. 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 2010 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 of IFRS", and IAS 27 "Consolidated and separate financial statements", effective from 1 January 2010.
- IFRS 2, "Share based payments – Group cash-settled share based payments transactions", effective 1 January 2010.
- IFRS 3 (revised), "Business combinations", effective from 1 July 2009.
- IFRS 9, "Financial Instruments".
- IAS 24 (amendment), "Related party disclosures", effective from 1 January 2011.
- IAS 32 (amendment), "Financial Instruments: Presentation on classification or rights issues", effective from 1 February 2010.
- IAS 39 (amendment), "Eligible hedged items", effective from 1 July 2009.
- IAS 27 (revised), "Consolidated and separate financial statements", effective from 1 July 2009.
- IFRIC 14 (amendment), "Prepayments of a minimum funding requirement", effective from 1 January 2011.
- IFRIC 17, "Distributions of non-cash assets to owners", effective from 1 July 2009.
- IFRIC 18, "Transfers of assets from customers", effective from 31 October 2009.
- IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective from July 2010.

There are also a number of changes to standards as a result of the annual improvements 2009 project, mainly effective for the financial year beginning 1 January 2010. These had no 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 2008 and 2009, and its balance sheets as at 31 December 2008 and 31 December 2009, were insignificant.

Operating segments

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

Foreign currency translation

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

1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

	2009 full year	2008 full year
Average rates:		
£/Euro	**1.1233**	1.2575
£/US dollar	**1.5670**	1.8524
Closing rates:		
£/Euro	**1.1275**	1.0445
£/US dollar	**1.6170**	1.4593

Property, plant and equipment

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

Freehold buildings: not more than 50 years;

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

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

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

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

Business combinations

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

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

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

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

Goodwill and intangible fixed assets

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

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

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

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

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

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

Research and development

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

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

Exceptional items

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

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

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

Management 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.

1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

Available for sale financial assets
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified in current assets unless management expects to dispose of them more than 12 months after the balance sheet date. Available for sale financial assets are stated at fair value, with any gain or 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.

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).

1 ACCOUNTING POLICIES (CONTINUED)

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

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

   Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item 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 is depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

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

Capital transactions

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

Accounting estimates and judgements

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

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

2 OPERATING SEGMENTS

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

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

Inter-segment revenues are charged according to internally agreed pricing terms that are designed to be equivalent to an arm's length basis, and have been consistently applied throughout 2008 and 2009.

Reportable Segments

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2009 is as follows:

2009	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RBP £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**

2008	Europe £m	NAA £m	Developing Markets £m	RBP £m	Elimination £m	Total £m
Total gross segment net revenues	3,350	1,766	1,192	341	(86)	6,563
Inter-segment revenues	(81)	–	(5)	–	(86)	–
Net revenues	3,269	1,766	1,187	341	–	6,563
Depreciation and amortisation	63	21	13	7	4	108
Operating profit – adjusted*	782	397	163	193	–	1,535
Exceptional items	–	30	–	–	–	30
Operating profit	782	367	163	193	–	1,505
Net finance expense						(31)
Profit before tax						1,474

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

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

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

2009	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RBP £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)**

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

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:

	2009 £m	2008 £m
Inventories for reportable segments	**541**	599
Unallocated:		
Elimination of profit on inter-company inventory	**(55)**	(43)
Total inventories per the balance sheet	**486**	556
Trade and other receivables for reportable segments	**949**	949
Unallocated:		
Corporate items	**(21)**	(43)
Total trade and other receivables per the balance sheet	**928**	906
Total inventories and trade and other receivables per the balance sheet	**1,414**	1,462
Other unallocated assets	**7,247**	7,720
Total assets per the balance sheet	**8,661**	9,182
Trade and other payables for reportable segments	**(2,119)**	(2,022)
Unallocated:		
Corporate items	**(167)**	(167)
Total trade and other payables per the balance sheet	**(2,286)**	(2,189)
Other unallocated liabilities	**(2,361)**	(3,699)
Total liabilities per the balance sheet	**(4,647)**	(5,888)

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

Analysis of product groups

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

	Net revenues	
	2009 £m	2008 £m
Fabric Care	**1,578**	1,473
Surface Care	**1,290**	1,112
Dishwashing	**843**	754
Home Care	**1,036**	908
Health & Personal Care	**2,078**	1,682
Core Business	**6,825**	5,929
Other Household	**65**	67
Household Health & Personal Care	**6,890**	5,996
Pharmaceuticals	**588**	341
Food	**275**	226
Total	**7,753**	6,563

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:

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.

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

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

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 Company's customer base is diverse with no single external customer accounting for more than 10% of net revenues, and the top ten customers only accounting for between a quarter and a third of total net revenues.

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2009 £m	2008 £m
Cost of sales	**(3,089)**	(2,673)
Distribution costs	**(2,119)**	(1,857)
Administrative expenses:		
Research and development	**(126)**	(109)
Other	**(546)**	(412)
Total administrative expenses	**(672)**	(521)
Other net operating income	**18**	23
Exceptional items	**–**	(30)
Net operating expenses	**(2,773)**	(2,385)

All results relate to continuing operations.

Included within cost of sales is a fair value loss of £3m (2008: £5m loss) transferred from the hedging reserve. Included within administrative expenses are re-organisation costs of £50m. Total foreign exchange gains of less than £1m (2008: gains of £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	**2009 £m**	2008 £m
Within:		
Cost of sales	**97**	81
Distribution costs	**6**	5
Administrative expenses:		
Research and development	**4**	4
Other	**11**	10
Total administrative expenses	**15**	14
Total depreciation charge (note 11)	**118**	100

Amortisation and impairment charge by income statement line

Amortisation charges (note 10) of £8m in 2009 (2008: £8m) are included within Administrative expenses: Other in the income statement. Impairment charges of £13m (2008: £2m) are included within Administrative expenses: Other in the income statement.

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

Exceptional items	2009 £m	2008 £m
Restructuring	–	(30)
Total exceptional items	–	(30)

No restructuring charges have been recognised as exceptional items in 2009. In 2008 the Group incurred restructuring charges of £30m as a result of the acquisition and integration of the Adams business, plus some further restructuring in the enlarged Group.

Pension costs by income statement line	2009 £m	2008 £m
Within:		
Cost of sales	**10**	9
Distribution costs	**9**	8
Administrative expenses:		
Research and development	**3**	3
Other	**30**	14
Total administrative expenses	**33**	17
Total net pensions costs (note 5d)	**52**	34

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.

