12 February 2014

TARGETS EXCEEDED – ANOTHER STRONG YEAR

Results at a glance (unaudited)	**Q4 £m**	**% change actual exchange**	**% change constant exchange**	**FY £m**	**% change actual exchange**	**% change constant exchange**
Net revenue	**2,501**	+1	+5	**10,043**	+5	+5
- growth (ex RBP)			**+7**			**+7**
*- Like-for-like growth (ex RBP)**			*+4*			*+5*
Operating profit – reported				**2,345**	-4	-4
Operating profit – (ex RBP) adjusted**				**2,188**	+7	+7
Operating profit – adjusted**				**2,616**	+2	+1
Net income – reported				**1,739**	-5	-5
Net income – adjusted**				**1,967**	+2	+2
EPS (diluted) – reported				**238.5p**	-4	
EPS (diluted) – adjusted**				**269.8p**	+2	

* Like-for-like ("LFL") growth excludes the impact of changes in exchange rates, acquisitions and disposals.

** Adjusted results exclude exceptional items of £271m, which includes a £225m charge for liabilities arising from historic regulatory issues, principally competition law related (refer note 3).

Highlights: Full Year

- Total growth (ex RBP, constant) of +7% – exceeding targets. Acquisitions outperforming initial growth expectations on the back of rapid integration and synergy delivery.
- Net revenue LFL +5% growth (ex RBP) – sustained strong performance from ENA (Europe and North America) and LAPAC (Latin America and Asia Pacific). RUMEA (Russia, Middle East and Africa) LFL growth +5%.
- High quality, Health & Hygiene led growth; Durex, Mucinex, Strepsils, Dettol, Lysol, Harpic and Finish particularly strong, offsetting planned streamlining of portfolio brands.
- Significant gross margin expansion of +150bps to 59.4%, driven by mix, pricing, cost optimization initiatives and Private Label discontinuation.
- Continued increased investment in sustainable growth. +£100m BEI (+30bps) - ex RBP.
- Operating profit (ex RBP)** adjusted +7% (constant). Margins up +20bps to 23.6% – exceeding targets.
- Adjusted net income +2% (+2% constant): adjusted diluted EPS of 269.8p (+2%).
- Net working capital improvement of £163m to minus £863m – better receivables and inventory.
- Net debt reduced by £0.3bn to £2.1bn (2012: £2.4bn). Free cash flow > 100% of net income.
- The Board recommends a final dividend of 77p per share bringing the total dividend for 2013 to 137p (+2% versus 2012).
- RB Pharmaceuticals (RBP) – Net revenue -8% (constant), ahead of expectations as US Film share maintained; strategic review underway.

Highlights: Q4 / H2

- Q4 net revenue LFL growth +4% (ex RBP) reflecting continued strong performance from Health/Hygiene Powerbrands in challenging market conditions.
- Q4 total growth + 7% (ex RBP, constant), reflecting excellent performance from Schiff and a strong start with BMS in LATAM.
- H2 operating margin (ex RBP) +70bps, driven by gross margin expansion.

Commenting on these results, Rakesh Kapoor, Chief Executive Officer, said:

"Our strategy for growth and outperformance through driving Health and Hygiene Powerbrands together with our focus on 16 Powermarkets is delivering results. We are pleased with the continued strength of our ENA – Europe and North America performance. And while emerging markets continue to slow, we delivered very strong results in India and China.

We continue to invest in our business to drive sustainable value creation. In 2013, we invested an incremental £100m behind building our brands. We also made substantial investments in building capabilities to compete and win in consumer health and emerging markets.

We made excellent progress with our acquired businesses. The effective integration of Schiff, BMS and Guilong, once again reinforces RB's proven strengths in acquiring high quality businesses and delivering superior shareholder value. I am especially pleased with our performance on Schiff brands. Our decision to roll out MegaRed in 20 markets in 2014 is a reflection of our confidence in the future potential of this category.

For our pharmaceutical business, RBP, the advantages of our Suboxone film are widely recognised by patients and physicians, and this gives our product strength as it faces branded challenge and generic price challenge. Our film share in the US exited the year at 68%, which is an exceptional result. As announced in October, the strategic review of RBP is underway. We will provide an update during the course of 2014.

Market conditions are more challenging now than at the beginning of last year, particularly in some emerging markets. However, we have confidence that our pipeline of innovations, Powerbrand roll-outs and brand investments will deliver another year of high quality growth. Accordingly, we are targeting net revenue growth of 4-5%[1] and flat to moderate operating margin expansion. Both targets exclude RBP."

[1] at constant rates, including the immaterial residual impact of the BMS collaboration.

Basis of Presentation and Exceptional Items

LFL

Where appropriate, the term "like-for-like" (LFL) describes the performance of the business on a comparable basis, excluding the impact of acquisitions, disposals and discontinued operations. It is measured on a constant exchange basis.

Core

Where appropriate, the term "core business" represents the ENA (Europe and North America), RUMEA (Russia, Middle East and Africa) and LAPAC (Latin America and Asia Pacific) geographic areas, and excludes RBP (RB Pharmaceuticals) and RB Food.

Adjusted results and exceptional items

Adjusted results exclude exceptional items, which includes acquisition related integration costs, restructuring costs in relation to the new organization, and a provision for liabilities arising from a number of historic regulatory issues, principally competition law.

Prior year restatements

Prior year comparatives have been restated for the adoption of IAS19 (Revised) and the adjustment of the Schiff opening balance sheet during the hindsight period. The impact of IAS 19 on operating profit, finance expense and net income is detailed in note 1, and Schiff in note 10.

Additionally there has been a presentation change to net pension scheme interest. This had no impact on net income. Refer to note 1.

Detailed Operating Review: Total Group

Full Year 2013

Total full year (FY) net revenue was £10,043m, an increase of +7% at constant exchange rates excluding RBP or +5% LFL (ex RBP). Our LFL growth was Health and Hygiene led as we continue to focus on and invest disproportionately in these categories delivering science based innovations, brand extensions and geographic rollouts. Mucinex, Durex, Dettol and Lysol performed particularly well in 2013. From a geographic perspective over two thirds of the contribution to LFL growth came from our emerging market Areas of LAPAC and RUMEA. Our developed market Area of ENA delivered LFL growth of +3%, a very strong performance in challenging market conditions. The impact of net M&A added +2% to total growth with our acquisitions of Schiff and Guilong and our collaboration with BMS in LATAM all performing strongly, and ahead of ingoing expectations. RBP net revenue declined by 8% due to the loss of our higher margin tablet sales in the US following generic tablet entry and our voluntary withdrawal of Suboxone tablets. However market share of Suboxone film in the US was sustained at around 68% despite the launch of generic tablets in March.

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

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

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

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

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

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

Fourth quarter 2013

Total Q4 net revenue was £2,501m, an increase of +7% at constant rates excluding RBP or +4% LFL (ex RBP). Growth came from all main core categories of Health, Hygiene and Home. Within Health strong growth in Nurofen, Scholl footcare, Durex and Gaviscon was offset by Strepsils and Mucinex which were impacted by strong comparatives. Veet, Dettol and Lysol performed well within Hygiene and Vanish had a very strong quarter within Home. On a geographic basis LAPAC produced a strong performance in China, and also in India, despite a further slowing of market growth. In RUMEA the changes made in the organization are beginning to show modest early results, but there is still much to do. However, a further slowdown in Russia and continued socio-political challenges in certain markets impacted growth in the quarter. The developed market Area ENA produced a strong relative performance given the backdrop of tough comparatives.

FY 2013 Business Review

Summary: % net revenue growth

	Q4				FY			
	LFL	**Net M&A***	**FX**	**Reported**	**LFL**	**Net M&A***	**FX**	**Reported**
ENA**	+2%	+3%	+1%	+6%	+3%	+2%	+3%	+7%
LAPAC	+9%	+6%	-12%	+3%	+10%	+3%	-6%	+8%
RUMEA**	+3%	-1%	-7%	-6%	+5%	-1%	-3%	+1%
Food	-	-	-2%	-2%	-	-	+1%	+1%
Group ex RBP	**+4%**	**+3%**	**-4%**	**+3%**	**+5%**	**+2%**	**-1%**	**+6%**

* Reflects acquisitions, withdrawal from Propack (Private Label) and disposal / discontinuance of a number of minor businesses.

** Scholl footwear business, previously reported as part of RUMEA, is now reported as part of ENA. Net revenue values and growth rates have been restated / calculated based on this reclassification.

Note: due to rounding, this table will not always cast

Analyses by operating segment of net revenue and adjusted operating profit, and of net revenue by product group are set out below. The Executive Committee of the Group assesses the performance of the operating segments based on net revenue and adjusted operating profit. This measurement basis excludes the effect of exceptional items.

Review by Operating Segment

Quarter ended 31 December 2013 £m	2012* £m	% change exch. Rates actual	const.		Full Year ended 31 December 2013 £m	2012* £m	% change exch. Rates actual	const.
				Total Net revenue				
1,315	1,243	+6	+5	ENA	**5,074**	4,744	+7	+4
608	591	+3	+14	LAPAC	**2,511**	2,327	+8	+14
301	320	-6	+2	RUMEA	**1,356**	1,338	+1	+4
91	93	-2	-	Food	**325**	321	+1	-
2,315	2,247	+3	+7	**Total – ex RBP**	**9,266**	8,730	+6	+7
186	229	-19	-18	RBP	**777**	837	-7	-8
2,501	2,476	+1	+5	**Total**	**10,043**	9,567	+5	+5

				Operating profit – adjusted**				
				ENA	**1,321**	1,156	+14	+12
				LAPAC	**495**	465	+6	+12
				RUMEA	**284**	296	-4	-2
				Food	**88**	92	-4	-5
				Corporate***	**-**	32	n/a	n/a
				Total – ex RBP	**2,188**	2,041	+7	+7
				RBP	**428**	536	-20	-21
				Subtotal before exceptional items	**2,616**	2,577	+2	+1
				Exceptional items	**(271)**	(135)		
				Total	**2,345**	2,442	-4	-4

				Operating margin – adjusted**	**%**	%		
				ENA	**26.0**	24.4		
				LAPAC	**19.7**	20.0		
				RUMEA	**20.9**	22.1		
				Food	**27.1**	28.7		
				Corporate ***	**n/a**	n/a		
				Total – ex RBP	**23.6**	23.4		
				RBP	**55.1**	64.0		
				Total	**26.0**	26.9		

* ENA and RUMEA comparatives restated to reflect the geographical reclassification of Footwear. Prior year adjusted operating profit restated for IAS19 adjustment and a reclassification of net pension scheme interest.