	2009 £m	2008 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**1.1**	0.8
Fees payable to the Group's auditor and network firms for other services:		
The audit of accounts of the Company's subsidiaries pursuant to legislation	**3.0**	2.8
Other services provided pursuant to such legislation	**0.2**	0.2
Services relating to taxation	**0.9**	1.9
Services relating to information technology	**0.1**	–
All other services	**0.1**	0.1
	5.4	5.8

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 (2008: £0.2m).

5 EMPLOYEES

(a) Staff costs	2009 £m	2008 £m
The total employment costs, including Directors, were:		
Wages and salaries	**749**	650
Social security costs	**141**	121
Net pension costs	**52**	34
Share based payments	**59**	59
	1,001	864

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 19 to 24, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2009 £m	2008 £m
Salaries and short-term employee benefits	**14**	14
Post-employment benefits	**1**	1
Share based payments	**23**	20
	38	35

There were no other long-term benefits (2008: £nil) or termination benefits (2008: £nil) paid to key management in 2009.

5 EMPLOYEES (CONTINUED)

(b) Staff numbers

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

	2009 000s	2008 000s
Europe*	**11.7**	11.5
North America and Australia	**3.6**	4.0
Developing Markets	**9.2**	8.5
RBP	**0.4**	0.3
	24.9	24.3

*Included in Europe are 2,500 (2008: 2,400) UK employees.

(c) Share based remuneration

All outstanding share awards as at 31 December 2009 and 31 December 2008 are included in the tables below which analyse the charge for 2009 and 2008. 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
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

Table 2: Share awards expense 2009

			Movement in number of options						
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
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

5 EMPLOYEES (CONTINUED)

(c) Share based remuneration (continued)

Table 3: Share awards expense 2008

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2008 number	Granted/ adjustments number (Movement in number of options)	Lapsed number (Movement in number of options)	Exercised number (Movement in number of options)	Options outstanding at 31 Dec 2008 number	Total fair value of grant as at 31 Dec 2008 £m	Charge for 2008 £m
Share Options									
2002	17 December 2001	1.95	1,182,545	–	(2,500)	(363,224)	816,821	1.6	–
2003	22 November 2002	2.05	2,059,774	–	–	(570,380)	1,489,394	3.1	–
2004	08 December 2003	2.46	2,713,800	–	–	(899,000)	1,814,800	4.5	–
2005	06 December 2004	2.99	4,366,000	–	(8,000)	(1,761,528)	2,596,472	7.8	–
2006	05 December 2005	3.33	4,045,000	–	(100,000)	–	3,945,000	13.1	4.2
2007	08 December 2006	4.23	4,302,307	–	(390,294)	–	3,912,013	16.5	5.0
2008	11 December 2007	5.99	4,483,300	–	(606,992)	–	3,876,308	23.2	7.8
2009	08 December 2008	4.69	–	4,026,400	–	–	4,026,400	18.9	–
Restricted Shares									
2005	06 December 2004	13.92	1,919,357	–	–	(1,919,357)	–	–	–
2006	05 December 2005	16.38	1,800,895	–	(41,950)	–	1,758,945	28.8	9.1
2007	08 December 2006	21.02	2,042,653	–	(191,936)	(2,237)	1,848,480	38.8	11.6
2008	11 December 2007	27.56	2,241,650	–	(450,744)	–	1,790,906	49.3	16.5
2009	08 December 2008	24.31	–	1,988,200	–	–	1,988,200	48.3	–
Other Share Awards									
UK SAYE	Various	Various	598,371	173,351	(55,364)	(7,449)	708,909	n/a	1.2
US SAYE	Various	Various	587,736	297,896	(36,733)	(17,086)	831,813	n/a	1.4
Overseas SAYE	Various	Various	1,187,287	1,343,381	(88,487)	(34,292)	2,407,889	n/a	1.7
SOPP	Various	Various	100,000	30,000	(10,000)	(10,000)	110,000	n/a	0.5
Total									59.0

For options outstanding at year end the weighted average remaining contractual life is 6.15 years (2008: 5.98 years). Options outstanding at 31 December 2009 that could have been exercised at that date were 3,152,108 (2008: 6,717,487).

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 2008 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.

National Insurance contributions are payable in respect of certain share based payments transactions and are treated as cash-settled transactions. At 31 December 2009, the carrying amount of National Insurance contributions payable was £26m (2008: £17m) of which £13m (2008: £8m) was in respect of vested grants.

Any additional terms of these shares are shown in the Directors' Remuneration report on pages 19 to 24.

The weighted average share price for the year was £28.37 (2008: £27.15).

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 two most significant defined benefit pension schemes (UK and US) are both funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US retiree health care scheme), where salaried participants become eligible for retiree health care benefits after they reach a combined "age and years of service rendered" figure of 70, although the age must be a minimum of 55. As at 31 December 2009 there were 2,616 (2008: 2,655) eligible retirees and 1,758 (2008: 1,682) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2009 £m	2008 £m
Defined contribution schemes	**24**	19
Defined benefit schemes (net charge)	**28**	15
Total pension costs recognised in the income statement (note 3)	**52**	34

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2007 and updated at 31 December 2009. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2009 and updated at 31 December 2009. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the three major schemes as at 31 December 2009 were:

	2009			2008		
	UK %	US (pension) %	US (medical) %	UK %	US (pension) %	US (medical) %
Rate of increase in pensionable salaries	**4.6**	**4.5**	**–**	3.6	4.5	–
Rate of increase in deferred pensions during deferment	**3.6**	**–**	**–**	2.6	–	–
Rate of increase in pension payments – pensioners	**3.6**	**–**	**–**	2.8	–	–
Rate of increase in pension payments – non-pensioners	**3.6**	**–**	**–**	2.6	–	–
Discount rate	**5.7**	**5.6-5.7**	**6.0**	6.5	5.7	5.7
Inflation assumption	**3.6**	**3.0**	**–**	2.6	3.0	–
Annual medical cost inflation	**–**	**–**	**5.0-9.0**	–	–	5.0-9.0
Long-term expected rate of return on:						
Equities	**8.1**	**9.3**	**–**	7.7	9.5	–
Bonds	**5.1**	**5.7**	**–**	4.7	5.7	–
Other	**6.3**	**8.0**	**–**	5.8	6.7	–

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:

	2009	2008
Male	**26.2**	25.6
Female	**28.8**	28.0

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

	2009	2008
Male	**28.4**	26.9
Female	**30.8**	29.1

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 22.6 years (2008: 22.4 years) for males and 24.8 years (2008: 24.7 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	14	(12)

5 EMPLOYEES (CONTINUED)

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

	2009					2008				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Total equities	**340**	**65**	**–**	**33**	**438**	287	52	–	27	366
Total bonds	**240**	**39**	**–**	**29**	**308**	219	38	–	27	284
Total other assets	**48**	**4**	**–**	**3**	**55**	47	7	–	6	60
Fair value of plan assets	**628**	**108**	**–**	**65**	**801**	553	97	–	60	710
Present value of scheme liabilities	**(764)**	**(155)**	**(108)**	**(145)**	**(1,172)**	(573)	(160)	(130)	(148)	(1,011)
Net liability recognised in the balance sheet	**(136)**	**(47)**	**(108)**	**(80)**	**(371)**	(20)	(63)	(130)	(88)	(301)

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:

	2009 £m	2008 £m
Non-current asset:		
Funded scheme surplus	**22**	15
Non-current liability:		
Funded scheme deficit	**(193)**	(94)
Unfunded scheme liability	**(200)**	(222)
Retirement benefit obligation	**(393)**	(316)
Net pension liability	**(371)**	(301)

The funded scheme surplus of £22m (2008: £15m) is included within other receivables in non-current assets of £25m (2008: £19m).

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

The amounts recognised in the income statement are as follows:

	2009					2008				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Current service cost	**(5)**	**(5)**	**(3)**	**(5)**	**(18)**	(8)	(3)	(2)	(5)	(18)
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	1	1
Expected return on pension scheme assets	**35**	**7**	**–**	**5**	**47**	47	9	–	5	61
Interest on pension scheme liabilities	**(36)**	**(8)**	**(7)**	**(7)**	**(58)**	(39)	(7)	(6)	(7)	(59)
Total charge to the income statement	**(6)**	**(6)**	**(10)**	**(6)**	**(28)**	–	(1)	(8)	(6)	(15)

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Actual return less expected return on pension scheme assets	**70**	(191)	4	29	71
Experience gains and losses on scheme liabilities	**9**	3	(16)	(1)	(19)
Changes in assumptions underlying present value of scheme liabilities	**(181)**	103	37	15	(66)
Actuarial (loss)/gain recognised	**(102)**	(85)	25	43	(14)

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

	2009					2008				
Movement of net (liability)/ assets during the year	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
(Deficit)/surplus at 1 January	**(20)**	**(63)**	**(130)**	**(88)**	**(301)**	18	(1)	(99)	(77)	(159)
Current service cost	**(5)**	**(5)**	**(3)**	**(5)**	**(18)**	(8)	(3)	(2)	(5)	(18)
Contributions	**5**	**13**	**6**	**9**	**33**	5	–	6	15	26
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	1	1
Other finance income/(costs)	**(1)**	**(1)**	**(7)**	**(2)**	**(11)**	8	2	(6)	(2)	2
Actuarial (loss)/ gain	**(115)**	**4**	**13**	**(4)**	**(102)**	(43)	(47)	5	–	(85)
Exchange adjustments	**–**	**5**	**13**	**9**	**27**	–	(14)	(34)	(20)	(68)
Deficit at 31 December	**(136)**	**(47)**	**(108)**	**(80)**	**(371)**	(20)	(63)	(130)	(88)	(301)

The actual return on plan assets was a gain of £102m (2008: £136m loss) for the UK scheme and a gain of £20m (2008: £34m loss) for the US scheme. Included within contributions above are employee contributions of £1m (2008: £1m).

5 EMPLOYEES (CONTINUED)

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

	2009 UK £m	2009 US (pension) £m	2009 US (medical) £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 US (pension) £m	2008 US (medical) £m	2008 Other £m	2008 Total £m
Present value of liabilities at 1 January	**573**	**160**	**130**	**148**	**1,011**	695	113	99	125	1,032
Current service cost	**5**	**5**	**3**	**5**	**18**	8	3	2	5	18
Past service cost	**–**	**–**	**–**	**(1)**	**(1)**	–	–	–	(1)	(1)
Interest cost	**36**	**8**	**7**	**7**	**58**	39	7	6	7	59
Benefits paid	**(32)**	**(10)**	**(6)**	**(9)**	**(57)**	(29)	(9)	(6)	(15)	(59)
Actuarial losses / (gains)	**182**	**8**	**(13)**	**(5)**	**172**	(140)	4	(5)	35	(106)
Exchange adjustments	**–**	**(16)**	**(13)**	**–**	**(29)**	–	42	34	(8)	68
Present value of liabilities at 31 December	**764**	**155**	**108**	**145**	**1,172**	573	160	130	148	1,011

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

	2009 UK £m	2009 US (pension) £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 US (pension) £m	2008 Other £m	2008 Total £m
Fair value of plan assets at 1 January	**553**	**97**	**60**	**710**	713	112	48	873
Expected rate of return	**35**	**7**	**5**	**47**	47	9	5	61
Contributions	**5**	**13**	**15**	**33**	5	–	15	20
Benefits paid	**(32)**	**(10)**	**(15)**	**(57)**	(29)	(9)	(15)	(53)
Actuarial gains / (losses)	**67**	**12**	**(9)**	**70**	(183)	(43)	35	(191)
Exchange adjustments	**–**	**(11)**	**9**	**(2)**	–	28	(28)	–
Fair value of plan assets at 31 December	**628**	**108**	**65**	**801**	553	97	60	710

Cumulative actuarial gains and losses recognised in other comprehensive income:

	2009 £m	2008 £m
At 1 January	**(107)**	(22)
Net actuarial loss recognised in the year (note 7)	**(102)**	(85)
At 31 December	**(209)**	(107)

History of experience gains and losses:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience adjustments arising on scheme assets:					
Amount	**70**	(191)	4	29	71
Percentage of scheme assets	**8.7%**	(26.9%)	0.5%	3.4%	8.7%
Experience adjustments arising on scheme liabilities:					
Amount	**172**	106	21	14	(85)
Percentage of scheme liabilities	**(14.7%)**	(10.5%)	(2.0%)	(1.3%)	7.9%
Present value of scheme liabilities	**(1,172)**	(1,011)	(1,032)	(1,058)	(1,072)
Fair value of scheme assets	**801**	710	873	850	818
Net pension liability	**(371)**	(301)	(159)	(208)	(254)

Expected employer contributions to be paid to funded defined benefit schemes in 2010 are £5m for the UK and £1m for other schemes.