** Adjusted to exclude the impact of exceptional items.

***Specific items of income and expense reported to the Chief Operating Decision Maker outside of the individual segment financial information, are shown in the Corporate segment. For the 12 months ended 31 December 2012, this related primarily to the disposal of the Paras Personal Care business.

In the following business review growth rates are given at constant exchange rates. Margins are at actual rates.

ENA **57% of core net revenue**

FY total net revenue was £5,074m, with LFL growth of +3% and total growth of +4%. 2013 was a strong year for ENA with growth returning to most parts of Europe, with the exception of Southern Europe. All of our consumer health Powerbrands delivered strong performances. Scholl, Strepsils and Nurofen in particular performed well behind innovations such as the new Scholl Express Pedi for hard skin and Nurofen for Children.

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

The fourth quarter saw +2% growth on an LFL basis as continued market challenges and tough comparatives on Mucinex and Strepsils were compensated by good growth in our non-seasonal consumer health brands of Nurofen, Scholl, Durex and Gaviscon. Growth was also driven by strong performances from Dettol / Lysol within Hygiene, and Vanish (Europe) and Air Wick (US) within Home.

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

LAPAC **28% of core net revenue**

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

Q4 LFL growth was +9%, held back by a slowdown in a number of markets, particularly India, Brazil and Thailand.

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

RUMEA **15% of core net revenue**

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

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

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

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

Food

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

Pharmaceuticals ("RBP")

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

Our non US business was impacted by government imposed price reductions in a number of European markets.

The Q4 decline of -18% was in line with previous guidance given the stable Film market share position in the US.

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

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

RBP is a strong, sustainable business with good long term prospects. It has a market leading, physician and patient preferred product in the US, with strong patent protection up until 2030. The business outside of the US has much potential in what are currently under-treated markets. We also have a strong pipeline, as we look to deliver to patients the next generation products for opioid addiction. These longer term prospects will be tempered with short term volatility. We continue to expect erosion of Film share with some more price sensitive patients and payors switching to cheaper alternatives. We are pleased to announce that we have recently appointed a new Chairman who will play an important part in the next stage of RBP's evolution.

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

FY 2013 Category Review

Summary: % net revenue growth

	Q4				FY			
	LFL	**Net M&A***	**FX**	**Reported**	**LFL**	**Net M&A***	**FX**	**Reported**
Health	+7%	+16%	-2%	+20%	+10%	+16%	+1%	+27%
Hygiene	+6%	-1%	-5%	-	+7%	-1%	-2%	+4%
Home	+3%	-	-4%	-1%	+2%	-1%	-1%	-
Portfolio	-16%	-13%	-1%	-29%	-12%	-17%	+1%	-28%

* Reflects the acquisitions of Schiff and other minor acquisitions, withdrawal from Propack (Private Label) and disposal / discontinuance of a number of minor businesses.

Note: due to rounding, this table will not always cast

Quarter ended 31 December					Full Year ended 31 December			
2013 £m	2012 £m	% change exch. Rates actual	const.		**2013 £m**	2012* £m	% change exch. Rates actual	const.
				Net revenue by category				
729	606	+20	+22	Health	**2,633**	2,068	+27	+27
894	897	-	+5	Hygiene	**3,835**	3,682	+4	+6
495	501	-1	+3	Home	**1,974**	1,966	-	+1
106	150	-29	-28	Portfolio Brands	**499**	693	-28	-29
91	93	-2	-	Food	**325**	321	+1	-
2,315	2,247	+3	+7	**Total – ex RBP**	**9,266**	8,730	+6	+7
186	229	-19	-18	RBP	**777**	837	-7	-8
2,501	2,476	+1	+5	**Total**	**10,043**	9,567	+5	+5

Operating profit – adjusted				
Health, Hygiene, Home & Portfolio	**2,100**	1,917	+10	+10
Food	**88**	92	-4	-5
Corporate	**-**	32	n/a	n/a
Total – ex RBP	**2,188**	2,041	+7	+7
RBP	**428**	536	-20	-21
Total	**2,616**	2,577	+2	+1
Exceptional items	**(271)**	(135)		
Total	**2,345**	2,442	-4	-4

Operating margin – adjusted	**%**	%
Health, Hygiene, Home & Portfolio	**23.5**	22.8
Food	**27.1**	28.7
Corporate	**n/a**	n/a
Total – ex RBP	**23.6**	23.4
RBP	**55.1**	64.0
Total	**26.0**	26.9

* Prior year adjusted operating profit restated for IAS19 adjustment and a reclassification of net pension scheme interest.

The following category review is given at constant exchange rates.

Health **29% of core net revenue**

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

The Q4 results of +7% LFL, delivered a strong quarter on the back of tough comparatives. Growth was driven by Durex, with condoms, pleasure gels and devices. Recently launched innovations such as Real Feel condoms continued to perform strongly, and were well supported by our new digital and marketing campaigns. Gaviscon had a strong performance in the quarter via our Double Action and Advance formulations when we stepped up support behind media and health care professional detailing in key markets. Scholl Footcare also performed well following the continued success of our new Scholl Pedi product for hard skin.

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

Hygiene **43% of core net revenue**

FY net revenue increased to £3,835m, with LFL growth of +7% (Q4 LFL growth of +6%). Both the final quarter and the year were driven by strong growth in the Dettol / Lysol franchise across all three of our Areas. Our “Healthing” campaign combined with the continued expansion and success of the Power & Free portfolio drove growth across ENA. In emerging market Areas we continue to focus on driving brand equity building initiatives such as our new mums hospital visit, and schools programmes. Our successful category extension of Dettol Kitchen Gel, has driven strong growth in India for both Q4 and the full year. Hand wash was strong in both developed and emerging market Areas driven by the continued success of Lysol / Dettol hand wash foam in the US, Germany, Korea and China.

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

Home **22% of core net revenue**

FY net revenue increased to £1,974m, a LFL growth rate of +2% (Q4 LFL growth of +3%). Vanish had a very strong final quarter as we re-focused the strategy on penetration, underpinned by the launch of our successful online “Vanish Tip Exchange” campaign in Europe and a number of our emerging market countries. Air Wick showed an improved performance in the USA.

Portfolio **6% of core net revenue**

FY net revenue decreased to £499m, with a LFL decline of -12% (Q4 LFL decline of -16%). This continued to be due principally to actions taken in the European footwear business and continued weakness in laundry detergents and fabric softeners in Southern Europe.

New Product Initiatives: H1 2014

RB announces a number of new product initiatives for the first half of 2014:

Health:

- Launch of Mucinex Allergy. A non-drowsy Antihistamine, with 24 hour Relief of Indoor & Outdoor Allergies.
- MegaRed Omega3 Krill Oil – European launch. Scientifically proven for a healthy heart. One small pill, no fishy smell or aftertaste.
- Airborne Everyday Immune Support plus Multivitamin. Helps support your immune system daily; and contains multivitamins for overall wellness.
- Nurofen for Children Cold, Pain and Fever. Provides trusted, fast effective relief for fever and body ache.
- Nurofen for Youth. Effective relief from pains for 'youth' with the appropriate dose of medicine.
- Durex Real Feel Condoms. The world's thinnest polyisoprene condom – natural skin-on-skin feeling.
- Scholl Velvet Smooth Express Pedi – Electronic Foot File. Perfectly smooth skin in one application.

Hygiene:

- Finish Power & Pure with Active Oxygen. Sparkling clean dishes, less chemicals.
- Veja Power & Pure – extending the "Power & Pure" platform into multi-purpose cleaners. Powerful cleaners without the harshness of bleach.
- Dettol – body and hand wash with advanced pH balanced formula. Soft on skin, tough on germs.
- Harpic Hygiene Max. The next generation of cage-free in-the-bowl Cleaners. For continuous freshness, lasting up to 500 flushes.

Home:

- Vanish Oxi-Action. Tip Exchange programme now in 25+ markets for consumers to share their tips and help each other triumph over stains.
- Air Wick – Home Signature – Premium Reeds. Delicately fragrance the home, with style to create a pleasant atmosphere.
- Air Wick Rare Scents. For an uplifting natural experience that reinvigorates your home.

Financial Review

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

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

Tax. The tax rate was 25%, an increase from the 2012 rate of 24%. This was primarily due to the non-deductibility of the exceptional items. The adjusted tax rate was 24%.

Net working capital (inventories, trade and other receivables and trade and other payables) of minus £863m, an improvement on the 31 December 2012 level, due to improvements in both receivables and inventories.

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

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

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

£225m	as previously guided, charge for historic regulatory issues, principally competition law,
£46m	restructuring costs in relation to the new organization, acquisition and associated integration costs. These costs are in line with previously communicated guidance.

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

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

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

Dividends. The Board of Directors recommends a final dividend of 77 pence (2012: 78 pence), to give a full year dividend of 137 pence (2012: 134 pence), an overall increase of +2%. The dividend, if approved by shareholders at the AGM on 7 May 2014, will be paid on 29 May to shareholders on the register at the record date of 21 February. The ex-dividend date is 19 February and the last date for election for the share alternative to the dividend is 7 May. The final dividend will be accrued once approved by shareholders.

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

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

2014 Targets

We are targeting:

- net revenue growth of +4-5%*
- flat to moderate operating margin** expansion

These targets exclude RBP.

* At constant rates including the immaterial residual impact of the BMS collaboration.
**Adjusted to exclude the impact of exceptional items.

For further information, please contact:

RB

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Notice to shareholders

Cautionary note concerning forward-looking statements

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

Group Income Statement
For the 12 months ended 31 December 2013 (unaudited)

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

[1] Refer to note 1 for further details.

Group Statement of Comprehensive Income
For the 12 months ended 31 December 2013 (unaudited)

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

[1] Refer to note 1 for further details.