6 NET FINANCE INCOME / (EXPENSE)

Finance income	2009 £m	2008 £m
Interest income on cash and cash equivalents	**17**	30
Gain on available for sale financial instruments (Interest on short-term deposits)	**–**	1
Total finance income	**17**	31
Finance expense		
Interest payable on bank borrowings	**–**	(14)
Amortisation of issue costs of bank loans	**(2)**	(1)
Interest payable on other loans	**(14)**	(44)
Other interest expense	**–**	(3)
Total finance expense	**(16)**	(62)
Net finance income / (expense)	**1**	(31)

Interest payable and similar charges relating to borrowings repayable after more than five years was £nil (2008: less than £1m).

7 INCOME TAX EXPENSE

	2009 £m	2008 £m
Current tax	**493**	352
Prior year adjustments	**(39)**	(17)
Total current tax	**454**	335
Deferred tax (note 20)	**20**	19
Total tax	**474**	354

UK income tax of £103m (2008: £6m credit) is included within current tax and is calculated at 28% (2008: 28.5%) 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:

	2009 £m	2008 £m
Profit before tax	**1,892**	1,474
Tax at the UK corporation tax rate of 28% (2008: 28.5%)	**530**	420
Effects of:		
Tax at rates other than the UK corporation tax rate	**(55)**	(148)
Adjustments to amounts carried in respect of unresolved tax matters	**21**	54
Utilised tax losses	**(25)**	(2)
Withholdings and local taxes	**27**	39
Adjustment in respect of prior periods	**(29)**	(19)
Other permanent differences	**5**	10
Total tax charge	**474**	354

The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

Included within other permanent differences is the impact of tax law changes in the UK and tax rate changes in other jurisdictions of £nil (2008: £6m charge).

7 INCOME TAX EXPENSE (CONTINUED)

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

	2009			2008		
	Before Tax	Tax credit/ (charge)	After Tax	Before Tax	Tax (charge)/ credit	After Tax
Net exchange adjustments on foreign currency translation	**(193)**	**2**	**(191)**	491	(12)	479
Actuarial losses (note 5)	**(102)**	**34**	**(68)**	(85)	11	(74)
Available for sale reserve	**8**	**–**	**8**	(8)	–	(8)
(Losses) / gains on cash flow hedges	**(15)**	**–**	**(15)**	19	–	19
Other comprehensive income	**(302)**	**36**	**(266)**	417	(1)	416
Current tax: share schemes		**2**			(12)	
Deferred tax: share schemes (note 20)		**34**			11	
		36			(1)	

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

	2009 £m	2008 £m
Current tax:		
Share schemes	**29**	15
Deferred tax:		
Share schemes	**(3)**	(23)
	26	(8)

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (2009: £1,418m (2008: £1,120m)) by the weighted average number of ordinary shares in issue during the period (2009: 712,995,914 (2008: 710,569,582)).

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 2009, there were 7.5m (2008: 4.7m) 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:

	2009			2008		
	Net income £m	Average number of shares	Earnings per share pence	Net income £m	Average number of shares	Earnings per share pence
Profit attributable to shareholders	**1,418**	**712,995,914**	**198.9**	1,120	710,569,582	157.6
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**14,342,618**			12,491,457	
Dilution for Employee Sharesave scheme options outstanding		**834,338**			1,047,123	
On a diluted basis	**1,418**	**728,172,870**	**194.7**	1,120	724,108,162	154.7

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:

	2009			2008		
	Net income £m	Average number of shares	Earnings per share pence	Net income £m	Average number of shares	Earnings per share pence
Profit attributable to shareholders*	**1,418**	**712,995,914**	**198.9**	1,143	710,569,582	160.9
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**14,342,618**			12,491,457	
Dilution for Employee Sharesave scheme options outstanding		**834,338**			1,047,123	
On a diluted basis	**1,418**	**728,172,870**	**194.7**	1,143	724,108,162	157.8

*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

	2009 £m	2008 £m
Dividends on equity ordinary shares:		
2008 Final paid: 48.0p (2007: Final 30.0p) per share	**341**	214
2009 Interim paid: 43.0p (2008: Interim 32.0p) per share	**307**	227
Total dividends for the year	**648**	441

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 57.0p per share which will absorb an estimated £410m of shareholders' funds. It will be paid on 27 May 2010 to shareholders who are on the register on 26 February 2010. The expected tax impact of this dividend for the Company is £nil (2008: £nil).

10 GOODWILL AND OTHER INTANGIBLE ASSETS

	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**
Acquisitions	**–**	**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**

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

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.

10 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

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

Net book value	2009 £m	2008 £m
Indefinite life assets:		
Brands	**4,355**	4,651
Goodwill	**1,654**	1,712
Other	**36**	36
Total indefinite life assets	**6,045**	6,399
Finite life assets:		
Brands	**7**	8
Software	**–**	1
Other	**38**	46
Total finite life assets	**45**	55
Total net book value intangible assets	**6,090**	6,454

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% – 4% (2008: 2%– 4%)). A pre-tax discount rate of 10% (2008: 12%) has been used in discounting the projected cash flows. A higher rate is used where appropriate to reflect specific risks associated with the relevant product group range of 10%–18% (2008: 11%–17%). Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands.

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

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

Product group	Key brands	2009 £m	2008 £m
Fabric Care	Calgon, Vanish, Woolite	**606**	647
Surface Care	Dettol, Lysol	**670**	745
Dishwashing	Calgonit, Finish	**193**	209
Home Care	Air Wick	**209**	220
Health & Personal Care	Veet, Nurofen, Strepsils, Clearasil, Mucinex	**2,651**	2,802
Food	French's	**33**	36
Brands total		**4,362**	4,659

The impairment charge for the year ended 31 December 2009 is £13m (2008: £ nil). Amortisation for the year ended 31 December 2009 is £8m (2008: £8m). Of the Group's total value of goodwill of £1,654m (2008: £1,712m), £1,619m (2008: £1,666m) relates to the Health & Personal Care product group. No other product group contains a significant goodwill balance.

During 2009 £nil (2008: £nil) of development expenditure has been assessed as meeting the requirements of IAS 38. The net book value of internally generated intangible assets included within other intangible assets, at 31 December 2009 is £5m (2008: £6m).

No borrowing costs have been capitalised as an intangible asset in 2009 (2008: £nil).

11 PROPERTY, PLANT AND EQUIPMENT

	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**

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

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

Included in plant and equipment are assets held under finance leases with a net book value of £6m (2008: £8m). The depreciation charge for assets held under finance leases was £2m (2008: £3m).