Group Balance Sheet
As at 31 December 2013 (unaudited)

	Notes	**Unaudited 31 December 2013 £m**	Unaudited 31 December 2012 (restated)[1] £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**11,141**	11,162
Property, plant and equipment		**761**	736
Deferred tax assets		**47**	49
Available for sale financial assets		**-**	2
Retirement benefit surplus		**50**	27
Other receivables	10	**249**	33
		12,248	12,009
Current assets			
Inventories		**746**	735
Trade and other receivables		**1,306**	1,407
Derivative financial instruments		**22**	4
Current tax receivables		**17**	20
Available for sale financial assets		**2**	4
Cash and cash equivalents		**808**	887
		2,901	3,057
Total assets		**15,149**	15,066
LIABILITIES			
Current liabilities			
Borrowings		**(2,169)**	(3,271)
Provisions for liabilities and charges	7	**(215)**	(104)
Trade and other payables		**(2,915)**	(2,842)
Derivative financial instruments		**(159)**	(43)
Current tax liabilities		**(203)**	(203)
		(5,661)	(6,463)
Non-current liabilities			
Borrowings		**(598)**	(3)
Deferred tax liabilities		**(1,702)**	(1,824)
Retirement benefit obligations		**(301)**	(426)
Provisions for liabilities and charges	7	**(156)**	(100)
Non-current tax liabilities		**(329)**	(311)
Other non-current liabilities		**(66)**	(17)
		(3,152)	(2,681)
Total liabilities		**(8,813)**	(9,144)
Net assets		**6,336**	5,922
EQUITY			
Capital and reserves			
Share capital		**74**	73
Share premium		**243**	184
Merger reserve		**(14,229)**	(14,229)
Hedging reserve		**15**	2
Foreign currency translation reserve		**(494)**	(131)
Retained earnings		**20,725**	20,022
		6,334	5,921
Non-controlling interests		**2**	1
Total equity		**6,336**	5,922

[1] Refer to note 10 for further details.

Group Statement of Changes in Equity
For the 12 months ended 31 December 2013 (unaudited)

Restated[1]	Notes	Share capital £m	Share Premium £m	Merger reserve £m	Hedging reserve £m	Foreign Currency Translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-Controlling interests £m	Total equity £m
Balance at 1 January 2012		**73**	**86**	**(14,229)**	**(1)**	**110**	**19,672**	**5,711**	**70**	**5,781**
Comprehensive income										
Net income							1,821	1,821	4	1,825
Other comprehensive (expense) / income										
Remeasurements of defined benefit plans, net of tax							(41)	(41)		(41)
Gains on cash flow hedges, net of tax					3			3		3
Net exchange losses on foreign currency translation, net of tax						(250)		(250)	(5)	(255)
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax						9		9		9
Total other comprehensive income / (expense)		-	-	-	3	(241)	(41)	(279)	(5)	(284)
Total comprehensive income / (expense)		**-**	**-**	**-**	**3**	**(241)**	**1,780**	**1,542**	**(1)**	**1,541**
Transactions with owners										
Proceeds from share issue			98					98		98
Share-based payments							49	49		49
Current tax on share awards							23	23		23
Shares repurchased and held in Treasury							(535)	(535)		(535)
Dividends	8						(916)	(916)	(4)	(920)
Acquisition of non-controlling interest							(51)	(51)	(55)	(106)
Reclassification of non-controlling interest on disposal									(9)	(9)
Total transactions with owners		**-**	**98**	**-**	**-**	**-**	**(1,430)**	**(1,332)**	**(68)**	**(1,400)**
Balance at 31 December 2012		**73**	**184**	**(14,229)**	**2**	**(131)**	**20,022**	**5,921**	**1**	**5,922**
Comprehensive income										
Net income							1,739	1,739	1	1,740
Other comprehensive income / (expense)										
Remeasurements of defined benefit plans, net of tax							41	41		41
Gains on cash flow hedges, net of tax					13			13		13
Net exchange losses on foreign currency translation, net of tax						(369)		(369)		(369)
Gains on net investment hedges						6		6		6
Total other comprehensive income / (expense)		-	-	-	13	(363)	41	(309)	-	(309)
Total comprehensive income / (expense)		**-**	**-**	**-**	**13**	**(363)**	**1,780**	**1,430**	**1**	**1,431**
Transactions with owners										
Proceeds from share issue		1	59					60		60
Share-based payments							55	55		55
Current tax on share awards							16	16		16
Deferred tax on share awards							44	44		44
Shares repurchased and held in Treasury							(279)	(279)		(279)
Treasury shares re-issued							79	79		79
Dividends	8						(992)	(992)		(992)
Total transactions with owners		**1**	**59**	**-**	**-**	**-**	**(1,077)**	**(1,017)**	**-**	**(1,017)**
Balance at 31 December 2013		**74**	**243**	**(14,229)**	**15**	**(494)**	**20,725**	**6,334**	**2**	**6,336**

[1] Refer to note 1 for further details.

Group Cash Flow Statement
For the 12 months ended 31 December 2013 (unaudited)

	Notes	**Unaudited Year ended 31 December 2013 £m**	Unaudited Year ended 31 December 2012 (restated)[1] £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations			
Operating profit		**2,345**	2,442
Depreciation amortisation and impairment		**171**	148
Fair value losses/(gains)		**1**	(7)
Gain on sale of property, plant and equipment and intangible assets		**-**	(13)
Gain on sale of businesses		**-**	(32)
(Increase)/decrease in inventories		**(61)**	19
Decrease/(increase) in trade and other receivables		**32**	(16)
Decrease in payables and provisions		**(18)**	(167)
Non-cash exceptional items		**231**	-
Share-based payments		**55**	49
Cash generated from operations		**2,756**	2,423
Interest paid		**(49)**	(34)
Interest received		**25**	27
Tax paid		**(611)**	(528)
Net cash generated from operating activities		**2,121**	1,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(200)**	(166)
Purchase of intangible assets		**(25)**	(11)
Disposal of property, plant and equipment		**9**	13
Disposal of intangible assets		**-**	9
Acquisition of businesses, net of cash acquired	10	**(418)**	(877)
Disposal of businesses, net of cash disposed		**-**	81
Maturity/(purchase) of short-term investments		**2**	7
Maturity of long-term investments		**2**	14
Net cash outflow on deconsolidation of a subsidiary		**-**	(6)
Net cash used in investing activities		**(630)**	(936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**60**	98
Shares purchased and held in Treasury		**(279)**	(535)
Treasury shares re-issued		**79**	-
Proceeds from borrowings		**637**	887
Repayments of borrowings		**(1,002)**	(112)
Dividends paid to owners of the parent	8	**(992)**	(916)
Dividends paid to non-controlling interests		**-**	(4)
Acquisition of non-controlling interest		**(28)**	(106)
Net cash used in financing activities		**(1,525)**	(688)
Net (decrease)/increase in cash and cash equivalents		**(34)**	264
Cash and cash equivalents at beginning of the year		**882**	634
Exchange losses		**(43)**	(16)
Cash and cash equivalents at end of the year		**805**	882
Cash and cash equivalents comprise			
Cash and cash equivalents		**808**	887
Overdrafts		**(3)**	(5)
		805	882

[1] Refer to note 1 for further details.

1 ACCOUNTING POLICIES

General
Reckitt Benckiser Group plc is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 103-105 Bath Road, Slough, Berkshire, SL1 3UH.

These condensed financial statements have not been audited.

Basis of Preparation
These condensed financial statements for the year ended 31 December 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. They have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) but do not comply with the full disclosure requirements of these standards.

These condensed financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 December 2012 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

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 is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing these condensed financial statements.

Changes in Accounting Policy
Except as described below, the accounting policies adopted in the preparation of the condensed financial statements are consistent with those described on pages 43-46 of the Annual Report and Financial Statements for the year ended 31 December 2012.

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

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

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

IFRS 10 replaces previous guidance on control and consolidation, IFRS 11 requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement, and IFRS 12 requires enhanced disclosures of the nature, risks and financial effects associated with the Group’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. These three standards are not mandatory for the Group until 1 January 2014; however the Group has decided to early adopt the standards as of 1 January 2013. The impact on the Group of applying these standards is not material.

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

1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

Group income statement	Year ended 31 December 2012 £m
Decrease in cost of sales	1
Decrease in net operating expenses	6
Increase in operating profit	**7**
Increase in finance expense	(19)
Decrease in tax on profit on ordinary activities	4
Decrease in net income	**(8)**
Group statement of comprehensive income	
Remeasurements of defined benefit pension plans, net of tax	8
Increase in other comprehensive income	**8**
Net impact on total comprehensive income	**-**

Basic, diluted, adjusted basic and adjusted diluted earnings per share all decreased by 1.1 pence for the year ended 31 December 2012 as a result of adoption of IAS19 (Revised).

The Group Cash Flow statement was restated as a result of the change in operating profit, with an offsetting decrease in payables and provisions.

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

2 OPERATING SEGMENTS

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

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

As previously announced, the Scholl Footwear business previously reported as part of RUMEA, is now reported as part of ENA. Comparative information has been restated on a consistent basis.

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

Specific items of income and expense reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment. For the year ended 31 December 2013 the Corporate segment had £nil profit or loss (2012: £32m – relating primarily to the disposal of the Paras Personal Care business).

Operating Segments

The segment information provided to the Executive Committee for the operating segments for the year ended 31 December 2013 is as follows:

2013	**ENA £m**	**LAPAC £m**	**RUMEA £m**	**Food £m**	**Corporate £m**	**Total Ex-RBP £m**	**RBP £m**	**Total £m**
Net revenue	**5,074**	**2,511**	**1,356**	**325**	**–**	**9,266**	**777**	**10,043**
Depreciation, amortisation and impairment	**93**	**48**	**9**	**5**	**–**	**155**	**16**	**171**
Adjusted operating profit	**1,321**	**495**	**284**	**88**	**–**	**2,188**	**428**	**2,616**
Exceptional items								**(271)**
Operating profit								**2,345**
Net finance expense								**(31)**
Profit on ordinary activities before taxation								**2,314**

2012 (restated)[1]	ENA £m	LAPAC £m	RUMEA £m	Food £m	Corporate £m	Total Ex-RBP £m	RBP £m	Total £m
Net revenue	4,744	2,327	1,338	321	–	8,730	837	9,567
Depreciation, amortisation and impairment	95	32	8	5	–	140	8	148
Adjusted operating profit	1,156	465	296	92	32	2,041	536	2,577
Exceptional items								(135)
Operating profit								2,442
Net finance expense								(34)
Profit on ordinary activities before taxation								2,408

(1) Restated for Scholl Footwear segment move from RUMEA to ENA (Net Revenue £66m, operating loss £7m) and the impact of the accounting policy change discussed in note 1.