Minimum lease payments for plant and equipment held under finance leases are £4m (2008: £5m) within one year and £2m (2008: £4m) in two to five years. There are nil lease payments falling due after more than five years (2008: £nil).

No revaluations have taken place in 2009 or in 2008.

The net book amount of assets under construction is £42m (2008: £64m). Assets under construction are included within plant and equipment. The reclassification from plant and equipment to land and buildings of £6m (2008: £15m) 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 2009 (2008: £nil).

Capital expenditure which was contracted but not capitalised at 31 December 2009 was £16m (2008: £25m).

12 INVENTORIES

	2009 £m	2008 £m
Raw materials and consumables	**115**	138
Work in progress	**18**	27
Finished goods and goods held for resale	**353**	391
Total inventories	**486**	556

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £2,922m (2008: £2,524m).

The Group inventory provision at 31 December 2009 was £42m (2008: £42m). All inventory that was provided for at 31 December 2008 was sold or otherwise disposed of during 2009.

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

13 TRADE AND OTHER RECEIVABLES – CURRENT

Amounts falling due within one year	2009 £m	2008 £m
Trade receivables	**834**	804
Less: Provision for impairment of receivables	**(22)**	(13)
Trade receivables – net	**812**	791
Derivative financial instruments	**3**	16
Other receivables	**81**	70
Prepayments and accrued income	**32**	29
	928	906

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 2009, trade receivables of £71m (2008: £51m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2009 £m	2008 £m
Up to 3 months	**71**	51

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

	2009 £m	2008 £m
Sterling	**36**	20
Euro	**322**	352
US dollar	**190**	186
Other currencies	**380**	348
	928	906

As at 31 December 2009, trade receivables of £23m (2008: £20m) were considered to be impaired. The amount of provision on 31 December 2009 was £22m (2008: £13m). 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:

	2009 £m	2008 £m
Up to 3 months	**15**	14
Over 3 months	**8**	6
	23	20

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 4.48% (2008: 10.46%) and they have an average maturity of 204 days (2008: 438 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 2010. 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 are 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 at 31 December 2009. The movement in the fair value of auction rate securities is detailed below:

	2009 £m	2008 £m
At 1 January	**25**	–
Acquisition – fair value	**–**	35
Disposals	**(14)**	(17)
Fair value gains / (losses)	**8**	(8)
Exchange adjustments	**(3)**	15
At 31 December	**16**	25

15 CASH AND CASH EQUIVALENTS

	2009 £m	2008 £m
Cash at bank and in hand	**145**	213
Short-term bank deposits	**206**	204
Cash and cash equivalents	**351**	417

Due to foreign currency exchange restrictions £40m (2008: £50m) of cash included in cash and cash equivalents is restricted for use by the Group.

16 FINANCIAL LIABILITIES – BORROWINGS

Current	2009 £m	2008 £m
Bank loans and overdrafts[a]	**26**	225
Commercial paper[b]	**104**	1,341
Finance lease obligations	**2**	5
	132	1,571

Non-current	2009 £m	2008 £m
Finance lease obligations	**4**	4
	4	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 a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.

Maturity of debt	2009 £m	2008 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**26**	225
Other borrowings repayable:		
Within one year:		
Commercial paper	**104**	1,341
Finance leases	**2**	5
Between two and five years:		
Finance leases (payable by instalments)	**4**	4
	110	1,350
Gross borrowings (unsecured)	**136**	1,575

17 PROVISIONS FOR LIABILITIES AND CHARGES

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

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

	2009 £m	2008 £m
Current	**88**	73
Non-current	**36**	31
	124	104

Other provisions include an onerous lease provision expiring in 2016 of £8m (2008: £8m). The remainder of the balance relates to various legal, environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

The restructuring provision relates to further restructuring of configuration in the Group. The majority is expected to be utilised in 2010.

18 TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Trade payables	**790**	882
Other payables	**106**	64
Other tax and social security payable	**98**	91
Derivative financial instruments	**5**	3
Accruals	**1,287**	1,149
	2,286	2,189

19 OTHER NON-CURRENT LIABILITIES

	2009 £m	2008 £m
Accruals	**16**	2
Other payables	**4**	19
	20	21

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 2008	12	798	(96)	(8)	(1)	705
Acquisition	–	254	–	–	–	254
Charged / (credited) to the income statement	5	46	(81)	6	–	(24)
Charged to other comprehensive income	–	–	–	–	1	1
Charged directly to equity	–	–	6	–	–	6
Exchange differences	2	237	(8)	(1)	–	230
At 31 December 2008	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**

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 2008	4	(9)	112	–	(1)	106
Acquisition	–	–	31	–	–	31
Credited / (charged) to the income statement	3	6	(50)	–	(2)	(43)
Credited to other comprehensive income	–	–	–	–	11	11
(Charged) directly to equity	–	–	(17)	–	–	(17)
Exchange differences	2	2	1	–	–	5
At 31 December 2008	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**

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 £16m (2008: £47m) in respect of overseas corporation tax losses and other temporary differences have not been recognised at 31 December 2009 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

Authorised	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
At 1 January 2009				
Ordinary shares of 10p each	945,500,000	95	2	–
At 31 December 2009				
Ordinary shares of 10p each	**945,500,000**	**95**	**2**	–
Issued and fully paid				
At 1 January 2009	722,368,512	72	2	–
Redemptions	–	–	–	–
At 31 December 2009	**722,368,512**	**72**	**2**	**–**

Authorised	Equity ordinary shares	Nominal value £m	Non voting redeemable preference shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
At 1 January 2008						
Ordinary shares of 10p each	945,500,000	95	–	–	2	–
At 31 December 2008						
Ordinary shares of 10p each	945,500,000	95	–	–	2	–
Issued and fully paid						
At 1 January 2008	722,368,512	72	50,000	–	2	–
Redemptions	–	–	(50,000)	–	–	–
At 31 December 2008	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
During the year ordinary shares were released from Treasury to satisfy vestings/exercises under the Company's various share schemes as follows:

Ordinary shares of 10p	Number of shares	Consideration £m
Executive Share Options – exercises	8,092,050	–
Restricted Shares Awards – vesting	1,808,663	–
Total under Executive Share Option and Restricted Share Schemes	9,900,713	–
Senior Executives Share Ownership Policy Plan – vesting	50,000	–
Savings-Related Share Option Schemes – exercises	1,228,983	–
Total	**11,179,696**	–

Market purchases of shares
During 2009, there were no repurchases of shares as the Group suspended its share buy back programme. 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 balance of 2,441,842 held as Treasury shares at 31 December 2009 (2008: 13,621,538).