2 OPERATING SEGMENTS (CONTINUED)

Analysis of Categories

The Group analyses its revenue by the following categories:

	Net revenues 2013 £m	Net revenues 2012 £m
Health	**2,633**	2,068
Hygiene	**3,835**	3,682
Home	**1,974**	1,966
Portfolio brands	**499**	693
Food	**325**	321
	9,266	8,730
RB Pharmaceuticals	**777**	837
Total	**10,043**	9,567

3 EXCEPTIONAL ITEMS

	2013 £m	2012 £m
Legal provision	**225**	-
Acquisition, integration and restructuring costs	**46**	135
Total exceptional items	**271**	135

The Group incurred an exceptional charge of £271m during the year in respect of the following:

- £225m legal provision for historic regulatory issues (2012: £nil). Refer to note 7.
- £46m restructuring costs in relation to the new organization, acquisition and integration costs (2012: £135m relating to the new organization, acquisition and integration costs, and withdrawal of private label). This consists primarily of redundancy and business integration costs which have been included within operating expenses.

4 INCOME TAXES

The tax rate was 25%, an increase from the 2012 rate of 24%. The increase was primarily due to the non-tax deductibility of some of the exceptional charges, in part offsetting further reductions in the UK corporation tax rate. The tax rate for adjusted net income was 24% (2012: 24%).

5 EARNINGS PER SHARE

	2013 pence	2012 (restated)[1] pence
Basic earnings per share	**242.1**	251.4
Diluted earnings per share	**238.5**	248.4
Adjusted basic earnings per share	**273.8**	266.5
Adjusted diluted earnings per share	**269.8**	263.3

(1) Refer to note 1 for further details.

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the Parent (2013: £1,739m (2012: £1,821m)) by the weighted average number of ordinary shares in issue during the year (2013: 718,384,234 (2012: 724,238,235)).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: Executive Share Options and Employee Sharesave schemes. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2013, there were 4m (2012: 4m) of Executive Share Options not included within the dilution because the exercise price for the options was greater than the average share price for the year.

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

Details of the adjusted net income attributable to owners of the parent are as follows:

	2013 **£m**	2012 (restated)[1] £m
Net income attributable to owners of the parent	**1,739**	1,821
Exceptional items	**271**	135
Tax effect of exceptional items	**(43)**	(26)
Adjusted net income attributable to owners of the parent	**1,967**	1,930

	2013 Average number of shares	2012 Average number of shares
On a basic basis	**718,384,234**	724,238,235
Dilution for Executive Options outstanding and Executive Restricted Share Plan	**9,829,873**	8,098,123
Dilution for Employee Sharesave Scheme Options outstanding	**838,787**	659,327
On a diluted basis	**729,052,894**	732,995,685

(1) Refer to note 1 for further details.

6 NET DEBT

Analysis of net debt	**2013** **£m**	2012 £m
Cash and cash equivalents	**808**	887
Overdrafts	**(3)**	(5)
Borrowings (excluding overdrafts)	**(2,764)**	(3,269)
Available for sale financial assets	**2**	4
Derivative financial instruments	**(139)**	(43)
Net debt at end of year	**(2,096)**	(2,426)

Reconciliation of net debt	**2013** **£m**	2012 £m
Net debt at beginning of year	**(2,426)**	(1,795)
Net (decrease)/increase in cash and cash equivalents	**(34)**	264
Repayment of borrowings	**1,002**	112
Proceeds from borrowings	**(637)**	(887)
Borrowings acquired in business combination	**-**	(99)
Exchange and other movements	**(1)**	(21)
Net debt at end of year	**(2,096)**	(2,426)

7 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated.

Provisions for liabilities and charges include legal (£286m, 2012: £59m), restructuring (£24m, 2012: £66m) and other provisions (£61m, 2012: £79m).

Legal provisions include £222m (2012: £nil) of exceptional legal provisions in relation to a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries.

The restructuring provision relates principally to redundancies, the majority of which is expected to be utilised within one year.

Other provisions include onerous lease provisions and environmental and other obligations throughout the Group, the majority of which are expected to be used within five years.

8 DIVIDENDS

	2013 £m	2012 £m
Dividends on equity ordinary shares:		
2012 Final paid: 78p (2011: Final 70p) per share	**561**	511
2013 Interim paid: 60p (2012: Interim 56p) per share	**431**	405
Total dividends for the year	**992**	916

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 77p per share which will absorb an estimated £554m of Shareholders' funds. If approved by Shareholders it will be paid on 29 May 2014 to Shareholders who are on the register on 21 February 2014, with an ex-dividend date of 19 February 2014.