Options and restricted shares granted during the year
Options and restricted shares which may vest or become exercisable at various dates between 2013 and 2019 were as follows:

	Price to be paid £	Number of shares under option
Long-Term Incentive Plan 2007 (granted July 2009) – restricted shares	–	7,500
Long-Term Incentive Plan 2007 (granted December 2009) – share options	31.65	4,020,400
Long-Term Incentive Plan 2007 (granted December 2009) – restricted shares	–	1,985,200
Total		**6,013,100**
Savings-Related Share Option Schemes		
UK Scheme	22.08	141,370
USA Scheme	22.88	237,901
Total		**379,271**

21 SHARE CAPITAL (CONTINUED)

Options and restricted shares unvested/unexercised at 31 December 2009

Options and restricted shares which have vested or may vest at various dates between 2009 and 2019 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2009**	2008
Reckitt & Colman Schemes	7.140	12.140	**–**	23,931
Benckiser Initial Options Award Agreement 29 September 1999		7.040	**–**	200,000
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		7.220	**–**	24,500
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	5.538	18.100	**3,193,608**	10,837,587
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**72,200**	1,963,295
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	**3,595,059**	3,912,013
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – restricted shares		–	**1,677,441**	1,848,480
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	31.65	**10,856,350**	7,902,708
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	**5,125,249**	3,779,106
Reckitt Benckiser Senior Executives Share Ownership Policy Plan			**130,000**	110,000
			24,649,907	30,601,620

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	**2009**	2008
UK Scheme	13.710	22.080	**684,155**	708,909
Overseas Scheme	13.710	21.950	**1,242,823**	2,407,889
USA Scheme	16.900	22.880	**831,186**	831,813
Total			**2,758,164**	3,948,611

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

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

22 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 £3,026m (2008: £2,829m). The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were £294m of Treasury shares at 1 January 2009. £131m were issued to satisfy Executive Share Options exercised. £163m of Treasury shares were carried forward at 31 December 2009.

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.

A £12m reclassification has been made between foreign currency translation reserve and retained earnings in 2008, relating to tax on foreign currency translation reserve previously included in retained earnings.

23 EQUITY MINORITY INTERESTS

	2009 £m	2008 £m
At 1 January	**2**	2
Purchase of minority shareholdings	**–**	–
As at 31 December	**2**	2

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments by category

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**

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

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

[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.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 2	Level 3	Total
	£m	£m	£m
Assets:			
Assets as per the balance sheet:			
Auction rate securities	–	16	16
Derivative financial instruments – FX forward exchange contracts	4	–	4
Total assets	4	16	20
Liabilities:			
Liabilities as per the balance sheet			
Derivative financial instruments – FX forward exchange contracts	5	–	5
Total liabilities	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 2009 is not material, no further level 3 disclosures have been made.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management

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

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

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

1. Market risk

(a) Foreign exchange risk

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

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

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

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2009 was £1,610m payable (2008: £829m payable).

Hedge of net investment in foreign entity

The Group had US dollar-denominated borrowings which it has designated as a hedge of net investment in its subsidiaries in the USA. The carrying value of the dollar borrowings at 31 December 2009 was £104m (2008: £1,245m). A foreign exchange gain of £78m (2008: loss of £378m) on translation of the borrowings into sterling has been recognised in the foreign currency translation reserve. There was no ineffectiveness to be recorded from net investment in foreign entity hedges. At 31 December 2009, if the US dollar had strengthened by 5% against sterling, with all other variables held constant, the foreign exchange loss recognised in the foreign currency translation reserve would have been £5m higher.

Cash flow hedge profile

As at 31 December 2009, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2008.

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:

	2009 £m	2008 £m
Euro	**79**	55
Canadian dollars	**39**	–
Australian dollars	**33**	12
US dollar	**28**	70
New Zealand dollars	**13**	–
Saudi riyal	**13**	–
Other	**76**	21
	281	158

These forward foreign exchange contracts are expected to mature evenly over the period January 2010 to January 2011 (2008: January 2009 to March 2010).

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to £nil (2008: £nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2009 of £15m loss (2008: £19m gain) 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.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 £2m (2008: 15%: £8m) lower/higher.

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. As at 31 December 2009 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 (2008: insignificant).

The gains and losses from fair value movements on financing derivatives recognised in finance income and expense were £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 £2m (2008: 100 bps: £10m) or decrease of £2m (2008: 100 bps: £10m), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

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

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

Counterparty Risk

	2009			2008		
Counterparty	**S&P rating**	**Limit £m**	**Exposure £m**	S&P rating	Limit £m	Exposure £m
Bank A	**A**	**100**	**57**	A	125	104
Bank B	**AAA**	**300**	**50**	AAA	300	50
Bank C	**A**	**125**	**50**	A	125	22
Bank D	**AA**	**200**	**41**	AA	200	41
Bank E	**A**	**125**	**41**	A	125	50
Bank F	**A**	**100**	**37**	A	100	38
Bank G	**A**	**125**	**21**	A	125	33
Bank H	**A**	**125**	**18**	A	125	7
Bank I	**AA**	**200**	**17**	AA	200	7
Bank J	**A**	**100**	**12**	A	125	29

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2009, the Group had, in addition to its long-term debt of £4m (2008: £4m), committed borrowing facilities totalling £1,675m (2008: £1,675m), of which £1,650m exceeded 12 months' maturity. Of the total facilities at the year end, £nil (2008: £206m) 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:

	2009 £m	2008 £m
Undrawn committed borrowing facilities		
Expiring within one year	**25**	–
Expiring between one and two years	**900**	25
Expiring after more than two years	**750**	1,444
	1,675	1,469

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 2009 was £1,895m (2008: £579m).

The Group's borrowing limit at 31 December 2009 calculated in accordance with the Articles of Association was £54,729m (2008: £52,587m).

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 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)**	**–**	**–**

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

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 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**	**–**	**–**

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

4. Capital risk management

Capital risk management is discussed in detail in the Business Review on page 9.

25 OPERATING LEASE COMMITMENTS

	2009		2008	
	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	**28**	**4**	26	5
Later than one and less than five years	**85**	**2**	72	4
After five years	**57**	**–**	38	–
	170	**6**	136	9

Operating lease rentals charged to the income statement in 2009 were £23m (2008: £28m) in respect of land and buildings and £7m (2008: £8m) in respect of plant and equipment.