9 CONTINGENT LIABILITIES

Contingent liabilities comprising guarantees relating to subsidiary undertakings, at 31 December 2013 amounted to £1m (2012: £3m).

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

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

10 BUSINESS ACQUISITIONS AND DISPOSALS

a. Collaboration with Bristol-Myers Squibb (BMS)

On 8 May 2013 the Group received regulatory approval for a three-year collaboration agreement with BMS for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. This arrangement, which also includes personnel, supply contracts and an option to acquire legal title to the related intellectual property at the end of the collaboration period for a multiple of earnings, was secured for an upfront cash payment of $482m (£311m). This transaction is accounted for as a business combination under IFRS 3 (Revised) *Business Combinations*.

The collaboration agreement provides the Group with an immediate healthcare platform, distribution network and infrastructure in Latin America and trusted brands with a strong fit with the Group's existing health portfolio.

All assets and liabilities were recognised at the following provisional fair values. The amount of consideration transferred over the net assets acquired is recognised as goodwill in the Group financial statements.

	Provisional fair value £m
Intangible asset	57
Deferred tax assets	4
Provisions	(16)
Net assets acquired	45
Goodwill	36
Consideration transferred for net assets and goodwill	81
Payment for prepaid option	250
Total consideration transferred	331
Cash consideration	311
Deferred consideration	20
Total consideration transferred	331

Related to the transaction, payments totalling £250m have been attributed to the future option to acquire legal title to the related intellectual property. The option is exercisable by the Group at the end of the collaboration period, subject to certain payments, in addition to the £331m, to be made at that time. The prepayment of this option is not an asset purchased as part of the business combination under IFRS 3 (Revised), and is therefore disclosed separately in the table above. The prepayment is included in other non-current receivables.

The intangible asset acquired relates to the 3-year collaboration agreement.

Goodwill represents the strategic premium to establish an immediate platform, infrastructure and distribution network in the Latin American over-the-counter consumer health care market, the value of expected synergy savings, and assembled workforce.

Acquisition related costs of £3m are included in net operating expenses and exceptional items in the income statement.

The fair values of identifiable net assets are stated at provisional amounts which will be finalised within the 12-month hindsight period following acquisition. Provisional fair value adjustments cover the recognition of acquired intangibles and their associated deferred tax, and accounting policy alignment.

All assets and liabilities are included within the LAPAC operating segment and the health category. The amount of revenue and profit of the BMS business since acquisition were not material in the context of the Group Income Statement. Had the business been acquired on 1 January 2013, the revenue and profit of the Group for the year would not have been materially different from those appearing in the Group Income Statement.

b. Acquisition of Schiff

On 14 December 2012 the Group acquired control of Schiff by acquiring 100% of the issued share capital for a consideration of $1.3bn (£813m). Schiff is a leading provider of branded vitamins, nutrition supplements and nutrition bars predominantly in the US. Schiff's vitamins, minerals and supplements

(VMS) product portfolio includes a number of market leading brands in the specialist product category in the US. This transaction has been accounted for by the acquisition method.

The fair values of the identifiable assets and liabilities at the date of acquisition were provisionally estimated and disclosed in the 2012 Annual Report and Financial Statements. The table below sets out the movements from the provisional fair values detailed in the 2012 Annual Report and Financial Statements and the updated final fair values at acquisition date. The adjustments made to restate the Group balance sheet primarily relate to the recognition of a minor brand intangible, and adjustments to provisions for legal matters and trade related expenses due to additional information which has come to light during the hindsight period and recognition of related deferred tax liabilities.

These adjustments have been recorded as a prior year restatement of the balance sheet of the Group as at 31 December 2012. There is no impact to the Group income statement for the year ended 31 December 2012.

	Provisional fair values at acquisition date £m	Additional fair value adjustments £m	Final fair values at acquisition date £m
Intangible assets	811	4	815
Property, plant and equipment	9	(1)	8
Inventories	27		27
Trade and other receivables	27		27
Current tax receivable	9		9
Cash and cash equivalents	6		6
Borrowings	(99)		(99)
Provisions for liabilities and charges (current)	(42)	24	(18)
Trade and other payables	(37)		(37)
Deferred tax liabilities	(268)	(10)	(278)
Provisions for liabilities and charges (non-current)	(3)		(3)
Other non-current liabilities	(1)		(1)
Net assets acquired	439	17	456
Goodwill	374	(17)	357
Total consideration transferred	813	-	813
Total cash consideration	813	-	813
Total consideration transferred	813	-	813

The intangible assets acquired include the brand assets associated with Airborne, Digestive Advantage, MegaRed, Move Free and Schiff Vitamins.

c. Minor acquisitions and disposals

On 8 January 2013 the Group obtained control of Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products, by acquiring 100% of the share capital.

On 17 September 2012 the Group acquired a 100% interest in SICO by acquiring the trade and business assets of the leading Mexican condom manufacturer.

On 29 May 2012 the Group sold the Paras personal care business for £81m, net of cash disposed. A gain of £32m is recognised in the income statement for the year ended 31 December 2012, of which £15m arises from deferred tax.