As at 31 December 2009, total amounts expected to be received under non-cancellable sub-lease arrangements were £9m (2008: £10m).

Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2008: £1m).

26 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2009 amounted to £28m (2008: £41m).

The Group is involved in a number of investigations by competition authorities in Europe. It is too early to determine the likely outcome of these matters and the Directors have made no provisions for such potential liabilities.

The Group has recently received a Statement of Objections from the Office of Fair Trading in the United Kingdom regarding alleged anti-competitive activity involving the Gaviscon brand. In the event that the Office of Fair Trading finds against the Group it may impose a fine of up to the statutory maximum of ten percent of Group worldwide turnover. The Board considers it appropriate to disclose a contingent liability in this regard. The Statement of Objections is under review and the Group will present an appropriate response to the Office of Fair Trading in due course. The Directors at this stage believe that there are substantive questions of law brought forward by the Statement of Objections, questions that have not been settled in prior competition law cases and which require thorough analysis and debate.

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 2009 Group companies sold to and purchased from Reckitt Benckiser (Zimbabwe) (Private) Ltd products and services of less than £1m (2008: less than £1m). At 31 December 2009 Group companies had receivable and payable balances with Reckitt Benckiser (Zimbabwe) (Private) Ltd of less than £1m (2008: less than £1m). There are no other significant related party transactions in 2009 (2008: none).

Key management compensation is disclosed in note 5a.

28 POST BALANCE SHEET EVENTS

Share capital issued since 31 December 2009
In the period 31 December 2009 to 28 February 2010 the parent company has not issued any ordinary shares.

On 23 February 2010 the Group received a Statement of Objections from the Office of Fair Trading in the UK regarding alleged anti-competitive activity involving the Gaviscon brand. This is further detailed in note 26.

Five year summary

Income statement	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Net revenues	**7,753**	6,563	5,269	4,922	4,179
Operating profit	**1,891**	1,505	1,233	910	840
Operating profit before exceptional items	**1,891**	1,535	1,190	1,059	840
Exceptional Items	**–**	(30)	43	(149)	–
Operating profit	**1,891**	1,505	1,233	910	840
Net finance income/(expense)	**1**	(31)	(24)	(36)	36
Profit on ordinary activities before tax	**1,892**	1,474	1,209	874	876
Tax on profit	**(474)**	(354)	(271)	(200)	(207)
Attributable to minority interests	**–**	–	–	–	–
Net Income	**1,418**	1,120	938	674	669
Ordinary dividends	**(648)**	(441)	(358)	(300)	(262)
Net income after deducting dividends	**770**	679	580	374	407
Balance sheet					
Non current assets	**6,891**	7,228	4,426	4,421	2,343
Net current (liabilities)/assets (excluding current liability provisions)	**(1,033)**	(2,189)	(946)	(1,377)	351
Total assets less current liabilities (excluding current liability provisions)	**5,858**	5,039	3,480	3,044	2,694
Creditors due after more than one year:					
Borrowings/other	**(182)**	(153)	(148)	(134)	(186)
Provisions for liabilities and charges**	**(1,662)**	(1,592)	(947)	(1,044)	(652)
Equity minority interests	**(2)**	(2)	(2)	(3)	(1)
Total equity	**4,012**	3,292	2,383	1,863	1,855
Statistics					
Reported basis					
Operating profit to net revenues	**24.4%**	22.9%	23.4%	18.5%	20.1%
Total interest to operating profit (times covered)	**n/a**	48.5x	51.4x	25.3x	n/a
Tax rate	**25.0%**	24.0%	22.4%	22.9%	23.6%
Dividend cover†	**2.2x**	2.5x	2.6x	2.2x	2.6x
Adjusted basis*					
Operating profit to net revenues	**24.4%**	23.4%	22.6%	21.5%	20.1%
Total interest to operating profit (times covered)	**n/a**	49.5x	49.6x	29.4x	n/a
Dividend cover†	**2.2x**	2.6x	2.5x	2.6x	2.6x
Dividends per ordinary share	**91.0p**	62.0p	50.0p	41.5p	36.0p

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

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

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

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

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 2009 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 16, 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 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 2009;
- 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 2009.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 March 2010

Notes:

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

Parent company balance sheet

As at 31 December	Notes	2009 £m	2008 £m
Fixed assets			
Investments	2	**14,542**	14,499
Current assets			
Debtors due within one year	3	**39**	22
Debtors due after more than one year	4	**11**	6
		50	28
Current liabilities			
Creditors due within one year	5	**(1,336)**	(798)
Net current liabilities		**(1,286)**	(770)
Total assets less current liabilities		**13,256**	13,729
Net assets		**13,256**	13,729
EQUITY			
Capital and reserves			
Share capital	6	**72**	72
Profit and loss reserve	7	**13,184**	13,657
Total equity		**13,256**	13,729

Approved by the Board on 15 March 2010.

Adrian Bellamy
Director

Bart Becht
Director

Notes to the parent company accounts

1 PARENT COMPANY ACCOUNTING POLICIES

Accounting convention
The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments and share based remuneration and in accordance with the Companies Act 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 at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract.

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

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

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

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

Where the Company grants rights to its equity instruments to employees of the Group, and such share based compensation is accounted for as equity-settled in the consolidated financial statements of the Group, UITF 44 requires the subsidiaries to record an expense for such compensation in accordance with FRS 20, "Share based payments", with a corresponding increase recognised in equity as a contribution from the parent.

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

Creditors
Creditors are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

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

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

Cash flow statement
Reckitt Benckiser Group plc has presented a Group cash flow statement in its Annual Report and Accounts 2009, 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 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**

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

Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2009, all of which are included in the consolidated financial statements, are shown below.

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

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

As permitted by s.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

	2009 £m	2008 £m
Amounts owed by Group undertakings	**39**	22

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2008: interest free).

4 DEBTORS DUE AFTER MORE THAN ONE YEAR

	2009 £m	2008 £m
Deferred tax assets	**11**	6

Deferred tax assets consist of short term timing differences.

5 CREDITORS DUE WITHIN ONE YEAR

	2009 £m	2008 £m
Amounts owed to Group undertakings	**1,322**	789
Other tax and social security	**14**	9
	1,336	798

Included in the amounts owed to Group undertakings is an amount of £1,307m (2008: £760m) which is unsecured, carries interest at LIBOR (2008: LIBOR) and is repayable on demand. All other amounts owed to Group undertakings are unsecured, interest free and are repayable on demand (2008: interest free).

6 CALLED UP SHARE CAPITAL

Authorised	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
At 1 January 2009				
Ordinary shares of 10p each	945,500,000	95	2	–
At 31 December 2009				
Ordinary shares of 10p each	**945,500,000**	**95**	**2**	–
Issued and fully paid				
At 1 January 2009	722,368,512	72	2	–
Redemptions	–	–	–	–
At 31 December 2009	**722,368,512**	**72**	**2**	**–**

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

For details of the movement in ordinary shares during 2009 see note 21 of the Group Financial Statements on pages 52 and 53.

On 23 October 2007 under a Scheme of Arrangement between Reckitt Benckiser plc, the former holding company of the Group, and its shareholders under Section 425 of the Companies Act 1985, and as sanctioned by the High Court, all the issued shares in that Company were cancelled and the same number of new shares were issued to Reckitt Benckiser Group plc in consideration for the allotment to shareholders of one ordinary share in Reckitt Benckiser Group plc for each ordinary share in Reckitt Benckiser plc held on the record date, 22 October 2007. Subsequent movements relate to shares in Reckitt Benckiser Group plc.

Reckitt Benckiser Group plc was incorporated on 8 June 2007 under the name Trushelfco (no.3293) Limited. On incorporation, the Company's authorised share capital was £100 divided into 100 ordinary shares of £1 each. Of such shares, two ordinary shares were taken by the subscribers to the Memorandum of Association and were paid up in full in cash. On 28 August 2007 the Company increased its share capital by £50,000 by the creation of 50,000 non-voting redeemable preference shares of £1 each. On 28 August 2007 the Company authorised and allotted 50,000 redeemable preference shares of £1 each to the subscriber.

On 23 October 2007 as part of the Scheme of Arrangement noted above, a further 722,368,512 ordinary shares of 2000 pence were issued, whereby Reckitt Benckiser Group plc was interposed as the new holding company of the Group. As required by Section 131 of the Companies Act 1985 (Merger Relief), no share premium was recognised. On 25 October 2007 the share capital of Reckitt Benckiser Group plc was reduced by reducing the nominal value of the ordinary shares from 2000 pence to 10 pence as sanctioned by the High Court. As a result £14,375m was added to retained earnings for Reckitt Benckiser Group plc. For the Company this amount is distributable.

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

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £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**

	Share capital £m	Profit and loss reserve £m	Total £m
Movements during the year:			
At 1 January 2008	72	14,312	14,384
Loss for the year		(44)	(44)
Dividends		(441)	(441)
Capital contribution in respect of share based payments		54	54
Share based payments		13	13
Shares repurchased as Treasury shares		(300)	(300)
Treasury shares reissued		63	63
At 31 December 2008	72	13,657	13,729

Reckitt Benckiser Group plc has £13,160m (2008: £13,642m) of its profit and loss reserve available for distribution.

There were £294m of Treasury shares at 1 January 2009. No shares were repurchased in 2009 (2008: £300m) and held in Treasury, whilst £131m (2008: £63m) of Treasury shares were issued to satisfy vestings/exercises under the Group's various share schemes. £163m of Treasury shares were carried forward at 31 December 2009.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 57p per share which will absorb an estimated £410m of shareholders' funds. It will be paid on 27 May 2010 to shareholders who are on the register on 26 February 2010.

Other post balance sheet events are described in note 28 on page 59 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 2009 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 2009 is shown in note 5(c) of the Group accounts on pages 38 and 39.

Table 1: Share awards expense 2009

				Movement in number of options					
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 year ending 2009 £m
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

8 SHARE BASED REMUNERATION (CONTINUED)

Table 2: Share awards expense 2008

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2008 number	Movement in number of options: Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2008 number	Total fair value of grant as at 31 December 2008 £m	Charge for the year ending 2008 £m
Share Options									
2002	17 December 2001	1.95	715,834	–	–	–	715,834	1.4	–
2003	22 November 2002	2.05	1,000,000	–	–	–	1,000,000	2.1	–
2004	08 December 2003	2.46	960,000	–	–	(160,000)	800,000	2.0	–
2005	06 December 2004	2.99	960,000	–	–	–	960,000	2.9	–
2006	05 December 2005	3.33	960,000	–	–	–	960,000	3.2	1.1
2007	08 December 2006	4.23	960,000	–	–	–	960,000	4.1	1.3
2008	11 December 2007	5.99	720,000	–	–	–	720,000	4.3	1.4
2009	08 December 2008	4.69	–	720,000	–	–	720,000	3.4	–
Restricted Shares									
2005	06 December 2004	13.92	480,000	–	–	(480,000)	–	–	–
2006	05 December 2005	16.38	480,000	–	–	–	480,000	7.9	2.6
2007	08 December 2006	21.02	480,000	–	–	–	480,000	10.1	3.4
2008	11 December 2007	27.56	360,000	–	–	–	360,000	9.9	3.3
2009	08 December 2008	24.31	–	360,000	–	–	360,000	8.8	–
Other Share Awards									
UK SAYE	04 September 2006	6.61	1,564	–	–	–	1,564	n/a	–
Total									13.1

Further details of the share awards relating to the two employees are set out in the Directors' Remuneration Report on pages 19 to 24.

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 2009 or 2008 for the purposes of the valuation.

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

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

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

For share options outstanding at 31 December 2009 the range of exercise prices is disclosed in note 5c of the Group accounts. The weighted average remaining contractual life of the outstanding options is 6.74 years (2008: 5.76 years).

The weighted average share price for the year was £28.37 (2008: £27.15).

9 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m (2008: £0.05m).

10 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within Financial Reporting Standard No. 8 not to disclose related party transactions with wholly owned subsidiaries of the Reckitt Benckiser Group. There were no other related party transactions (2008: none).

11 CONTINGENT LIABILITIES

Contingent liabilities are disclosed in note 26 of the Group accounts.

Shareholder information

Annual General Meeting
To be held on Thursday 6 May 2010 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 2009
To be paid (if approved) on 27 May 2010 to shareholders on the register on 26 February 2010.

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	27 April 2010
Annual General Meeting	6 May 2010
Payment of final ordinary dividend	27 May 2010
Announcement of interim results	26 July 2010
Payment of interim ordinary dividend	September 2010
Announcement of quarter 3 results	25 October 2010
Preliminary announcement of 2010 results	9 February 2011
Publication of 2010 Annual Report and Accounts	April 2011
Annual General Meeting	May 2011

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 2009

Left: Sustainability Report 2009 (to be published at www.rb.com)

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